THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Agri-Industries Holdings Limited, you should at once pass this circular together with the accompanying form of proxy to the purchaser, the transferee, the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

中粮
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)

DISCLOSEABLE AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company in respect of the Acquisition

BNP PARIBAS

Independent Financial Adviser to the
Independent Board Committee and the independent shareholders

OPTIMA CAPITAL

Optima Capital Limited

A letter from the Independent Board Committee with its recommendations to the independent shareholders of China Agri-Industries Holdings Limited (the "**Company**") is set out on page 20 of this circular and a letter from Optima Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the independent shareholders of the Company is set out on pages 21 to 38 of this circular.

A notice convening an extraordinary general meeting ("**EGM**") of the Company to be held at Crystal Ballroom, Level B3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 7 July 2017 at 10:00 a.m. is set out on pages 45 to 46 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 (excluding any part of a day that is a public holiday) before the time scheduled for the holding of the EGM (i.e. before Hong Kong time 10:00 a.m. on 5 July 2017) 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.

20 June 2017

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

"Acquisition"	the Purchaser to acquire the Equity Interests in the Target Company from the Vendor
"Agreement"	the equity transfer agreement entered into between the Purchaser and the Vendor on 25 May 2017
"Announcement"	the Company's announcement dated 25 May 2017
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	associate(s) as that term is defined in the Listing Rules
"Board"	the board of directors of the Company
"business day"	any day other than Saturday, Sunday or the day which banks in the PRC are authorised or obligated to close for business in accordance with applicable laws
"China Foods"	China Foods Limited (中國食品有限公司), a limited liability company incorporated in Bermuda, whose shares are listed on the main board of the Stock Exchange
"COFCO"	COFCO Corporation (中糧集團有限公司), a wholly state-owned company established in the PRC currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and the ultimate controlling shareholder of the Company
"COFCO Group"	COFCO and its subsidiaries
"Company"	China Agri-Industries Holdings Limited (中國糧油控股有限公司), a limited liability company incorporated in Hong Kong listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition under the Agreement
"Consideration"	the consideration of the Acquisition
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting to be held at Crystal Ballroom, Level B3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 7 July 2017 at 10:00 a.m. by the Company to consider, and if thought fit, to approve the Agreement and the Acquisition

"Enlarged Group"	the Group as enlarged by the Acquisition immediately after the Completion
"Equity Interests"	the 100% equity interests indirectly held by China Foods through COFCO Food Sales & Distribution Co., Ltd. in the Target Company
"Group"	the Company and its subsidiaries
"IFA"	Optima Capital Limited, a licensed corporation carrying out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities Futures Ordinance, and the independent financial adviser appointed to advise the Independent Board Committee and the independent shareholders in respect of the Acquisition
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive directors of the Company established for the purpose of reviewing the Agreement and the Acquisition
"independent shareholder(s)"	shareholders of the Company other than COFCO and its associates
"Latest Practicable Date"	14 June 2017, the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
"Letter of Undertaking"	the Letter of Undertaking dated 25 May 2017 issued by China Foods in respect of the undertaking on documents, materials and information provided by the Vendor as set out in the paragraph headed "Undertakings by China Foods" in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Non-competition Undertaking"	the non-competition undertaking dated 25 May 2017 issued by China Foods in respect of certain undertakings as set out in the paragraph headed "Undertakings by China Foods" in this circular
"OEM"	original equipment manufacturers (i.e. commissioning other manufactures for production)
"percentage ratios"	have the same meanings ascribed thereto under Rule 14.07 of the Listing Rules

"PRC"	the People's Republic of China
"Purchaser"	COFCO Fortune Holdings Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Registered Trademark License Contract"	the registered trademark license contract (《註冊商標使用許可合同》) and its supplementary agreement entered into between COFCO and the Target Company dated 25 May 2017 in relation to the Relevant "Fortune" (福临门) Brand Trademarks
"Relevant "Fortune" (福临门) Brand Trademarks"	the relevant "Fortune" (福临门) brand trademarks used in the Target Business
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of the Company
"Shareholder(s)"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Business"	the sale, distribution and marketing of consumer-pack edible oil and other kitchen food products (including consumer-pack sugar, soy sauce, vinegar, monosodium glutamate (MSG), seasoning and grains)
"Target Company"	COFCO Fortune Foods Sales & Distribution Co., Ltd. (中糧福臨門食品營銷有限公司), a limited liability company incorporated in the PRC
"Trademarks Option"	the option to purchase the Relevant "Fortune" (福临门) Brand Trademarks granted by COFCO to the Company pursuant to the Trademarks Option Agreement
"Trademarks Option Agreement"	the option agreement in relation to Relevant "Fortune" (福临门) Brand Trademarks entered into between COFCO and the Company dated 25 May 2017
"Vendor"	COFCO Food Sales & Distribution Co., Ltd. (中糧食品營銷有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of China Foods

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:
YU Xubo

Executive Directors:
DONG Wei (*Deputy Managing Director*)
YANG Hong
SHI Bo

Non-executive Directors:
LI Jian
JIA Peng

Independent Non-executive Directors:
LAM Wai Hon, Ambrose
Patrick Vincent VIZZONE
ONG Teck Chye

Registered Office:
31st Floor
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

20 June 2017

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the Announcement, whereby the Board announced that on 25 May 2017, the Purchaser entered into the Agreement with the Vendor. Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Equity Interests for the Consideration of RMB1,050 million, subject to terms and conditions as disclosed below. Upon the Completion, the Target Company will become a wholly-owned subsidiary of the Company.

The purpose of this circular is to provide you with, among other things, (1) further details of the Agreement and the Acquisition, (2) a letter from the Independent Board Committee with its recommendations to the independent shareholders, (3) a letter from the IFA containing its advice to the Independent Board Committee and the independent shareholders, and (4) a notice convening the EGM and other information as set out in the appendix to this circular.

2. THE AGREEMENT

The principal terms of the Agreement are summarised as follows:

Date

25 May 2017

Parties

Purchaser: COFCO Fortune Holdings Limited

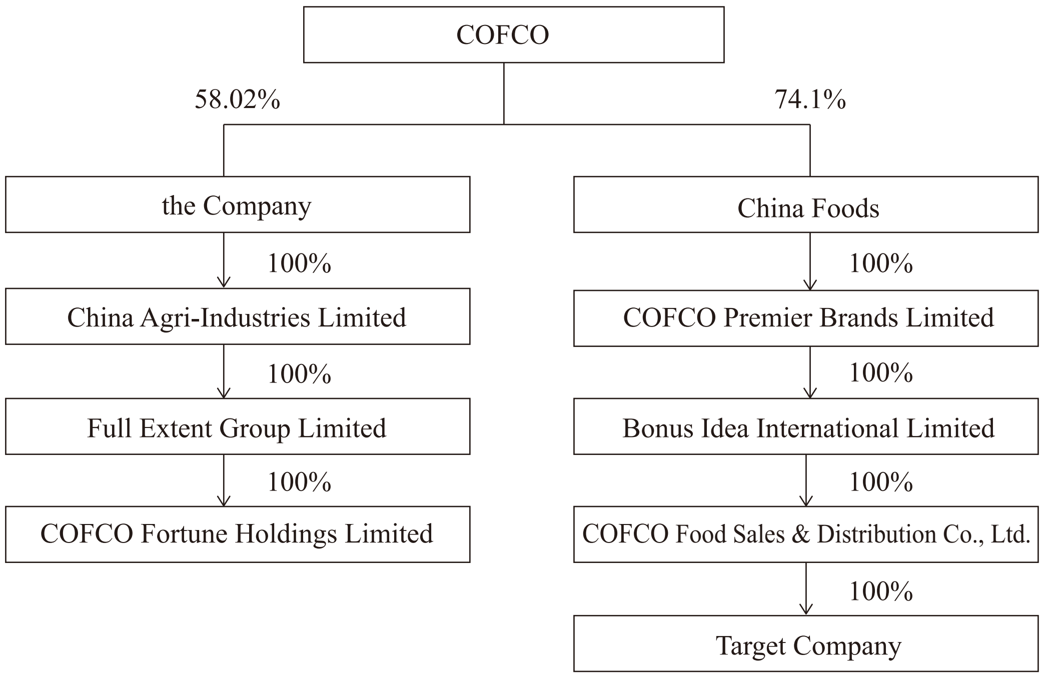
Vendor: COFCO Food Sales & Distribution Co., Ltd.

Subject Matter

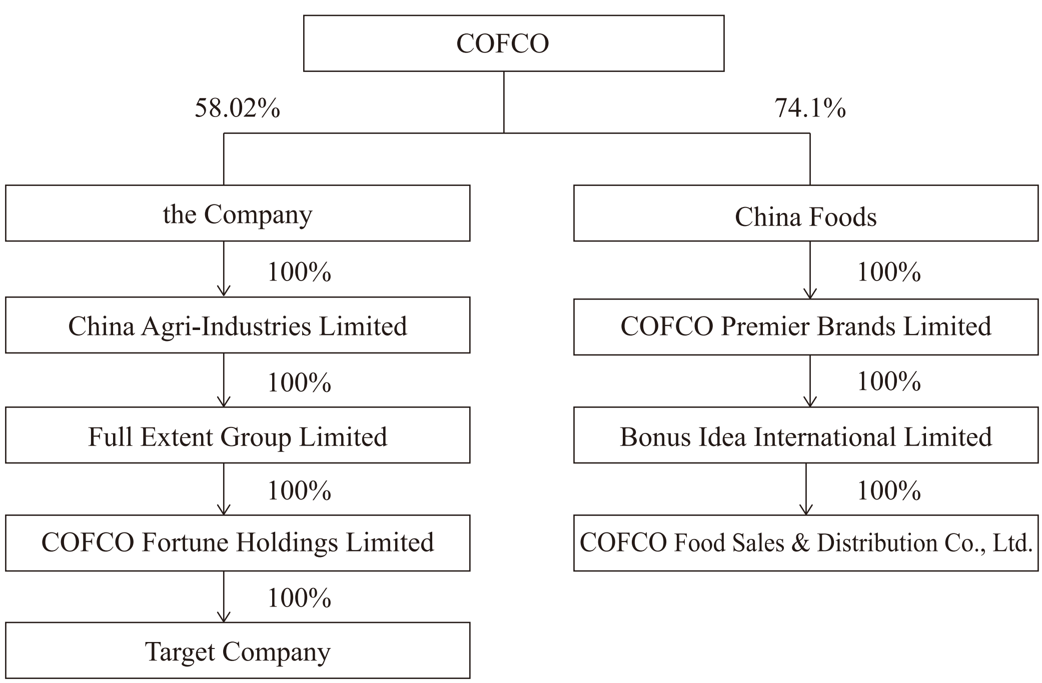
Under the Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Equity Interests in the Target Company. Upon the Completion, the Target Company will become a wholly-owned subsidiary of the Company.

Set out below are the shareholding structure charts of relevant parties immediately before and after the Completion:

Before the Completion



After the Completion



Consideration

Pursuant to the Agreement, the Consideration for the Acquisition is RMB1,050 million. The Consideration was determined following arm's length negotiations between the Purchaser and the Vendor. In determining the Consideration, the Directors have considered the following factors:

(1) the historical financial performance of the Target Business for the years ended 31 December 2015 and 2016;

(2) the trading multiples of comparable listed edible oil and other kitchen food companies which are listed on a recognisable stock exchange in Asia;

(3) the transaction multiples of comparable edible oil and other kitchen food companies;

(4) the potential acquisition opportunity that allows the Company to gain instant access to the Target Business with a brand that ranks number two nationwide in terms of market share of edible oil products and a distribution network of 550,000 points-of-sales after Completion. Directors believe that immediate access to the Target Business's sales network saves the substantial cost and time needed to build a network of similar size and scale; and

(5) the potential strategic benefits arising from the Acquisition. Please refer to the section headed "Reasons for the Acquisition and Benefit to the Group".

In light of the foregoing, the Directors believe that the Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Given that there is no requirement to conduct an independent valuation when determining the consideration for a transaction of this kind under the Listing Rules, the Company has not considered an independent valuation report when determining the Consideration for the following reasons and factors:

(1) The Directors themselves possess sufficient experience or expertise in the field of edible oil business to which the Target Company belongs and in acquiring edible oil business;

(2) The Target Business is not new or in its infancy since it had commenced operation since October 1993 and is a well-established business;

(3) The size of the Acquisition merely constitutes a discloseable transaction under the Listing Rules;

(4) The Acquisition is a straightforward acquisition of a 100% equity interest in Target Company, who is also a customer of the Company, hence, does not involve any complex transaction structure;

(5) The Directors have also considered the potential risks and benefits to the Acquisition before entering into the Agreement; and

(6) The Directors which approve the entering of the Agreement in respect of Acquisition are independent and do not have any actual or potential conflict of interest.

Payment

The Consideration in the amount of RMB1,050 million will be paid by the Purchaser to the Vendor by way of cash in three installments.

The first installment of RMB315 million (equivalent to 30% of the Consideration) will be deposited by the Purchaser into a bank account, which will be jointly operated by both the representatives of the Vendor and the Purchaser, within five business days after entering into the Agreement by both the Vendor and the Purchaser. The Purchaser made the payment of the first installment of RMB315 million to the jointly operated bank account on 31 May 2017.

The second installment will be paid within ten business days following the fulfilment of the conditions as described below, such that (1) the security deposit (equivalent to 30% of the Consideration, i.e. RMB315 million) deposited into the jointly operated bank account should be discharged and transferred into the Vendor's designated bank account; and (2) RMB315 million (equivalent to 30% of the Consideration) should be transferred by the Purchaser into the Vendor's designated bank account:

(1) The Purchaser has completed financial, legal and other due diligence regarding the Acquisition, and has found the results satisfactory;

(2) The shareholder of the Target Company has approved the Acquisition and provided the Purchaser with relevant resolution;

(3) The internal decision-making bodies of the Vendor and the Purchaser have approved the Acquisition (including but not limited to board approval) respectively and fulfilled the obligation of information disclosure in accordance with laws;

(4) The board of directors and independent shareholders at general meeting of each of China Foods and the Company have approved the Acquisition;

(5) The internal decision-making body of COFCO has approved the Acquisition; and

(6) The approval authorities have approved the Acquisition and the revised articles of association of the Target Company. The Target Company has provided the Purchaser with copies of relevant approvals.

As of the Latest Practicable Date, conditions (1) and (5) for this payment installment have been fulfilled.

The remaining Consideration of RMB420 million (equivalent to 40% of the Consideration) will be payable by the Purchaser to the Vendor's designated bank account within five business days following the fulfilment of the conditions as described below:

(1) The Target Company has completed the registration of the change of the ownership of the state-owned assets for the Acquisition;

(2) The Target Company has renewed its business license for the Acquisition. The copy of such business license has been provided to the Purchaser;

(3) The Target Company has lodged and updated the company chops and seals record of all its bank accounts with banks as required by the Purchaser, with an updated list of the company chops and seals record provided to the Purchaser by the Target Company; and

(4) The Target Company has transferred all the existing cheque books and electronic bank payment documents to the Purchaser.

As of the Latest Practicable Date, none of conditions for this payment installment have been fulfilled.

The Company will finance the Consideration by internal funds and/or borrowings.

Completion

The Completion shall take place at the date when the Target Company completed its registration procedures in relation to the Acquisition at the local administrative authority for industry and commerce and obtained a renewed business license.

As at the Completion, the Target Company will discontinue its businesses other than the Target Business. Upon the Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Enlarged Group.

Default Penalty

For any delay in the payment of any part or all of the Consideration, the Purchaser shall pay a daily default penalty fee of 0.03% of the unpaid portion of the respective payments. If any payment is delayed for more than 30 days, then the Vendor will have the right to terminate the Agreement and to seek damages arising thereof.

Condition to the Validity of the Agreement

The Agreement is subject to the signing of the legal representatives or authorised representatives of both parties and affixing of seal (if applicable), which becomes effective and legally-binding after the approval of both parties, the decision-making body of COFCO and the approval authorities.

In case the Acquisition fails to obtain any requisite regulatory approval and that such failure is not caused by any parties to the Agreement, the Agreement shall be deemed invalid and no parties shall be liable to any damages or obligations relating to such invalidity. Under such circumstance, the Vendor shall refund the paid Consideration with accrued interest to the Purchaser.

Termination

The Agreement can be, among others, terminated upon mutual consent of both parties. In the event that the Acquisition cannot be completed within six months of the execution of the Agreement, and such failure is not caused by the default of any of the parties, either party can terminate the Agreement upon prior written notice to the other party, unless both parties agree to extend such long stop date. Such termination shall not affect the rights and obligations existing before the termination.

3. UNDERTAKINGS BY CHINA FOODS

China Foods issued (i) the Non-competition Undertaking and (ii) the Letter of Undertaking dated 25 May 2017.

(i) Non-competition Undertaking

Pursuant to the Non-competition Undertaking, China Foods confirms that they do not have any investment in companies outside of the Target Company that compete with the Target Business of the Target Company as of the Completion. China Foods further undertakes that, upon the Completion:

(1) China Foods and its subsidiaries shall not in any form directly or indirectly engage in or participate in business which may compete with the Target Business of the Target Company;

(2) China Foods and its subsidiaries shall not directly or indirectly hold, own or hold through a third party to hold any equity interest, shares, options or other investment interests in any enterprise which may compete with the Target Business of the Target Company;

(3) in the event that China Foods has any significant future investment (i.e. more than 10% in the capital, both in paid up capital or convertible into capital) into companies that engages in business competing with the Target Business of the Target Company, China Foods shall, subject to the relevant laws and regulatory requirement, offer the Company to acquire such investment at the appraised value of such investment as determined by an independent third party valuer recognised by both parties.

For the purpose of the Non-competition Undertaking, "subsidiaries" of China Foods refers to any enterprise or other entity directly or indirectly controlled by China Foods or jointly controlled by China Foods and other party; the term "control" means (i) ownership of fifty percent (50%) or more of the issued capital or equity share, or registered capital, or (ii) by virtue of the voting rights of more than 50% of the entity, or the power to appoint the majority of the members of the board of directors or similar management, or by contractual arrangements or otherwise, capable of intervening in the management or policy of the entity.

(ii) Letter of Undertaking

Pursuant to the Letter of Undertaking, China Foods undertakes that, to the best of its knowledge, all documents, materials and information provided by the Vendor and the Target Company to the Purchaser and the Purchaser's advisers during the process of the Purchaser's due diligence investigation and formulation, negotiation, execution and performance of the transaction document are true, accurate, complete, effective and not misleading.

4. RELEVANT "FORTUNE" (福临门) BRAND TRADEMARKS

The Registered Trademark License Contract

Pursuant to the letter of undertaking issued by COFCO and the Registered Trademark License Contract entered into between COFCO and the Target Company, COFCO granted a sole license for the Relevant "Fortune" (福临门) Brand Trademarks to the Target Company under the following conditions:

(1) COFCO is the de facto controller of the Target Company and the Target Business;

(2) any cooperation or transactions with any third party or future business arrangements will not result in loss of control of COFCO over the Target Business.

The license for the Relevant "Fortune" (福临门) Brand Trademarks were granted by COFCO under nil consideration during the effective period of the Registered Trademark License Contract through the following pricing terms:

(1) The annual licensing fee shall be 0.02% of the annual sales value (excluding tax) of the products and/or services using the Relevant "Fortune" (福临门) Brand Trademarks by the Target Company and, if any, its subsidiaries.

(2) The licensing fee during the effective period shall be waived by COFCO.

There is no change in pricing terms between the previous licensing contract and the Registered Trademark License Contract.

The effective period of the Registered Trademark License Contract is commencing from 25 May 2017 to 31 December 2020.

In addition, COFCO undertakes that the term of the Registered Trademark License Contract will be extended and the relevant clauses will remain unchanged upon its expiration under the condition that there is no event of default caused by the Target Company pursuant to the Registered Trademark License Contract.

The Trademarks Option Agreement

Upon the Completion, COFCO will grant the Company the following option in relation to the Relevant "Fortune" (福临门) Brand Trademarks:

(1) Within the effective period of the Registered Trademark License Contract (including any extension of such period and same below), the Company has the right to request COFCO to transfer all the rights and interests of the Relevant "Fortune" (福临门) Brand Trademarks to the Company at any time; or

(2) In case COFCO loses its controlling rights in the Company or in the Target Business due to any reason attributable to COFCO, the Company has the right to request COFCO to transfer all the rights and interests in the Relevant "Fortune" (福临门) Brand Trademarks to the Company.

The transfer price of the Relevant "Fortune" (福临门) Brand Trademarks hereunder shall be determined by COFCO and the Company under arm's length negotiation and with reference to the fair valuation as determined by an independent third party valuer as recognised by COFCO and the Company at the time of transfer.

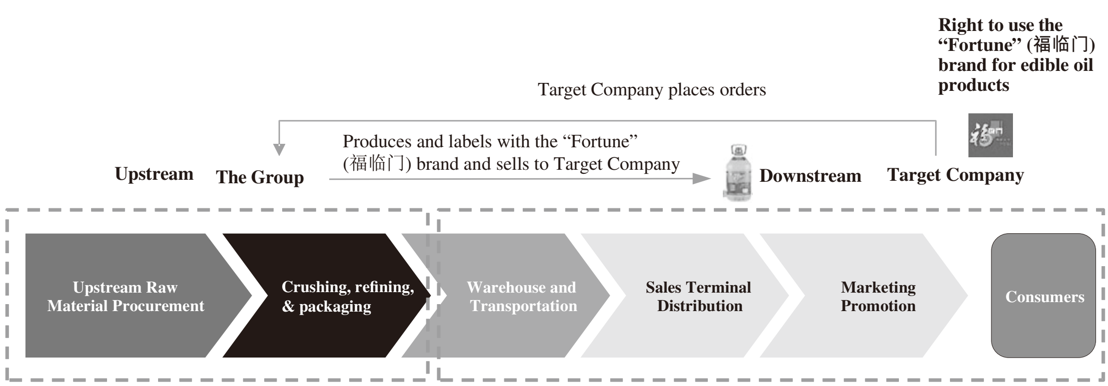
Pursuant to the Trademarks Option Agreement, COFCO would not have the right to choose not to transfer the relevant trademarks to the Company in the event that the Company has exercised such Trademarks Option. The Trademarks Option will become effective upon the Completion of the Acquisition.

5. INFORMATION OF THE TARGET COMPANY

(i) Overview

The Target Company is a limited liability company incorporated in the PRC with a registered capital of RMB100 million. The Target Company's primary business is sales, distribution and marketing of consumer-pack edible oil and other kitchen food products (including consumer-pack sugar, soy sauce, vinegar, monosodium glutamate (MSG), seasoning and grains) (i.e. the Target Business). Since 2007, the Group has been supplying packaged oil products to the Target Business.

(ii) Value chain and relationship between the Group and Target Company



For the year ended 31 December 2016, approximately 82% of the Target Business' sales volume were procured from the Group. The remaining has been supplied by third party OEM. OEM are required because of the relatively weak coordination between production, distribution and transportation along the supply chain and low efficiency and effectiveness in responding to market needs.

Currently the utilisation rate of edible oil packaging facilities of the Group is only at approximately 40%.

(iii) Product overview

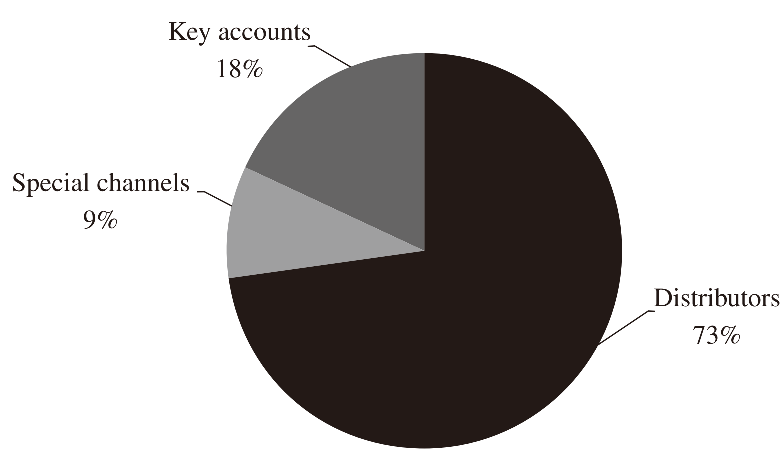
The Target Business markets its products mainly under the "Fortune" (福临门) brand (under a license from COFCO), which is a well-known consumer-pack edible oil brand in China and is ranked number two nationwide in terms of market share of edible oil products. It distributes a portfolio of consumer-pack edible oil products including basic oil (e.g. soybean and blended oils), nutritious oil (e.g. corn, rapeseed, peanut and sunflower oils), high-end oil (e.g. sesame, rice and other premium oils) and other non-oil products (including consumer-pack sugar, soy sauce, vinegar, MSG, seasoning and grains). The sales revenue contributed by basic oil, nutritious oil and high-end oil were approximately 51.6%, 47.1% and 1.3%, respectively, for the year ended 31 December 2016. Both nutritious oil and high-end oil are high value-added products.

Within the Target Business, approximately 87% of the revenue was contributed by products under the "Fortune" (福临门) brand and approximately 98% of the revenue was contributed by consumer-pack edible oil for the year ended 31 December 2016.

(iv) Distribution channels

Similar to other edible oil and kitchen food companies, the Target Company's products are sold through mainly distributors, key accounts and special channels. The distributors cover small and medium supermarkets, e-Commerce companies, retail outlets and small wholesalers/ distributors. Target Company sells directly to key accounts who are mainly major international supermarkets prominent in China and some national supermarkets. Special channels include staff sales, joint sales with business partners, group orders, etc.

2016 revenue by sales channel



(v) Financial information

Set out below is the financial information of the Target Company prepared on a pro forma basis and presented with reference to the classification and presentation principles of Chinese Accounting Standards to reflect the financial performance of the Target Business for the years ended 31 December 2015 and 2016. The net assets' carrying value of the Target Business as at 31 December 2016 was RMB42,739,000.

	For the year ended 31 December 2016 *(approximately RMB thousand)*	**For the year ended 31 December 2015** *(approximately RMB thousand)*
Revenue	9,279,253	8,199,298
Gross profit	1,041,438	1,003,358
Profit before taxation attributable to the equity holders of the Target Company	80,055	93,341
Profit after taxation attributable to the equity holders of the Target Company	80,055	93,341

Note: The income tax of the Target Business for the years ended 31 December 2015 and 2016 were nil due to the utilisation of tax losses brought forward from previous periods.

(vi) Employees

There are currently over 1,400 employees in the Target Company, mainly comprising sales staff. The Company has no present intention to carry out any staff reduction plans upon Completion and does not expect any substantial changes in the current workforce of the Target Company.

(vii) Industry overview

The Directors believe that the edible oil market in China is undergoing continued premiumisation. As China's economy continues to develop, patterns of edible oil consumption in China have evolved with increased urbanisation, improved standards of living, and food safety concerns. General public has a strong preference towards edible oils that are reliable and healthy, especially under the growing fear of gutter oil. In recent years, the Chinese government has increased its emphasis on food safety. Retail sale of bulk edible oils has been banned ("散裝油銷售禁令") by local authorities in some major cities, including Beijing and Shanghai, and the Directors believe that this policy is likely to be rolled out in other regions.

In terms of customer preferences, higher-quality, specialised, premium oil in smaller packages are becoming increasingly common throughout China. With the rise of middle class, there is an increasing trend of consumers favouring nutritious and high-end oil. Even though over half of the Target Business' sales is generated from the sales of basic oil, the Directors believe the portfolio of the Target Business, the sales network and its brand are well-positioned to capture the growth from continuous shift in consumer preferences towards nutritious and high-end oil products. With adequate marketing of the "Fortune" (福临门) brand and optimisation of production facilities, the Directors believe the integration of the consumer segment can unlock its potential to fully capture the benefits along the value chain of these relatively higher margin products and secure its leadership in a growing segment.

6. REASONS FOR THE ACQUISITION AND BENEFIT TO THE GROUP

The Group is engaged in edible oil processing through its oilseeds processing division and since 2007 has been supplying consumer-pack edible oil products to the Target Company. The Target Company is engaged in advertising, marketing, sales and distribution of branded edible oil products across China. Through its sales and marketing team and network, the Target Company has approximately 550,000 points-of-sales nationwide. The Target Company also has the right to use the "Fortune" (福临门) brand for consumer-pack edible oil products.

Transformational integration upstream and downstream business

The Acquisition will transform the Group's activities by fully integrating upstream crushing, refining and production of edible oils with the downstream branded distribution business of the Target Company. This extends the Group's activities downstream into the consumer branded edible oil market and allows integrated management of production and downstream distribution to maximise operational efficiencies, for example:

- Timely response to consumer demand, through direct feedback from the consumer distribution channels to the sourcing and production units within the Group;

- Coordination between upstream supply and downstream sales to optimise production, storage, transportation and distribution activities, maximise inventory turnover and reduce related transportation and storage costs;

- With the Group's equipped experience in procurement and hedging strategies, market intelligence on both the supply and demand side can help with procurement planning, timing and hedging to manage price fluctuation risks and reduce costs across the supply chain;

- Increasing utilisation of the Group's edible oil production facilities by potentially replacing some of the Target Company's OEM and maximising the products sales to the Target Company.

With an integrated production and consumer offering, the Group can more effectively compete in the market with other integrated suppliers. It allows the Enlarged Group to structure the business and product line up to meet the rising consumer demand for healthier and premium edible oils, which attract a higher price and offer new opportunities for growth.

Extensive sales network nationwide

Through its sales and marketing team and network of distributors, the Target Company has approximately 550,000 points-of-sales across China covering large and small format grocery store retailers, e-Commerce companies and other consumer outlets nationwide. This provides the Group direct consumer access (B2C), with a branded product compared to the current customer base which is principally corporate (B2B) and focused on food processors, caterers, feed millers and animal farmers. The Enlarged Group will be able to market a range of edible oil products more effectively across this consumer sales network.

The Group has spent tremendous effort in developing packaged rice, flour and noodle products business in recent years. These businesses generated combined sales of approximately RMB4.7 billion for the year ended 31 December 2016. As of 31 December 2016, the packaged rice business has a network of approximately 180,000 points-of-sales. In China, rice and flour are commoditised food products and their markets are still in their early stage of development, where competition is fragmented and mainly driven by price. However, as these markets develop and consolidate, there will be stronger emphasis on product packaging, where competition is driven by brand recognition and distribution channels, and industry players may enjoy slightly higher margins. After the Acquisition, the Directors expect that the extensive distribution network of Target Business can potentially support the development of the Group's packaged rice, flour and noodle products business, offering the opportunity to grow the sales of these businesses faster than on a standalone basis and significant advantages over industry players which organically build their downstream business and distribution network.

Through further strengthening the Group's consumer business, the Acquisition offers the opportunity for the Group to transform its business model.

Right to use the "Fortune" (福临门) brand

COFCO owns the "Fortune" (福临门) brand and has authorised Target Company to utilise the brand for consumer-pack edible oil products under nil consideration. Through the marketing and advertising efforts of the Target Company, the "Fortune" (福临门) brand is a leading brand in China for edible oil, ranked number two nationwide in term of market share of edible oil products.

After the Acquisition, COFCO grants the right to the Target Company to use the "Fortune"(福临门) brand on the Target Business under the condition that COFCO is the de facto controller of the Target Company and the Target Business. This extends the Group's activities into consumer focused branded products sales and offers the opportunity to extend the brand into other edible oil products, increasing the product offering and offering new opportunities for growth.

Based on the above, the Directors believe that the Acquisition can potentially enhance the Group's overall strategy and plan to transform its business into one that focuses on food for households and individual consumers.

7. GENERAL INFORMATION ON THE PARTIES

The Group

The Group 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 including oilseeds processing, biochemical and biofuel, rice processing and trading, wheat processing and brewing materials.

The Purchaser

The Purchaser is a wholly-owned subsidiary of the Company and its primary business is investment holding.

China Foods

China Foods is a HK-listed company (stock code: 506). Through its subsidiaries and associated companies, it is principally engaged in wine, beverage, consumer-pack edible oil and other kitchen food products businesses.

The Vendor

The Vendor is a limited liability company incorporated in the PRC and an indirectly wholly-owned subsidiary of China Foods. It is primarily engaged in the sales, distribution and marketing of wines and, through the Target Company, the Target Business, and will cease to engage in the Target Business upon the Completion.

8. LISTING RULES IMPLICATIONS

The Acquisition

As certain applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition are more than 5% but all of such applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this circular, COFCO holds approximately 58.02% of the issued shares of the Company being the controlling shareholder of the Company as defined under the Listing Rules. The Vendor is a wholly-owned subsidiary of China Foods, which is 74.1% owned by COFCO. Therefore, the Vendor is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Registered Trademark License Contract

Before the Completion of the Acquisition, as the Target Company is a subsidiary of China Foods, the transaction in respect of the license granted from COFCO to the Target Company does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

After the Completion of the Acquisition, as the Target Company is a subsidiary of the Company, the transaction in respect of the license granted from COFCO, being the controlling shareholder of the Company (as a connected person of the Company), to the Target Company will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. However, the applicable percentage ratios are less than 0.1% due to that the fee in relation to the license of the Relevant "Fortune" (福临门) Brand Trademarks was waived by COFCO. As such, the relevant transaction under the Registered Trademark License Contract will be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to the exemption for de minimis transactions under Chapter 14A of the Listing Rules.

Trademarks Option Agreement

Pursuant to Rule 14A.24(2), accepting Trademarks Option from COFCO (a connected person of the Company) will constitute a connected transaction of the Company upon the Completion of the Acquisition.

Pursuant to Rule 14A.79(2), if the listed issuer's group acquires or accepts an option granted by a connected person where the listed issuer's group has discretion to exercise the option, it is classified based on the amount of the premium payable by the listed issuer's group. As the Trademarks Option was granted by COFCO in nil consideration, and the Trademarks Option will be exercised solely on the Company's discretion, therefore, the relevant applicable percentage ratios are less than 0.1% and the accepting of the Trademarks Option by the Company will be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to the exemption for de minimis transactions under Chapter 14A of the Listing Rules.

9. EXTRAORDINARY GENERAL MEETING

The EGM will be held for the purposes of considering and, if thought fit, approving by the independent shareholders the Agreement and the Acquisition.

Voting on the resolution 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 the resolution in relation to the Agreement and the Acquisition. As at the Latest Practicable Date, based on the knowledge the Company has and after having made all reasonable enquiries by the Company, COFCO and its associates together hold approximately 58.02% of the voting rights of the Company.

According to the Articles of Association, only the independent non-executive Directors participated in the voting for approving the entries of the Agreement and the Trademarks Option Agreement and none of them has a material interest in the transactions contemplated thereunder.

A notice convening the EGM to be held at Crystal Ballroom, Level B3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 7 July 2017 at 10:00 a.m. is set out on pages 45 to 46 of this circular.

Whether or not you are able to attend the EGM (or any adjournment thereof), please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Progressive Limited, the share registrar of the Company, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM (i.e. before Hong Kong time 10:00 a.m. on 5 July 2017) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any adjournment thereof) in person should you so wish.

10. RECOMMENDATION

The Independent Board Committee has been formed to advise and provide recommendation to the independent shareholders on the Agreement and the Acquisition.

Optima Capital Limited has been appointed as the IFA to advise the Independent Board Committee and the independent shareholders on the Agreement and the Acquisition.

Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors after taking into account of the advice of the IFA), believe that the basis for determining the consideration of the Acquisition is fair and reasonable, the terms of the Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the independent shareholders of the Company to vote in favour of the resolution in respect of the Agreement and the Acquisition to be proposed at the EGM.

Yours faithfully,
By Order of the Board
CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
YU Xubo
Chairman

中粮
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)

20 June 2017

To the independent shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We have been appointed as the Independent Board Committee to give a recommendation to the independent shareholders of the Company in connection with the Agreement and Acquisition contained in the circular to the shareholders of the Company dated 20 June 2017 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Agreement, and the advice and opinion of Optima Capital Limited in relation thereto as set out on pages 21 to 38 of the Circular, we are of the opinion that the terms of the Agreement and the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole. We therefore recommend that the independent shareholders of the Company vote in favour of the resolution to be proposed at the EGM in respect of the Agreement and the Acquisition.

Yours faithfully,
For and on behalf of the Independent Board Committee

LAM Wai Hon, Ambrose	**Patrick Vincent VIZZONE**	**ONG Teck Chye**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of a letter of advice from Optima Capital Limited to the Independent Board Committee and the independent shareholders of the Company, which has been prepared for the purpose of inclusion in this circular.

Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

20 June 2017

To: The Independent Board Committee and
the independent shareholders of the Company

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the independent shareholders in connection with the Agreement and transactions contemplated thereunder. Details of the Agreement are contained in the circular of the Company dated 20 June 2017 (the "**Circular**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 25 May 2017, COFCO Fortune Holdings Limited (being the Purchaser and a wholly-owned subsidiary of the Company) and COFCO Food Sales & Distribution Co., Ltd. (being the Vendor and a wholly-owned subsidiary of China Foods) entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase from the Vendor the Equity Interests, being the entire equity interests in the Target Company for the Consideration of RMB1,050 million, payable in cash.

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but all of such applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. In addition, as the Vendor is beneficially owned as to 74.1% by COFCO, which is the controlling shareholder of the Company holding approximately 58.0% of the issued shares of the Company. Accordingly, the Vendor is a connected person of the Company under the Listing Rules and the Acquisition therefore also constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Lam Wai Hon, Ambrose, Mr. Patrick Vincent Vizzone and Mr. Ong Teck Chye, has been established to make a recommendation to the independent shareholders as to whether the terms of the Agreement are fair and reasonable so far as the independent shareholders are concerned and whether the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and to make recommendation to the independent shareholders on how to vote. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the independent shareholders in the same regard.

We are not associated with the Company, the Vendor, their respective associates, close associates or core connected persons, and accordingly, are considered eligible to give independent advice and recommendation on the Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Vendor, their respective associates, close associates or core connected persons.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the Agreement, the respective annual reports of the Company and China Foods for the years ended 31 December 2015 ("**FY2015**") and 2016 ("**FY2016**"), the pro forma financial information of the Target Business for FY2015 and FY2016, and the information as set out in the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group or the Target Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

A. INFORMATION ON THE GROUP

1. Principal business of the Group

The Group, through its subsidiaries and associated companies, is principally engaged in the following businesses:

(i) extraction, refining and trading of edible oil and related products. The Group's products, including mainly soybean oil, palm oil, rapeseed oil and oilseed meals, are sold under the brand names "Fuzhanggui" (福掌柜), "Sihai" (四海), "Xiyingying" (喜盈盈) and "Guhua" (谷花) (the "**Upstream Oilseeds Processing Business**");

(ii) production and sale of biochemical products such as corn starch, sweeteners (including maltodextrin, fructose syrup, maltose syrup and other sweeteners), monosodium glutamate (MSG), crude corn oil, and feed ingredients, biofuel products using corn and tapioca as raw materials and related products (the "**Biochemical and Biofuel Business**");

(iii) processing and trading of rice (the "**Rice Business**");

(iv) production and sale of flour products and related products (the "**Wheat Processing Business**"); and

(v) processing and trading of malt (the "**Brewing Materials Business**").

The Group was spun off from China Foods and its then subsidiaries (the "**China Foods Group**") in March 2007 and as disclosed in the annual report of the Company for FY2016, it is one of the largest vegetable oil and oilseed meal producers, and has maintained a leading position as a corn processor, rice supplier, wheat processor, and supplier of brewing materials, in the PRC. The Upstream Oilseeds Processing Business has been the largest business segment of the Group and contributed about half of the total revenue of the Group in recent years.

2. Financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for FY2015 and FY2016 as extracted from the annual reports of the Company for FY2015 and FY2016 (the "**FY2016 Annual Report**"):

	FY2016 *HK$' million*	**FY2015** *HK$' million*
Revenue	89,163	82,548
Upstream Oilseeds Processing Business	50,434	41,053
Biochemical and Biofuel Business	11,526	14,622
Rice Business	9,196	9,986
Wheat Processing Business	8,946	8,528
Brewing Materials Business	2,685	2,617
Corporate and others	6,376	5,742
Gross profit	6,243	4,286
Other income and gains	1,530	1,675
Operating and other expenses	(6,284)	(6,177)
Share of profits and losses of associates	296	162
Income tax expense	(253)	(323)
Profit/(loss) for the year	1,532	(377)
Profit/(loss) for the year attributable to owners of the Company	1,419	(333)
Earnings/(Loss) per Share ("**EPS**") *(HK$)*	0.270	(0.063)

The Group's revenue in FY2016 and FY2015 were largely contributed by the Upstream Oilseeds Processing Business, representing approximately 56.6% and approximately 49.7% of the total revenue of the Group respectively. Despite the decrease in revenue from the second largest segment of the Group (i.e. the Biochemical and Biofuel Business) of approximately 21.2% as a result of drop in selling prices, the Group recorded an increase of approximately 8.0% as compared to FY2015. The overall increase in revenue of the Group in FY2016 was largely attributable to the increase in revenue of the Upstream Oilseeds Processing Business of approximately 22.9% from HK$41,053 million to HK$50,434 million through the enhancement of the sales and marketing strategies and distribution networks. Other business segments of the Group had less significant contribution to the Group's revenue with relatively mild ups and downs while revenue from corporate and others generated from the Group's feed processing business, trading of unprocessed grains and provision of storage services increased by approximately 11.0% in FY2016. The Upstream Oilseeds Processing Business remains the major driver of the Group's overall performance and the Directors believe that the Acquisition would further the development and transformation of the largest business segment of the Group.

As set out in the FY2016 Annual Report, the Group's gross profit margin was improved from approximately 5.2% to approximately 7.0% which was mainly attributable to larger business scale and costs structure optimisation in FY2016.

Benefited from the increase in gross profit of approximately 45.7% and adequate costs control, the Group had a turnaround from loss attributable to owners of the Company of approximately HK$333 million for FY2015 to profit attributable to owners of the Company of approximately HK$1,419 million for FY2016. The EPS of the Group for FY2016 was approximately HK$0.270.

3. Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2016 as extracted from the FY2016 Annual Report:

	As at 31 December 2016 *HK$' million*
Non-current assets	***28,576***
Property, plant and equipment	21,790
Other non-current assets	6,786
Current assets	***43,550***
Inventories	17,887
Cash and cash equivalents	7,586
Accounts and bills receivables	2,903
Other current assets	15,174
Current liabilities	***39,193***
Interest-bearing bank and other borrowings	21,594
Accounts and bill payable	3,308
Other current liabilities	14,291
Non-current liabilities	***2,621***
Interest-bearing bank and other borrowings	1,596
Other non-current liabilities	1,025
Total equity	***30,312***
Equity attributable to owners of the Company ("**NAV**")	26,249
Non-controlling interests	4,063
NAV per Share *(HK$)*	5.0

As at 31 December 2016, the major components of the total assets of the Group were (i) the property, plant and equipment of approximately HK$21,790 million; (ii) inventories of approximately HK$17,887 million; and (iii) cash and cash equivalents of approximately HK$7,586 million. Based on the profit attributable to owners of the Company for FY2016 and the total assets of the Group as at 31 December 2016, the return on assets ratio of the Group was approximately 2.0%.

The Group's total liabilities were mainly consisted of the current and non-current interest-bearing bank and other borrowings of approximately HK$23,190 million. The net gearing ratio, which is calculated by dividing the net debt (being the interest-bearing bank and other borrowings less cash and cash equivalents and restricted cash at bank) by the NAV, was approximately 59.2% while the liquidity ratio of the Group calculated based on the cash and cash equivalents of the Group divided by total current liabilities of the Group as at 31 December 2016 was approximately 19.4%.

The NAV per Share as at 31 December 2016 was approximately HK$5.00 and the return on equity ratio of the Group calculated based on the profit attributable to owners of the Company for FY2016 divided by the NAV was approximately 5.4%.

B. INFORMATION ON CHINA FOODS

China Foods is a subsidiary of COFCO (which is a state-owned enterprise registered in the PRC) and listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 506). As disclosed in the annual report of China Foods for FY2016, it is principally engaged in:

(i) processing, bottling and distribution of Coca-Cola beverages in 15 provinces, municipalities and regions in the PRC under the exclusive rights granted by The Coca-Cola Company;

(ii) production, sale and trading of red and white wine under the brand "Greatwall" (長城) and other wine products; and

(iii) distribution of consumer-pack edible oil and other kitchen food products including consumer-pack sugar, soy sauce, vinegar, MSG, seasoning and grains (i.e. the Target Business).

C. INFORMATION ON THE TARGET COMPANY AND THE TARGET BUSINESS

1. The Target Company and the Target Business

The China Foods Group had started the Target Business since 1993. In October 2016, China Foods completed certain reorganisation steps including, among others, establishing the Target Company in the PRC and transferring the Target Business to the Target Company, which is in turn a wholly-owned subsidiary of the Vendor (the "**Reorganisation**"). The Target Company is a limited liability company incorporated in the PRC on 19 May 2016 with a registered capital of RMB100 million. The Target Business is the principal business of the Target Company since completion of the Reorganisation.

Products

The Target Business mainly involves distribution of consumer-pack edible oil and other kitchen food products including consumer-pack sugar, soy sauce, vinegar, MSG, seasoning and grains. The consumer-pack edible oil products include basic oil (e.g. soybean and blended oils), nutritious oil (e.g. corn, rapeseed, peanut and sunflower oils) and high-end oil (e.g. sesame, rice and other premium oils).

The Relevant "Fortune" (福临门) Brand Trademarks

The Target Business has been operated under the Relevant "Fortune" (福临门) Brand Trademarks since 1993. Currently, the consumer-pack edible oil, sugar and vinegar are sold under the Relevant "Fortune" (福临门) Brand Trademarks. On 25 May 2017, for the purpose of the Reorganisation, the Target Company and COFCO entered into the Registered Trademark License Contract pursuant to which COFCO granted the Target Company the sole right to use the Relevant "Fortune" (福临门) Brand Trademarks (the "**Licence**") gratuitously for a period from the effective date of the Registered Trademark Licence Contract to 31 December 2020. COFCO also undertakes that the term of the Registered Trademark License Contract will be extended on the same terms before its expiry provided that there is no event of default by the Target Company. The Target Company will have the Licence so long as COFCO remained the de factor controller or has not lost control over the Target Company and the Target Business.

To further secure the right to use the Relevant "Fortune" (福临门) Brand Trademarks upon Completion, COFCO will also grant the Trademarks Option to the Company pursuant to which the Company can acquire from COFCO the Relevant "Fortune" (福临门) Brand Trademarks at any time (i) within the period from the effective date of the Registered Trademark License Contract to its expiry date; or (ii) in the event that COFCO loses its controlling rights in the Company or in the Target Business due to any reason attributable to COFCO, for a consideration to be determined based on valuation by an independent valuer as approved by both parties.

Distribution network

The distribution network of the Target Business is strong and extensive, with over 550,000 points of sale across the PRC through large and small grocery store retailers, e-Commerce companies, nationwide and local supermarkets and other consumer outlets, etc.

As advised by the management of the Company, the Target Company has presence in all Class A and Class B markets, which are mainly municipalities, provincial capitals or prefecture-level cities with large population in the PRC. The table below shows the presence of the sales outlets of the Target Company in different classes of markets in the PRC as classified by the Company based on the criteria set out below as at 31 December 2016:

Class of markets	Number of markets identified	Number of markets where the Target Company has presence through its sales outlets	Percentage of coverage of the Target Company
Class A market: municipalities, provincial capitals, prefecture-level cities with over 2 million in urban areas	41	41	100%
Class B market: prefecture-level cities other than Class A cities, county-level cities where prefecture governments are located	278	278	100%
Class C market: county-level cities other than Class-B cities, county towns	2,000	1,600	80%
Class D market: townships, towns	34,872	19,180	55%

2. Financial information of the Target Business

(i) Financial performance

Set out below is the financial information of the Target Business prepared on a pro forma basis and presented with reference to the classification and presentation principles of Chinese Accounting Standards as extracted from the letter from the Board on the assumption that the Reorganisation had taken place on 1 January 2015:

	FY2016	**FY2015**
	RMB' million	*RMB' million*
Revenue	9,279.3	8,199.3
Gross profit	1,041.4	1,003.4
Net profit for the year	80.0	93.3

We have noted that there was variance between the financial information of the Target Business (i.e. revenue and gross profit) as shown in the letter from the Board and that in the announcement of China Foods dated 25 May 2017. We understand from the management of the Company that it was mainly due to the classification and presentation principles of Hong Kong Financial Reporting Standards having been applied by China Foods. As there was no difference between the net profit of the Target Business for FY2015 and FY2016 in both disclosures, we consider that it would not affect our analysis based on the financial information of the Target Company as extracted from the letter from the Board.

Due to an increase in sales of the consumer-pack edible oil under the "Fortune" (福临门) brand, in particular, the rapeseed oil, peanut oil and premium oil, the revenue of the Target Business for FY2016 increased by approximately 13.2% from FY2015. However, the gross profit of the Target Business merely increased by approximately 3.8% in FY2016 as the Target Business had increased its sales of the blended oil products and the non-Fortune (福临门) branded consumer-pack edible oil which are of lower profit margin, with a view to maximising the market share to combat the keen competition in FY2016.

We have noted that in FY2015, a bad debt provision of approximately RMB18.6 million was made. The management of the Company advised that it was part of China Foods' efforts to enhance credit risk controls in relation to various small accounts of the Target Business. Since then, the Target Business improved internal controls over its credit sales and enhanced the account collection and reconciliation process, and therefore in FY2016, there was a reversal of bad debt provision of approximately RMB1.0 million.

Though the net profit of the Target Business in FY2016 decreased by approximately 14.3% from RMB93.3 million to RMB80.0 million, there was a one-off expenses of approximately RMB18.1 million incurred in FY2016 which was a registration fee charged by the key accounts customers of the Target Company as a result of the Reorganisation (the "**One-off Reorganisation Expense**"). If adding back the One-off Reorganisation Expense which only arose due to the Reorganisation for facilitating transactions under the Agreement, the adjusted net profit of the Target Business would have become approximately RMB98.1 million (the "**FY2016 Adjusted Profit**"), representing an increase of approximately 5.1% as compared to the net profit of the Target Business in FY2015. The overall financial performance of the Target Business in FY2016 was optimistic.

(ii) Financial position

Set out in below is a summary of the financial position of the Target Business as at 31 December 2016 extracted from its pro forma financial information:

	As at 31 December 2016
	RMB' million
Non-current assets	**3.8**
Property, plant and equipment	3.2
Intangible assets and other non-current assets	0.6
Current assets	**2,287.2**
Inventories	1,286.0
Accounts receivable	307.0
Other receivables	414.2
Cash and cash equivalents	188.6
Other current assets	91.4
Current liabilities	**2,248.3**
Accounts payable	1,568.0
Other current liabilities	680.3
Non-current liabilities	**–**
NAV of the Target Business	**42.7**

As at 31 December 2016, the total assets of the Target Business primarily comprised (i) inventories of approximately RMB1,286.0 million; (ii) accounts and other receivables of approximately RMB721.2 million; (iii) cash and cash equivalents of approximately RMB188.6 million; and (iv) other current and non-current assets. Based on the FY2016 Adjusted Profit and the total assets of the Target Business as at 31 December 2016, the return on assets ratio of the Target Business was approximately 4.3%.

The Target Business's total liabilities of approximately RMB2,248.3 million mainly consisted of accounts payable of approximately RMB1,568.0 million and other current liabilities. The Target Business did not have any non-current liabilities or borrowings.

As at 31 December 2016, the NAV of the Target Business amounted to approximately RMB42.7 million (equivalent to approximately HK$49.3 million). Based on the FY2016 Adjusted Profit and the NAV of the Target Business as at 31 December 2016, the return on equity ratio of the Target Business was 229.7%, which showed strong profitability of the Target Business and efficient management of the equity.

D. REASONS FOR AND BENEFITS OF THE ACQUISITION

As detailed in the section headed "Information on the Group" above, the Group was spun off from China Foods Group in March 2007. Since then, it has been engaged in, among others, the Upstream Oilseeds Processing Business and has supplied the upstream processed oil to the Target Business for its downstream sales and distribution of the consumer-pack edible oil products under the brand "Fortune" (福临门). The Company intends to finance the Consideration as to 30% by internal funds and/or 70% by borrowings.

As set out in the letter from the Board, the Board is of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole based on the reasons we summarise below:

1. **Transformational integration of the edible oil business:** The Acquisition will transform the Group's activities by fully integrating upstream crushing, refining and production of edible oil with the downstream branded distribution business of the Target Company, which is expected to (i) maximise the operational efficiencies in terms of response to consumer demand, coordination between production, storage, transportation and distribution, production capacities, and use of market intelligence on procurement planning and cost hedging, etc; and (ii) equip the Enlarged Group to compete in the market more effectively.

2. **Extensive distribution network**: Alongside the integration, the Enlarged Group will have direct access to the retail consumers through the 550,000 point of sales across the PRC, which will equip the Group with more accurate and comprehensive market intelligence about the consumer preference, and an extensive sales channels for other products of the Group such as rice and flour, forming a solid basis for the growth of sales.

3. **Right to use the "Fortune" (福临门) brand:** With COFCO granting the Licence to the Target Company and undertakes to grant the Trademarks Option upon Completion to the Company, the Group will have the right to use and right to acquire a leading brand of edible oil (i.e. the brand "Fortune" (福临门)) in the PRC.

E. PRINCIPAL TERMS OF THE ACQUISITION

(i) Introduction

On 25 May 2017, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the entire equity interests in the Target Company for the Consideration of RMB1,050 million.

The principal terms of the Acquisition are described below. Please refer to the letter from the Board for further details of the terms of the Agreement.

(ii) Payment and conditions precedent

The Consideration will be payable by the Purchaser to the Vendor by way of cash in three installments:

(i) The first installment of RMB315 million (being 30% of the total Consideration) has been deposited by the Purchaser into a bank account jointly operated by both the representatives of the Vendor and the Purchaser, within five business days upon the entering into of the Agreement.

(ii) The second installment of RMB315 million (being 30% of the total Consideration) together with the first installment of the Consideration kept at the jointly operated account will be payable or discharged to the Vendor (as the case may be) within ten business days upon the fulfilment of certain conditions precedent to the Agreement including, among others, completion of due diligence on the Target Company by the Purchaser, obtaining of respective internal approvals by the parties to the Agreement in relation to the Acquisition and COFCO, the obtaining of the respective independent shareholders' approvals at general meetings of China Foods and the Company, and the obtaining of the approval of the Acquisition from the authorities.

(iii) The remaining balance of RMB420 million (being 40% of the total Consideration) will be payable within five business days upon the fulfilment of certain conditions precedent to the Agreement including, among others, completion of the registration of the change of ownership of the state-owned assets by the Target Company for the Acquisition, the renewal of the business license by the Target Company for the Acquisition, update of company chops and seal records of all its bank accounts, and the transfer of other company assets such as company chops and cheque books.

(iii) Consideration

Pursuant to the Agreement, the Consideration was RMB1,050 million. Detailed analysis on the fairness and reasonableness of the Consideration is set out in the section headed "Analysis on the Consideration" below.

(iv) Undertakings by China Foods

As set out in the letter from the Board, China Foods confirms that they do not have any investment in companies outside of the Target Company that compete with the Target Business of the Target Company (the "**Competing Business**") as of Completion and undertakes that upon Completion, the China Foods Group shall not directly or indirectly engage in, or own or hold through a third party to hold any interest in any enterprise, in the Competing Business. China Foods further undertakes that if in the future any of the investee companies that the China Foods Group has an investment representing 10% or more of the paid up equity or instruments convertible into 10% of the equity of the such enlarged investee company engaged in the Competing Business, it shall offer the Company to acquire its interests in the said investee company at the appraised value of such investment to be determined by an independent third party valuer approved by both parties, subject to the relevant rules and regulatory requirements applicable to such transaction.

(v) Completion

The Completion shall take place on the date when the Target Company has completed its registration procedures in relation to the Acquisition at the local administrative authority for industry and commerce and obtained a renewed business license.

In the event that the Acquisition cannot be completed within six months upon the execution of the Agreement, and such failure is not caused by the default of any of the parties, either party can terminate the Agreement upon prior written notice to the other party, unless both parties agree to extend such long stop date. The deposit paid together with interests will be refunded to the Purchaser.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its results will be consolidated into the financial statements of the Enlarged Group.

F. ANALYSIS ON THE CONSIDERATION

We understand from the Company that the parties to the Agreement had taken into account (i) the historical financial performance of the Target Business for the years ended 31 December 2015 and 2016; (ii) the trading multiples of comparable listed edible oil and other kitchen food companies which are listed on a recognisable stock exchange in Asia; (iii) transaction multiples of comparable edible oil and other kitchen food companies; (iv) the distribution and sales network of the Target Business and the Licence; and (v) the potential strategic benefits arising from the Acquisition. The Directors also consider the potential synergies and benefits that could accrue to the Group following the Acquisition.

As mentioned in the letter from the Board, the Company has not considered an independent valuation report when determining the Consideration based on the reasons set out in the section headed "Consideration" therein. We, as independent financial adviser to opine on the fairness and reasonableness of the terms, is not in a position to request for an independent valuation to be made for determining the Consideration as it is the sole discretion of the parties to the Agreement. We instead conducted an independent research based on the price to earnings ratio (the "**PE Ratio**") of the comparable companies identified based on the criteria set out below (the "**Comparable Companies**") rather than income approach and cost approach to assess the fairness and reasonableness of the Consideration. Having considered that income approach would involve a high level of uncertainty as well as, long-term forward-looking financial forecast and underlying assumptions; and cost approach is generally not considered applicable to the valuation of a going concern business as it does not capture future earning potential of the business, we consider that our research based on the PE Ratio of the Comparable Companies are reasonable. We have also sought to identify any acquisition of controlling stake of edible oil business in Hong Kong or PRC in the public domain but unable to identify any such comparable transaction for our analysis.

We have conducted research on Bloomberg based on the criteria that the company (i) is engaged in similar business as of the Target Business; and (ii) is listed on the Stock Exchange, but were not able to identify any company which principal business is identical to the Target Business, i.e. purely sale and distribution of consumer-pack edible oil and other kitchen food products (without production). We therefore have extended our scope of research to cover companies which involve in production, sale and distribution of edible oil products (the "**Edible Oil Segment**") listed on the Stock Exchange, with more than 50% of the total revenue generated from the Edible Oil Segment as shown in their latest published annual results. Based on these criteria, we have only identified two Comparable Companies. Having considered the limited number of Comparable Companies available in Hong Kong and the Target Business is carried out in the PRC, we further extended our scope of research to listed companies on the Shanghai Stock Exchange ("**SSE**"), the Shenzhen Stock Exchange ("**SZSE**") and Singapore Stock Exchange ("**SGX**"). We specifically imposed an additional criterion in respect of the companies listed on SGX that only those with approximately 50% of the total revenue generated from the PRC's market will be selected so as to ensure the relevance to our analysis. We consider the list of the Comparable Companies selected based on the above criteria is exhaustive and is sufficient for our independent analysis given it covers all listed companies engaged in a similar business with the Target Company on three major stock exchanges which are most relevant to our analysis in view of where the Target Business is listed or operated.

Based on the above criteria, we have identified a total of six Comparable Companies from the Stock Exchange, SSE, SZSE and SGX. To take into account the premium of valuation of the PRC stock market and SGX over the Hong Kong stock market in general, we further adjusted the respective PE Ratios of the Comparable Companies listed on SSE, SZSE and SGX with a factor of (i) 0.8274, calculated based on the Hang Seng Index of the Stock Exchange ("**HS Index**") of approximately 13.9 times over SSE Composite Index of approximately 16.8 times as quoted on Bloomberg as at the Latest Practicable Date; (ii) 0.5129, calculated based on the HS Index over the SZSE Composite Index of approximately 27.1 times as quoted on Bloomberg as at the Latest Practicable Date ("**SZSE Factor**"); and (iii) 1.0451, calculated based on the HS Index over the SGX Straits Time Index of approximately 13.3 times as quoted on Bloomberg as at the Latest Practicable Date ("**SGX Factor**"), respectively.

We consider the Comparable Companies selected based on the above criteria is fair and representative. Shareholders should note that the analysis of the Consideration was based on the historical figures of the Target Business and has not taken into account any post-Acquisition potential and unquantified synergies that may infer onto the Group under the section headed "Reasons for and benefits of the Acquisition" in this letter.

Company name	Stock code	Businesses	Market Capitalisation *(Note 1)* *HK$' million*	PE Ratio *(Note 2)* *Times*	Adjusted PE Ratio *(Note 2)* *Times*
Lam Soon (Hong Kong) Limited	411.HK	Manufacturing and sale of broad range of food products including flour and edible oils; household and institutional cleaning products.	2,633.1	9.9	9.9
Changshouhua Food Company Limited	1006.HK	Production and sale of corn oil, including non-branded corn oil and own brand corn oil; other oil mainly refined edible sunflower seed oil, refined edible olive oil, refined edible cotton seed oil; and corn meal.	2,282.8	7.6	7.6
Xiwang Foodstuffs Co Ltd *(Note 3)*	000639.SZ	Production and sale of corn oil, cane sugar, white wine, feed and feed ingredients, various types of edible oil, non-staple food, and snacks. Products include corn oil in small packages and in bulk.	9,875.9	56.7	29.1
Daodaoquan Grain and Oil Co Ltd. *(Note 4)*	002852.SZ	Production of vegetable oils and associated plant based products.	9,172.5	29.0	14.9
Hunan Jinjian Cereals Industry Co., Ltd. *(Note 5)*	600127.SH	Manufacturing processing, and marketing rice, flour, and cooking oil, and manufacturing dairy and pharmaceutical products, and develops real estate.	4,127.0	474.4	392.5
Wilmar International Limited *(Note 6)*	WIL.SP	Oil palm cultivation, edible oils refining, oilseeds crushing, consumer pack edible oils processing and merchandising, specialty fats, oleochemicals and biodiesel manufacturing, and grains processing and merchandising. Wilmar also manufactures and distributes fertilizers and owns a fleet of vessels.	125,826.2	14.7	15.4
			Mean *(Note 5)*	23.6	15.4
			Median *(Note 5)*	14.7	14.9
			Maximum *(Note 5)*	56.7	29.1
			Minimum	7.6	7.6

	Market Capitalisation *(Note 1)* *HK$' million*	PE Ratio *(Note 2)* *Times*	Adjusted PE Ratio *(Note 2)* *Times*
Implied PE Ratio of the Consideration based on the FY2016 Profit	RMB1,050	13.1	13.1
Implied PE Ratio of the Consideration based on the FY2016 Adjusted Profit (the "**Implied PE Ratio**")	RMB1,050	10.7	10.7

Source: Bloomberg and the Stock Exchange

Notes:

1. The market capitalisation is denoted in HK$ as quoted on Bloomberg.

2. The adjusted PE Ratios of the Comparable Companies have been extracted from Bloomberg as at the Latest Practicable Date and have been adjusted with the factor as represented by the premium of the PE Ratios of the respective market indices of SSE, SZSE and SGX over HS Index as at the Latest Practicable Date.

3. We note that Xiwang Foodstuffs Co Ltd ("**Xiwang**") had completed an acquisition in November 2016 of Kerr Investment Holding Corporation ("**Kerr**"), a Canada-based company mainly engaged in the research, development and marketing of weight management products and sports nutrition products, which may have significant impact on its revenue segment and may drive the revenue generated from the Edible Oil Segment below 50% of the total revenue. However, given the Edible Oil Business remained the major revenue stream (representing approximately 75.7% of the total revenue) in the latest annual results of Xiwang for the year ended 31 December 2016, we continue to include it as one of the Comparable Companies for our analysis. As Xiwang is listed on the SZSE, the PE Ratio thereof is adjusted with the SZSE Factor.

4. The PE Ratio of Daodaoquan Grain and Oil Co Ltd is adjusted with the SZSE Factor.

5. Hunan Jinjian Cereals Industry Co., Ltd. has been excluded as an outlier when calculating the range of the PE Ratio and Adjusted PE Ratio of the Comparable Companies due to its exceptionally high PE Ratio.

6. The PE Ratio of Wilmar International Limited is adjusted with SGX Factor.

As set out in the table above, the PE Ratio of the Comparable Companies range from approximately 7.6 times to 29.1 times (the "**Comparable Range**"), with a mean and a median of approximately 15.4 times and 14.9 times, respectively.

The Implied PE Ratio of approximately 10.7 times fall within the Comparable Range and is below the mean and the median of the PE Ratio of the Comparable Companies. It is also below the PE Ratio of the Company of approximately 12.4 times as at the Latest Practicable Date.

Based on the above analysis, we consider the Consideration is fair and reasonable.

G. FINANCIAL EFFECT OF THE ACQUISITION

1. Earnings

Following Completion, the Target Company will become a wholly-owned subsidiary of the Group, and the financial results and financial position of the Target Company would be consolidated into the financial statements of the Enlarged Group. Based on the FY2016 Adjusted Profit of approximately RMB98.1 million (equivalent to approximately HK$113.3 million) and the NAV of the Target Business as at 31 December 2016, the return on equity ratio of the Target Business was 229.7%, which is much higher than that of the Group of approximately 5.4%, and showed strong profitability of the Target Business. Despite the insignificant size of the net assets of the Target Business as compared to the Group's, the Acquisition would enhance the Group's earnings by approximately 6.5% had Completion taken place on 1 January 2016, driving up the EPS from HK$0.270 to HK$0.288.

Shareholders should note that the above analysis has not taken into account any post-Acquisition potential and unquantified synergies that may accrue to the Group under the section headed "Reasons for and benefits of the Acquisition" in this letter.

2. Effect on gearing

The Group currently intends to finance the Acquisition as to 30% by internal resources and as to 70% by borrowings. Based on the Group's net debt (defined as total borrowings, net of cash and cash equivalents and restricted cash at bank) of approximately HK$15,531.6 million and equity attributable to owners of the Company of approximately HK$26,249.3 million, the Group's net gearing ratio (defined as net debt divided by equity attributable to owners of the Company) as at 31 December 2016 was approximately 59.2%. Upon Acquisition, it is expected that the net gearing ratio will be increased to approximately 62.4%, which is commercially justified having taken into account strong profitability of the Target Business.

3. NAV

The NAV of the Target Business as at 31 December 2016 amounted to approximately RMB42.7 million (equivalent to approximately HK$49.3 million). As advised by the management of the Company, had Completion taken place on 31 December 2016, the NAV of the Group of HK$26,249.3 million would not have any material difference upon Completion but it is expected that goodwill and intangible assets of approximately RMB1,000 million (equivalent to approximately HK$1,154.5 million) would arise as a result of the Acquisition. The Directors are of the view that there is no indication of material impairment of goodwill arising from the Acquisition as at the Latest Practicable Date and goodwill assessment will be conducted by the Company regularly.

Since the fair value of the identifiable NAV of the Target Business at Completion may be different from the NAV of the Target Business as at 31 December 2016, the goodwill recognised at Completion may be different from the estimated one. Shareholders should note that the aforementioned analysis are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be at Completion.

4. Working capital

As advised by the Company, at 31 December 2016, the Company had available banking facilities over HK$90.0 billion. Having taken into account the cash and cash equivalents of approximately HK$7,586 million, the available banking facilities of over HK$90.0 billion, the interest-bearing borrowings of approximately HK$23,190 million, and the Group's capital commitments mainly comprised of capital commitments on property, plant and equipment of approximately HK$598.8 million as at 31 December 2016, it is expected that the Consideration of RMB1,050 million (equivalent to approximately HK$1,212.2 million) which is to be financed as to 30% by way of internal resources and 70% by borrowings, will not have a significant adverse effect on the Group's working capital position.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. We also consider the terms of the Agreement are fair and reasonable so far as the independent shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the independent shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Unless the context requires otherwise, all amounts in RMB are translated into HK$ at an exchange rate of RMB1:HK$1.1545. Such translation should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate at all.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Ng Ka Po
Senior Director

Mr. Ng Ka Po is licensed person and responsible officer of Optima Capital Limited registered with the SFC to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has more than 15 years of experience in the provision of financial advisory and independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date and in accordance with the records of the Company maintained in accordance with the SFO and the Listing Rules, 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 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 were deemed or taken 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 the Shares and underlying shares of the Company

Name	Capacity	Number of Shares held in long position	Number of underlying Shares held in long position *(Note 1)*	Percentage *(Note 2)*
YU Xubo	Beneficial owner and interest of spouse *(Note 3)*	235,364	636,000	0.02%
DONG Wei	Beneficial owner	–	1,197,000	0.02%
YANG Hong	Beneficial owner	136,500	1,680,000	0.03%
SHI Bo	Beneficial owner	48,000	1,680,000	0.03%
Patrick Vincent VIZZONE	Beneficial owner	100,000	–	0.00%

Interests in shares of associated corporation

Name	Name of associated corporation	Capacity	Number of shares held in long position	Percentage *(Note 4)*
YANG Hong	Joy City Property Limited	Beneficial owner	10,000	0.00%

Notes:

1. These underlying shares are share options granted pursuant to the share option scheme of the Company. Particulars of which are set out on pages 47 to 50 of the Company's 2016 annual report.

2. The percentage of interests is calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date, being 5,249,880,788 shares.

3. 235,364 shares were held by the spouse of the director concerned.

4. The percentage of interests is calculated based on the total number of ordinary shares of Joy City Property Limited in issue as at the Latest Practicable Date, being 14,231,124,858 shares.

Save as disclosed above, none of the Directors or chief executive and their respective close associates had any other 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 (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name	Capacity	Number of shares held *(Note 1)*	Percentage *(Note 2)*
Wide Smart Holdings Limited	Beneficial owner	2,681,315,430	51.07%
COFCO (Hong Kong) Limited	Beneficial owner	364,790,827	6.95%
	Interest of controlled corporations *(Note 3)*	2,681,315,430	51.07%
COFCO Corporation	Interest of controlled corporations *(Note 4)*	3,046,106,257	58.02%

Notes:

1. Long positions in the Shares of the Company.

2. The percentages were calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date, being 5,249,880,788 shares.

3. These shares were beneficially owned by Wide Smart Holdings Limited, a company wholly-owned by COFCO (Hong Kong) Limited.

4. These shares were held by Wide Smart Holdings Limited and COFCO (Hong Kong) Limited, a company wholly-owned by COFCO Corporation.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no person had an interest or a short position 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 as recorded in the register required to be kept by the Company under section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired, disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

6. LITIGATION

As of the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, the following Director of the Company is considered to have business interests which are likely to compete directly or indirectly with the business of the Group:

Mr. Yu Xubo is the president of COFCO. In addition, Mr. Yu Xubo is also a director of COFCO International Limited and COFCO Agri Limited.

COFCO holds equity interests in certain companies which compete or may compete with the Company's business as follows:

(1) COFCO Biochemical (Anhui) Co., Ltd. ("**COFCO Biochemical**"), which competes or may compete with the biochemical and biofuel business of the Company. COFCO Biochemical is engaged mainly in the deep processing of agricultural products to produce biofuel, biochemicals and biomaterials such as fuel ethanol; and

(2) COFCO Agri Limited ("**COFCO Agri**"), which competes or may compete with the oilseeds processing business of the Company in China.

COFCO Agri and its subsidiaries primarily conduct their business in the following three key agricultural product categories across South America, Africa, Europe, Asia (including India and the PRC) and Australia:

i. Grains & Oilseeds, which involves the processing and distribution of key products of grains (wheat, sorghum, barley and corn) and seeds (soybeans, sunflower seed, rapeseed, proteins, soybean meal, sunflower meal, rape meal, vegetable oils (including soybean oil, sunflower oil, rapeseed oil, all degummed or refined crude palm oil and refined palm oil));

ii. Softs, which involves the trading of cocoa, sugar, cotton and coffee; and

iii. Sugar Assets, which involves the processing and sale of self-produced sugar.

8. MATERIAL ADVERSE CHANGE

There was no material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group.

9. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
Optima Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with reference to its name in the form and context in which it appears.

The letter from the independent financial adviser prepared by Optima Capital Limited set out on pages 21 to 38 was given for incorporation in this circular.

As at the Latest Practicable Date, the above expert did not have any shareholding in the Company or any other member of the Group or have any 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, the above expert has 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 2016 (the date up to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

10. GENERAL INFORMATION

(1) The registered office of the Company is located at 31st Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

(2) The Company secretary of the Company is Ms. Look Pui Fan. She is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

(3) The share registrar of the Company is Tricor Progressive Limited whose business address is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(4) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

(1) the Agreement;

(2) the Letter of Undertaking;

(3) the Non-competition Undertaking;

(4) the Registered Trademark License Contract;

(5) the Trademarks Option Agreement;

(6) the letter from the Independent Board Committee, the text of which is set out on page 20 of this circular;

(7) the letter from the IFA, the text of which is set out on pages 21 to 38 of this circular;

(8) the letter of consent from the IFA referred to in the above paragraph headed "Expert's Qualification and Consent" in this appendix; and

(9) this circular.

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)

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 Crystal Ballroom, Level B3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 7 July 2017 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

"**THAT**

(1) the Agreement (as defined in the circular of the Company dated 20 June 2017 (the "**Circular**")) entered into between COFCO Fortune Holdings Limited and COFCO Food Sales & Distribution Co., Ltd. dated 25 May 2017 (a copy of which has been produced to the EGM marked "A" and initialled by the chairman of the EGM for the purpose of identification) (details of which are set out in the Circular) and the transactions contemplated thereunder including, without limitation, the Acquisition (as defined in the Circular) be and are hereby approved, confirmed and ratified; and

(2) any one or more directors of the Company be and are hereby authorised to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the Agreement and the implementation of all the transactions contemplated thereunder including, without limitation, the Acquisition."

By Order of the Board
China Agri-Industries Holdings Limited
YU Xubo
Chairman

Hong Kong, 20 June 2017

Notes:

1. Shareholders are reminded to read carefully details of the Agreement as set out in the Circular to which this notice forms part.

2. The register of members of the Company will be closed from 4 July 2017 to 7 July 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the share registrar of the Company, Tricor Progressive Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on 3 July 2017.

3. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him.

4. Where there are joint holders of any share(s), 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.

5. A proxy form for use at the EGM is enclosed. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the above-mentioned share registrar, not less than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the EGM (i.e. before Hong Kong time 10:00 a.m. on 5 July 2017) or any adjournment of it.

6. Completion and return of the proxy form 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, and votes at, the EGM after having deposited the proxy form, his proxy form will be deemed to have been revoked.

7. The resolution set out in this notice of EGM will be voted on by poll to be demanded by the chairman of EGM.

As at the date of this notice, the Board comprises: Mr. YU Xubo as chairman of the Board and non-executive director; Mr. DONG Wei, Ms. YANG Hong and Mr. SHI Bo as executive directors; Mr. LI Jian and Mr. JIA Peng as non-executive directors; and Mr. LAM Wai Hon, Ambrose, Mr. Patrick Vincent VIZZONE and Mr. ONG Teck Chye as independent non-executive directors.