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CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
中國糧油控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 606)

CONNECTED TRANSACTION

CERTAIN MATTERS RELATING TO THE NON-COMPETITION DEED

References are made to the announcements of the Company dated 19 December 2017 and 31 August 2018 in relation to, among other things, the partial exercise of the COFCO International Option and certain matters relating to the Non-competition Deed.

FINAL AND DEFINITIVE DECISION NOT TO EXERCISE

On 6 December 2018, the INEDs considered whether or not to exercise the option in respect of the Remaining COFCO International Retained Interest and made a final and definitive decision not to exercise the option to acquire the equity interest in the entity under the Remaining COFCO International Retained Interest, namely COFCO Nantong. This accordingly will be disposed of in accordance with the terms of the Non-competition Deed.

LISTING RULES IMPLICATIONS

As COFCO is the controlling shareholder of the Company as defined under the Listing Rules, and COFCO (HK) is a wholly-owned subsidiary of COFCO, each of COFCO and COFCO (HK) is a connected person of the Company. Therefore, the non-exercise of the option in respect of the Remaining COFCO International Retained Interest constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given the applicable percentage ratios for the non-exercise of the option in respect of the Remaining COFCO International Retained Interest exceed 0.1% but are less than 5%, the non-exercise of the option in respect of the Remaining COFCO International Retained Interest is subject to the reporting and announcement requirements, but is exempt from circular and independent shareholders' approval requirements, under Chapter 14A of the Listing Rules.

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The decision is made by the INEDs based on the following reasons and considerations:

- (a). COFCO Nantong was operating on the facilities located on leased land in respect of which it received a notice from the lessor to terminate the lease agreement with effect from 30 September 2018 given the local government's re-planning requirements. COFCO Nantong has not been able to extend the lease and was required to vacate the land within a prescribed period after the termination;
- (b). COFCO Nantong has already ceased production after the termination of the lease agreement and is in the process of ceasing operations and implementing staff redundancies, and it has decided not to resume production as the business is no longer considered commercially viable; and
- (c). given the above, COFCO Nantong is considered not to be a good operational fit with the Company's existing business and would offer little or no strategic benefit to the Group and is perceived to be commercially unfeasible. Accordingly, the management does not believe the acquisition of entity under the Remaining COFCO International Retained Interest would bring strategic value to the current asset portfolio of the Group in light of its growth plans and expected market development.

INFORMATION ON COFCO NANTONG

The entity under the Remaining COFCO International Retained Interest, namely COFCO Nantong, is a company incorporated in the PRC. Its principal businesses are soybean processing and oil trade. The unaudited total assets and negative net asset value of COFCO Nantong under the PRC accounting standards as at 30 June 2018 were approximately RMB1,191.1 million and RMB184.8 million, respectively. There was no valuation in respect of COFCO Nantong conducted by any third-party valuer. Set out below is the audited financial information of COFCO Nantong prepared under the PRC accounting standards for the years ended 31 December 2016 and 2017:

	For the year ended	
	31 December	
	2016	2017
	<i>(RMB million</i>	<i>(RMB million</i>
	<i>approximately)</i>	<i>approximately)</i>
Revenue	2,527	2,144
Loss before taxation	(135)	(10)
Loss after taxation	(128)	(59)

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The Directors (including the INEDs) are of the view that the non-exercise of option to acquire the equity interest in the entity under the Remaining COFCO International Retained Interest is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

The Group

The Group is a leading producer and supplier of processed agricultural products in the PRC. Its principal businesses are oilseeds processing, rice processing and trading, wheat processing and brewing materials processing.

COFCO

COFCO is a state-owned company in the PRC with business interests in agricultural commodities trading, agricultural products processing, food and beverages, hotel management, real estate, logistics and financial services.

COFCO (HK)

COFCO (HK) is a company incorporated in Hong Kong with limited liability, a controlling shareholder of the Company and a direct wholly-owned subsidiary of COFCO. It is an investment holding company.

DEFINITIONS

“Board”	the board of Directors of the Company
“COFCO”	COFCO Corporation (中糧集團有限公司), a 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 (HK)”	COFCO (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a controlling shareholder of the Company and a direct wholly-owned subsidiary of COFCO
“COFCO International”	COFCO International Limited, a company incorporated in the Cayman Islands and a subsidiary of COFCO
“COFCO International Option”	the option for the Company to acquire the Competing Business indirectly owned by COFCO International and its subsidiaries in the PRC which became effective on 14 October 2014, as referred to in the Company’s announcement dated 19 December 2017 (formerly known as COFCO Agri Option)
“COFCO Nantong”	Nantong COFCO Agri Grain and Protein Co., Ltd.* (中糧農業穀物蛋白南通有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of COFCO International

“Company”	China Agri-Industries Holdings Limited (中國糧油控股有限公司), a company incorporated in Hong Kong with limited liability and listed on the main board of the Stock Exchange (stock code: 606)
“Competing Business”	any business which competes with the Restricted Business or any part of it in the Restricted Territory
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“INED(s)”	the independent non-executive directors of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-competition Deed”	the non-competition deed entered into among COFCO, COFCO (HK) and the Company on 16 February 2007, as amended on 23 October 2017 and supplemented on 31 August 2018
“percentage ratios”	have the same meanings ascribed thereto under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Remaining COFCO International Retained Interest”	COFCO Nantong
“Restricted Business”	the business carried by the Group comprising oilseeds processing, rice processing and trading, brewing materials and wheat processing
“Restricted Territory”	any country in the world in which the Group carries on business from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
China Agri-Industries Holdings Limited
DONG Wei
Chairman

Hong Kong, 6 December 2018

As at the date of this announcement, the Board comprises: Mr. DONG Wei as chairman of the Board and executive director; Mr. WANG Qingrong and Ms. YANG Hong as executive directors; Mr. JIA Peng and Mr. MENG Qingguo as non-executive directors; and Mr. LAM Wai Hon, Ambrose, Mr. Patrick Vincent VIZZONE and Mr. ONG Teck Chye as independent non-executive directors.

* *for identification purposes only.*