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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)

CERTAIN MATTERS RELATING TO THE NON-COMPETITION DEED

This disclosure is made by the Company pursuant to the disclosure obligations set out in the section headed “Relationship with COFCO and COFCO International” in the prospectus of the Company dated 8 March 2007.

The Board hereby announces that, the Company has considered the option over the Remaining Chinatex Retained Interests and no final and definitive decision has yet been made as to whether the Company will exercise the option.

Reference is made to the announcement of China Agri-Industries Holdings Limited (the “**Company**”) dated 31 August 2018 (the “**Chinatex Announcement**”) in relation to, among other things, the Remaining Chinatex Retained Interests. Unless otherwise defined herein, terms defined in the Chinatex Announcement shall have the same meanings when used herein.

Non-exercise of the Remaining Chinatex Retained Interests for the time being

As disclosed in the Chinatex Announcement, the Remaining Chinatex Retained Interests consist of interests in eight oilseed-processing plants located in Mainland China held by COFCO. The option over the Remaining Chinatex Retained Interests became effective on 14 December 2017. Pursuant to the Non-competition Deed, the decision as to whether or not to exercise the option over the Remaining Chinatex Retained Interests shall be voted on solely by the INEDs and be decided by a majority of votes of the INEDs. A final and definitive decision as to whether to exercise the option over the Remaining Chinatex Retained Interests will be made by the INEDs on the fifth anniversary (being the last year of the option period) of such option having become effective, if such decision has not been made before such time. If for any reason further time after the fifth anniversary is deemed necessary for the proper evaluation of the Remaining Chinatex Retained Interests, the decision to extend would be voted on solely by the INEDs and be decided by a majority of votes of the INEDs.

On 31 December 2019, the INEDs considered whether to exercise the option over the Remaining Chinatex Retained Interests. The Board announces that the INEDs resolved that, following obtained further information and analysis provided by the Company, for the time being, it is not in the interests of the Company and its Shareholders as a whole to make a definitive decision as to whether to exercise the option over the Remaining Chinatex Retained Interests.

The INEDs have made their decision based on the following factors:

1. the requisite restructuring of certain companies under the Remaining Chinatex Retained Interests has not been completed, and the related plan is still under discussion;
2. there are operational uncertainties in respect of certain businesses under the Remaining Chinatex Retained Interests and more time is needed to resolve and eliminate such operational uncertainties; and
3. based on the information provided by COFCO, it is noted that operating performance of most companies under the Remaining Chinatex Retained Interests for the two years ended 31 December 2017 and 2018 and the eleven months ended 30 November 2019 (the “**Period Under Review**”) was quite volatile with declining profitability, and only three companies therein recorded net profit for each financial period in the Period Under Review, consecutively. These profitable companies are yielding relatively low earnings yield and the management of the Company estimates the total potential synergy that may be realised to be insignificant.

The INEDs will continue to review whether to exercise the option over the Remaining Chinatex Retained Interests and the Company will disclose the decision and reason(s) for such decision by way of announcement.

For the avoidance of doubt, the Board wishes to emphasise that no final and definitive decision has yet been made as to whether the Company will exercise the option over the Remaining Chinatex Retained Interests in the future.

By Order of the Board
China Agri-Industries Holdings Limited
LUAN Richeng
Chairman

Hong Kong, 31 December 2019

As at the date of this announcement, the Board comprises: Mr. LUAN Richeng as chairman of the Board and non-executive director; Mr. WANG Zhen, Mr. XU Guanghong and Ms. HUA Jian 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.