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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: 0606)

ANNOUNCEMENT

SUMMARY

- This announcement is intended to clarify certain statements reported by the press (“**Press**”) in various articles dated 8 March 2007 (“**Articles**”) following the Company’s press conference held on 7 March 2007 (“**Press Conference**”).
- Certain statements made at the Press Conference by Mr. Yu Xubo (“**Mr. Yu**”), an executive Director and the managing Director of the Company, should not be interpreted as the opinions or views of the Company.
- The Board of Directors wishes to announce that the State-owned Assets Supervision and Administration Commission of the State Council of the PRC issued its approval in relation to COFCO’s acquisition of Anhui BBKA on 5 March 2007.
- The Board of Directors wishes to affirm the statements made in the prospectus of the Company dated 8 March 2006 (“**Prospectus**”). The Board of Directors further confirms that there has been no significant change affecting any matter contained in the Prospectus and that no significant new matter has arisen, the inclusion of information in respect of which would have been required to be in the Prospectus had it arisen prior to the issue of the Prospectus.

Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the Prospectus.

CLARIFICATION IN RELATION TO THE STATEMENTS GIVEN AT THE PRESS CONFERENCE

The Company wishes to clarify certain matters reported by the Press in connection with certain statements made by Mr. Yu at the Press Conference. Those statements should not be interpreted as the opinions or views of the Company.

At the Press Conference, the Company’s management team was asked by a journalist how the proportionate contribution of the biofuel and biochemical business to the Company’s overall revenues and net profit would evolve in future.

Mr. Yu responded by referring to the historical mix of revenues for the Group and discussing further the Group’s strategy and future investment plans with respect to the biofuel and biochemical business division, in each case as stated in the Prospectus. However, at the end of his response, Mr. Yu also expressed his personal view that given the Company’s investment plans for the biofuel and biochemical business division over the next two years, the contribution of this division to the Company’s overall revenue and net profit might eventually rise from 7% and 30%, respectively, in the first nine months of 2006, to about 15% and about 40-50%, respectively, in the future, as some of the Articles have reported.

The Company confirms that the statement made by Mr. Yu in relation to the expected future relative contributions of the biofuel and biochemical business division represented Mr Yu’s personal opinion only. Such statement was neither made on behalf of the Board of Directors or the Company, nor does it represent the Company’s or the Board of Directors’ position on the matter quoted.

UPDATES ON THE ANHUI BBKA

The Board of Directors wishes to announce that the State-owned Assets Supervision and Administration Commission of the State Council of the PRC issued its approval in relation to COFCO’s acquisition of a 20.74% interest in Anhui BBKA on 5 March 2007. The Company and the Directors were informed by COFCO of its receipt of such approval on or after 7 March 2007 subsequent to the bulk print of the Prospectus. The proposed acquisition remains subject to the approval of the China Securities Regulatory Commission and registration with the Shenzhen Stock Exchange as disclosed in the Prospectus and the option granted by COFCO to the Company to acquire COFCO’s any interest in Anhui BBKA has still not come into effect. Further, there is no change to other information contained in the Prospectus with respect to Anhui BBKA, including but not limited to the Company’s expectation that the proposed acquisition will not be completed until the end of 2007. As such, the Board of Directors does not consider this approval on its own constitutes a significant new development.

The Board of Directors wishes to affirm the statements made in the Prospectus and confirms that there has been no significant change affecting any matter contained in the Prospectus and that no significant new matter has arisen, the inclusion of information in respect of which would have been required to be in the Prospectus had it arisen prior to the issue of the Prospectus.

In addition, the Board of Directors wishes to affirm the statements made in the Prospectus and, in particular, the following risk factors relating to the Company’s business set out on pages 20 and 21 of the Prospectus:

“Our major expansion projects may not be completed as planned, may exceed our original budgets and may not achieve the intended economic results or commercial viability.

Currently, we have six greenfield projects under construction, and as at September 30, 2006, we had invested approximately RMB628.1 million in these projects. However, we cannot guarantee that these projects, or any other expansion projects still in the planning stage, will be completed on time or within our original budgets. We also cannot guarantee that we will be able to obtain all the required government approvals for these projects on time. If there is any delay in the progress of these projects, they may exceed our original budgets. In addition, these expansion projects may not achieve the intended economic results or commercial viability, which in turn, may adversely affect our business, financial condition and results of operations.”

“Heilongjiang Alcohol’s volatile gross profit and gross margin, net current liabilities and reliance on government grants may adversely affect our results of operations and financial condition.

We started our biofuel and biochemical businesses with the acquisition of Heilongjiang Alcohol in January 2006. Heilongjiang Alcohol’s gross profit for the three years ended December 31, 2003, 2004 and 2005 and the nine months ended September 30, 2006 was RMB211.7 million, RMB196.5 million, RMB177.5 million and RMB180.7 million, respectively. Heilongjiang Alcohol’s gross profit margins for the three years ended December 31, 2003, 2004 and 2005 and the nine months ended September 30, 2006 were 20.7%, 12.3%, 13.0% and 16.9%, respectively. For the nine months ended September 30, 2006, Heilongjiang Alcohol’s gross profit contributed 14.1% of our total gross profit during the period.

We cannot guarantee that the gross profit and gross margin of Heilongjiang Alcohol will not fluctuate from period to period. Should the gross profit and gross margin of Heilongjiang Alcohol decline, our profitability would be adversely affected.

As at September 30, 2006, Heilongjiang Alcohol had net current assets of RMB10.2 million, but as at December 31, 2003, 2004 and 2005, Heilongjiang Alcohol incurred net current liabilities of RMB489.2 million, RMB229.7 million and RMB72.3 million, respectively. We cannot guarantee that Heilongjiang Alcohol will not incur net current liabilities in the future or that it will always be able to raise the necessary funding to meet its capital commitments. Should Heilongjiang Alcohol incur further net current liabilities or be unable to raise sufficient funding for its capital needs, our normal business operations, our expansion plans and our financial position may be adversely affected.

Further, Heilongjiang Alcohol has relied on government grants of tax exemptions and subsidies for fuel ethanol producers. We cannot guarantee that such grants will continue. If such grants are removed, the profitability of Heilongjiang Alcohol would be adversely affected, which in turn may adversely impact our overall results of operations and profitability.”

Potential investors should read the entire Prospectus carefully and the Directors strongly caution investors not to place any reliance on any other information (including the information contained in the Articles or other media), which may not be consistent with the information contained in the Prospectus, or may not be accurate and complete.

Potential investors should make any investment decision with respect to the Global Offering only after careful review and evaluation of all the information contained in the Prospectus. The Company and the Directors accept full responsibility for the accuracy and completeness of the information contained in the Prospectus and this announcement.

This announcement is issued at the request of the Stock Exchange taking into account Rule 11.13 of the Listing Rules.

By order of the Board
China Agri-Industries Holdings Limited
Ning Gaoning
Chairman

Hong Kong, 12 March 2007

As at the date of this announcement, our non-executive Director and Chairman is Mr. NING Gaoning, our executive Directors are Messrs. YU Xubo, LU Jun, YUE Guojun, our non-executive Directors are Messrs. CHI Jingtao, MA Wangjun and our independent non-executive Directors are Messrs. LAM Wai Hon Ambrose, SHI Yuanchun and Victor YANG.

Please also refer to the published version of this announcement in South China Morning Post.