

Corporate Governance Report

Introduction

The Company recognises the importance of corporate transparency and accountability. The Directors are committed to achieving high standards of corporate governance practices and procedures and to striving for a transparent and accountable management framework to enhance the interests of shareholders. The corporate principles of the Company emphasize on upholding sound ethics and integrity in all aspects of its businesses, and ensuring that affairs are conducted in accordance with all applicable laws and regulations.

The Company has complied, throughout the year ended 31 December 2008, with all the applicable code provisions and, where appropriate, the applicable recommended best practices of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange Limited (the “Listing Rules”) except for the absence of the Chairman of the Board at the annual general meeting of the Company on 26 May 2008, due to other official duties.

Corporate Governance Event Calendar

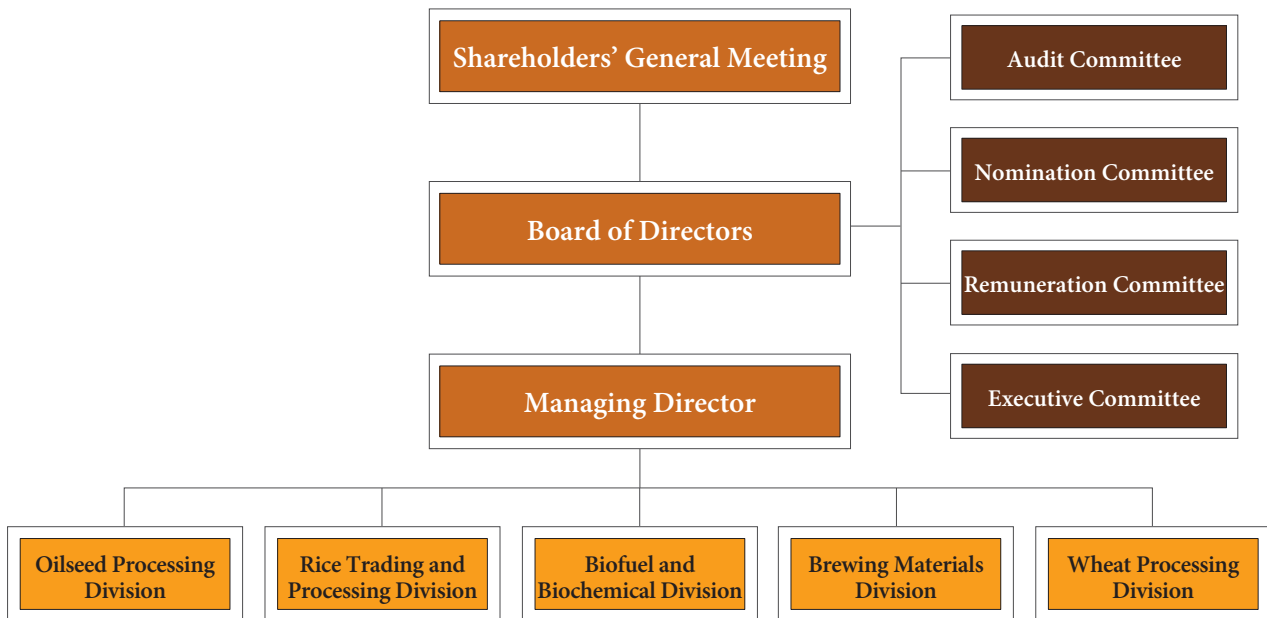
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| Jun 2008 | Commencement of the reengineering of the Company’s Risk Management System. Details of the risk management system are disclosed in the Risk Management section of the annual report at page 60. |
| Sep 2008 | Standardisation and consolidation of the Company’s policies and procedures of the following departments: <ol style="list-style-type: none">Managing Director’s Office and General Administration Department*Human Resources Department**Audit DepartmentStrategic Development DepartmentLegal DepartmentFinance Department |
| Oct 2008 | Adoption of the Company’s revised Code of Practice of the Board (the “Board Code”) |
| Feb 2009 | Establishment of the Company’s Executive Committee, provision of Board training in respect of the new amendments to the Listing Rules and adoption of the revised Codes of Securities Transactions by Directors and Relevant Employees (the “Securities Transactions Codes”) |

* including policies regarding documents flows and approval procedures, information disclosures, senior management itinerary, and production and environment safety

** including policies on employee personal conduct and ethics

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Corporate Governance Structure



Securities Transactions by Directors and Relevant Employees

The Company adopted the Securities Transactions Codes, which incorporates all of the provisions in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as the principal standards for securities transactions for the Directors. Upon specific enquiries to all the Directors, each of them confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2008 in relation to their securities dealings, if any.

The Securities Transactions Codes also applied to specified employees who are likely to be in possession of unpublished price-sensitive information related to the Group and its activities. These employees must also comply with guidelines in the Securities Transaction Codes as exacting as those set out in the Model Code. During the reporting period, the Company has not received any non-compliance report from any of such employees.

The Board

The Board is responsible for the leadership and control of the Company and overseeing the Group’s business, strategic decisions and performance. The management is delegated with the authority and responsibility by the Board for the daily

management of the Group. The functions reserved to the Board and those delegated to the management are specified in section C.2 of the Board Code. In addition, the Board has established various Board committees and delegated various responsibilities to the Board committees, including the audit committee (the “Audit Committee”), the remuneration committee (the “Remuneration Committee”), the nomination committee (the “Nomination Committee”) and the executive committee (the “Executive Committee”) (together, the “Board Committees”) according to section C.2.2 of the Board Code. All the Board Committees perform their distinct roles in accordance with their respective terms of reference. Further details of these committees are set out below.

Other than resolutions passed by means of resolutions in writing of all Directors, the Board held 16 meetings during the reporting period to, among other things, consider and approve the interim and final results of the Group, and discuss business strategy.

The Company adopts the practice of holding regular Board meetings at least four times a year. Notice of each meeting is sent to Directors at least 14 days prior to a regular Board meeting, and Directors may request inclusion of matters in the agenda for Board meetings. For ad hoc Board meetings, reasonable notices are given.

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According to section B.3.3 of the Board Code, minutes of meetings of the Board and Board Committees should be recorded in sufficient detail of the matters considered by the Board and Board Committees, decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board and/or Board Committees (as the case may be) are sent to the Directors for their comments and records respectively. The decisions of the Board can be made via written resolutions authorised by all Directors.

As specified in section D.1 of the Board Code, all Board members have access to the advice and services of the company secretary. Minute books (including minutes of all Board Committees) are kept by the company secretary and are open for inspection during office hours on reasonable notice by any Director.

If necessary, Directors also have access to external professional advice at the Company's expense.

Chairman and Managing Director

The Chairman of the Board is Mr. Ning Gaoning, and the chief executive officer (or Managing Director, in the case of the Company) is Mr. Yu Xubo. The Chairman's and the Managing Director's roles are clearly defined in section C.1 of the Board Code to ensure their respective independence.

The Chairman takes lead in formulating the overall strategies and policies of the Group, and ensures effective performance by the Board of its functions, including compliance with good corporate governance practices, and encourages and facilitates active contribution of Directors in Board activities and constructive relations between executive and non-executive Directors. The Chairman also ensures that a system of effective communication with shareholders of the Company and receipt by the Directors of adequate and complete information is in place.

The Managing Director, supported by other Board members and the senior management, is responsible for the daily business operations and management of the Group. He is accountable to the Board for the implementation of the Group's overall strategies as well as co-ordination of overall business operations.

Board Composition

The Board currently comprises nine Directors, namely, Mr. Ning Gaoning as the chairman and non-executive Director; Mr. Yu Xubo (Managing Director), Mr. Lu Jun and Mr. Yue Guojun as

executive Directors; Mr. Chi Jingtao and Mr. Ma Wangjun as non-executive Directors; and Mr. Lam Wai Hon, Ambrose, Mr. Victor Yang and Mr. Patrick Vincent Vizzzone as independent non-executive Directors ("INEDs").

The Board members have no financial, business, family or other material or relevant relationships with each other. The composition of the Board has met the standard of recommended best practice under the CG Code for the Board to have at least one-third of its members comprising INEDs.

The Company has received annual written confirmations from each of the INEDs confirming their independence in accordance with section B.1.3 of the Board Code and Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs are independent within the definition of the Listing Rules.

Appointment, Re-election and Removal

Currently, each of the non-executive and INEDs has a specific term of appointment for three years.

Pursuant to Article 106 of the articles of association of the Company ("Articles of Association"), at every annual general meeting, one-third of the Directors or, if their number is not a multiple of three, then the number nearest to and at least one-third shall retire from office by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company considers that sufficient measures have been taken to ensure that the Company's practices in appointment of Directors are no less exacting than those set out in the CG Code.

Mr. Ning Gaoning, Mr. Lu Jun and Mr. Victor Yang shall retire at the forthcoming annual general meeting of the Company and being eligible, each of them will offer himself for re-election pursuant to Article 106 of the Articles of Association.

To enable shareholders of the Company to make an informed decision on the re-election of Directors, the biographies of the retiring Directors are set out in this annual report under the section headed "Directors and Senior Management Profile", which demonstrates a diversity of skills, expertise, experience and qualifications among the Directors.

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Responsibilities of Directors

The Company ensures that every newly appointed Director has a proper understanding of the operations and businesses of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The Company sponsors Directors to attend professional development seminars where necessary. In addition, the Company's professional adviser would provide training (including any update) on the Listing Rules and regulatory requirements (if required) to the Directors.

The INEDs take an active role in Board meetings, contribute to the development of strategies, internal control and policies and make independent judgment on issues relating to the Group. They will take lead where potential conflicts of interest arise. The INEDs are also members of the various Board Committees (except for the Executive Committee).

Board Committees

Nomination Committee

The Nomination Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the CG Code. The terms of reference of the Nomination Committee are available in writing upon request to the company secretary and on the Company's website. The Nomination Committee currently comprises Mr. Ning Gaoning (the Chairman of the Company and non-executive Director) as the chairman of the Nomination Committee, Mr. Chi Jingtao (non-executive Director), Mr. Lam Wai Hon, Ambrose, Mr. Victor Yang and Mr. Patrick Vincent Vizzone (INEDs).

The Nomination Committee is primarily responsible for the procedure of nominating appropriate persons and appointing its members, either to fill a casual vacancy or as an addition to the Board.

During the reporting period, the Nomination Committee held one meeting to review the composition of the Board Committees and to consider the rotation of retirement of Directors at the 2008 annual general meeting of the Company.

The existing executive Directors were appointed based on their qualifications and experience in relation to the Group's businesses. The existing non-executive Directors were appointed based on their qualifications and experience within COFCO

Limited ("COFCO") and its subsidiaries ("COFCO Group").

The existing INEDs were appointed based on their professional qualifications and experience in their respective areas.

A circular of the Company providing detailed information on re-election of Directors, including biographies of those Directors standing for re-election, is to be sent to the shareholders of the Company to enable their informed decisions.

Remuneration Committee

The Remuneration Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the CG Code. The terms of reference of the Remuneration Committee are available in writing upon request to the company secretary and on the Company's website. The Remuneration Committee currently comprises Mr. Chi Jingtao (non-executive Director) as the chairman of the Remuneration Committee, Mr. Ma Wangjun (non-executive Director), Mr. Lam Wai Hon, Ambrose, Mr. Victor Yang and Mr. Patrick Vincent Vizzone (INEDs).

The primary role of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management.

The Remuneration Committee may consult with the Chairman and Managing Director of the Company regarding proposals for the remuneration of other executive Directors. The remuneration of the non-executive Directors is determined by the Chairman of the Company (except for his own remuneration) and the executive Directors. Where necessary, the Remuneration Committee may have access to external professional services at the Company's expenses.

The existing remuneration policy of the executive Directors is determined by the Remuneration Committee, having considered the qualifications and experience of each of the executive Directors and with reference to the remuneration policy of other listed companies of similar business and size. The remuneration policy of the non-executive Directors and the INEDs is determined by their participation in the Board and the Board Committees.

During the report period, the Remuneration Committee held one meeting to review the existing remuneration packages of the executive Directors and senior management as well as to

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consider the grant of share options to the relevant Directors and the employees.

Audit Committee

The Audit Committee was established in February 2007 with specific written terms of reference which clearly deal with its authority and duties. The terms of reference of the Audit Committee are available in writing upon request to the company secretary and on the Company's website. The Audit Committee currently comprises Mr. Lam Wai Hon, Ambrose (INEDs) as the chairman of the Audit Committee, Mr. Ma Wangjun and Mr. Chi Jingtao (non-executive Directors), Mr. Victor Yang and Mr. Patrick Vincent Vizzone (INEDs). In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee possesses the appropriate professional and accounting qualifications.

Under its terms of reference, the Audit Committee shall assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, internal control, risk management and external audit functions. Although it is the management's duty to ensure the Company's accounting and financial reporting function maintains an adequate number of qualified and experienced staff. The Audit Committee is further authorised by the Board to investigate any activity within its terms of reference, and may make recommendations to the Board to take appropriate actions emanating from such investigations. The Audit Committee has unrestricted access to personnel, records, external auditors and senior management, as may be appropriate in discharging its functions.

Certified/Chartered Accountants in the Company:

Name of Professional Institution	No. of staff
The Chinese Institute of Certified Chartered Accountants	16
Association of Certified Chartered Accountants	4*
American Institute of Certified Public Accountants	1**
Hong Kong Institute of Certified Public Accountants	4
Institute of Chartered Accountants in England and Wales	1**

* Three out of these four individuals are also members of the Hong Kong Institute of Certified Public Accountants.

** This individual is also a member of the Hong Kong Institute of Certified Public Accountants.

Other Qualifications:

Name of Professional Institution	No. of staff
Institute of Certified Management Accountants	1
Certified General Accountants of Canada	1
Chartered Financial Analyst Institute	2

During the reporting period, the Audit Committee held four meetings with the external auditors and the senior management of the Company, in February, April, September, and December 2008, to review and discuss, among other things, the financial reporting and audit planning, internal control and the financial results of the Group.

Executive Committee

The Executive Committee was established on 27 February 2009, with specific written terms of reference. The Executive Committee currently comprises Mr. Yu Xubo (Managing Director) as the chairman of the Executive Committee, Mr. Lu Jun and Mr. Yue Guojun as executive Directors.

Under its terms of reference, the primary responsibility of the Executive Committee is to deal with and supervise the day-to-day business operations, management and administration of the Company.

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Attendance Records at the Board and Committees Meetings

The attendance records of the individual Directors at the Board, Nomination Committee, Remuneration Committee and Audit Committee meetings for the year ended 31 December 2008 are set out in the following table:

Name of Director	Board			Committee		
	Regular meeting	meetings of independent non-executive Directors*	Other meetings	Nomination	Remuneration	Audit
Chairman and Non-executive Director						
NING Gaoning	4/4	N/A	2/7	1/1	N/A	N/A
Executive Directors						
YU Xubo	3/4	N/A	4/7	N/A	N/A	N/A
LU Jun	2/4	N/A	5/7	N/A	N/A	N/A
YUE Guojun	3/4	N/A	4/7	N/A	N/A	N/A
Non-executive Directors						
CHI Jingtao	3/4	N/A	4/7	1/1	1/1	2/4
MA Wangjun	4/4	N/A	4/7	N/A	0/1	2/4
Independent Non-executive Directors						
LAM Wai Hon, Ambrose	4/4	5/5	7/7	1/1	1/1	4/4
Victor YANG	4/4	5/5	7/7	1/1	1/1	4/4
Patrick Vincent VIZZONE	4/4	5/5	6/7	1/1	1/1	4/4

* Meetings according to Article 131A of the Articles of Association of the Company held by INEDs to decide matter relating to the connected transactions between the Company and/or any of its subsidiaries, on the one part, and COFCO Group (other than the Company), on the other.

Auditors' Remuneration

During the reporting period under review, the remuneration paid or payable to Ernst & Young in respect of its audit services and its non-audit services for the year ended 31 December 2008 was approximately HK\$5,150,000 and HK\$2,740,000 respectively.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting principles in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board, and the management with appropriate enquires, were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

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The Company's operating results for the year ended 31 December 2008 were reviewed by the management during the annual management meeting. General Managers of all business units and functional departments of the Company attended the meeting, and the Managing Director presented the Company's overall and divisional operating results during the meeting. Variations from the budget and from the previous year's results were reviewed and analysed. In this review process, the management identified the effects of the key risk factors that affected the Company's businesses during the reporting period and consolidated them with their expectations of the business performance they accumulated during their daily management of the businesses to form a basis for comparison and verification of the details of the reported operating results for the year.

Based on the results of the above management review and the business risks identification, an overall business strategy of the Company for the coming year was also developed during this annual management meeting. To ensure the achievement of the goals and objectives set for the coming year, this overall business strategy also includes plan for continuing risks assessment and the development of the necessary internal control procedures.

The Company has announced its annual results for the financial year ended 31 December 2008 on 14 April 2009. A statement by the external auditors on its reporting responsibility is included in this annual report.

Internal Audit

The Company's Audit Department is led by the Head of Audit Department and includes over 30 other professional staff. The Head of Audit Department reports directly to the Audit Committee, and the Managing Director and attends all Audit Committee meetings.

The Audit Department's primary responsibilities include:

- Assist the Audit Committee in its review of the Company's overall system of internal controls;
- Perform reviews of the design and the proper implementation of policies, procedures and controls of all major business units and functional departments;
- Perform reviews of the compliance status of rules and regulations that are relevant to the Company's businesses;
- Perform efficiency and compliance reviews of major investment and construction projects; and
- Perform special reviews of areas of concern identified by the Audit Committee or the management.

An annual internal audit plan is prepared by the Audit Department based on a risk-based auditing approach. The approach focuses on the internal controls of material transactions, business units and functional departments. The annual internal audit plan is reviewed and approved by the Audit Committee at the beginning of each year.

Internal Control

The Board acknowledges that a properly designed internal control system is one of the key elements to monitor and safeguard the resources of the Group, to produce reliable financial reports for the stakeholders of the Company, and to enhance better corporate governance and compliance in order to reduce the possibility of significant errors and irregularities by timely detection.

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The COSO (Committee of Sponsoring Organisation of the Treadway Commission) framework has been adopted by the Company in developing its internal control system. The major elements of the governance framework include a stable control environment that supports sustainable growth, a comprehensive risk management system, a system of effective control activities, an efficient information and communications system, and a management monitoring process. The Board empowered the management with the responsibilities and the necessary authorities to develop and implement an effective system of internal controls.

Business objectives set by the Board were fully discussed among the management team during the annual management meeting. Risks associated with achieving or not achieving these objectives were identified and assessed during these management discussions. Based on the results of these discussions, the management developed detailed business strategies for the year. These strategies include the plan for the development and the implementation of the necessary control activities and management monitoring process. Periodic review on the effectiveness of these business strategies are performed by the management to ensure the necessary adjustments are made to accommodate the changes in the internal and external environment. The Company's risk management committee, which reports directly to the managing director, is responsible for overseeing the Company's overall risk management practice and the related policies setting process. Please refer to the Risk Management section on page 60 of this annual report for further details.

Internal Control Review

The Board assesses the effectiveness of the overall system of internal control by considering reviews performed by the Audit Committee, as well as reviews by both internal and external auditors with the understanding that such system is an ongoing process to identify, evaluate and manage significant risks faced by the Group. The internal control system of the Group has been in place and was functioning effectively for the year under review, and the process is regularly reviewed.

Whistle-Blowing Policy

A whistle-blowing policy was set up and incorporated in the Board Code by the Company in 2008 to ensure inappropriate business practices and behaviors are properly reported and handled. The policy includes the establishment of an electronic reporting mailbox. The Audit Committee and the Managing Director have full and direct access to this mailbox. Follow-up review will be performed by the Audit Department upon the request of the Audit Committee or the Managing Director. Procedures and controls are in place to ensure the informant's identity is kept confidential.

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Investor Relations

The Company believes effective communications and sound relationships with its existing and potential investors are essential for creating sustainable shareholder value. To this end, we are striving to enhance corporate transparency and facilitate communications with the investment community in a timely manner through proactive, open and ongoing dialogues.

We provide a number of platforms, such as webcast, conference calls, and face-to-face meetings, to facilitate communications and exchange between the Company and investors from different geographic regions. We also participate in investor conferences organized by securities houses, luncheons and non-deal investor roadshows on a regular basis.

We understand the importance of keeping the investment community fully informed of the Company's latest strategies and business developments. Therefore, we revamped our website in February 2008 in order to provide more relevant and detailed information to the public.

The proactive communication approach has ensured the Company's overall performance was widely recognized by different professional bodies in 2008. In May, the Company was named in "**Recognition Awards 2008 – The Best of Asia (China)**" by one of the region's most authoritative journals on corporate governance, *Corporate Governance Asia*. China Agri was the only newly-listed company in 2007 to have been included on the list. In November, China Agri won the title of "**Top 1,000 Chinese Enterprises in the Globe – Best Results Enterprise Award**" from *Yazhou Zhoukan*, a respected international Chinese-language magazine on current affairs. In addition, we were voted as "**One of the Best Companies in China**", in terms of corporate governance in *The Asset Magazine's* annual "**Triple A Corporate Governance Awards 2008**".

The recognitions reflect the Company's commitment to maintain high standards of ethics, corporate governance, and effective accountability mechanisms in every aspect of business operations. We are committed to safeguarding shareholder value, instilling investor confidence and upholding sustainable development of businesses.

As part of our ongoing efforts to enhance communication with stakeholders through investor relations activities, the Company intends to organize corporate days for investors, analysts and the financial media in the first half of 2009.

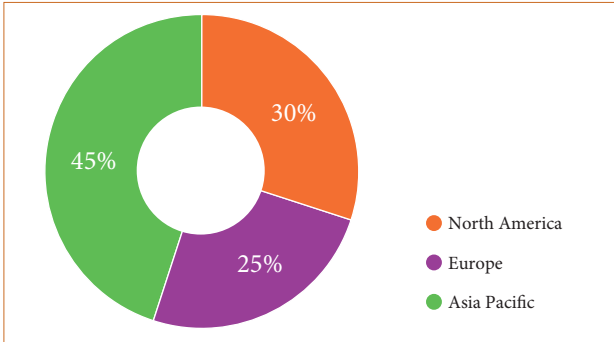
We listen to the market and value the feedback we receive from investment professionals. That is why we have taken steps to maintain dialogue with the investment community and the public. Our business performance is covered by a host of investment firms. In 2008, five analysts at BNP Paribas, Morgan Stanley, HSBC, Nomura and Tanrich initiated coverage on China Agri, bringing the total number of analysts covering the Company to 11. For a complete list of the analysts, please visit our website at www.chinaagri.com.

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We review the Company’s ownership structure on a regular basis to identify the mix of institutional and retail shareholders.

The geographical distribution of our top 20 investors is shown below:

By number of investors



By number of shares

