

The Directors present their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates comprise property investment and development, hotel ownership and operations, food processing and related businesses which include edible oils refining, wine-making, food trading and flour milling.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and profit from operating activities by principal activity and geographical area of operations is as follows:

	Turnover		Profit/(loss) from operating activities	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Property investment and development	354,390	323,349	83,849	76,740
Hotel operating	224,436	216,140	54,051	46,346
Food processing and related businesses	1,297,922	781,851	(8,916)	(47)
	1,876,748	1,321,340	128,984	123,039
Dividend and interest income			72,318	68,048
Corporate and others			(10,633)	(12,086)
			190,669	179,001
By geographical area:				
The People's Republic of China:				
Hong Kong	836,824	301,088	95,844	81,661
Elsewhere	1,039,924	1,014,679	94,825	99,681
United States of America	—	5,573	—	(2,341)
	1,876,748	1,321,340	190,669	179,001

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 75.

No interim dividend was paid during the year and the Directors do not recommend the payment of any final dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 79. This summary is not part of the audited financial statements.

FIXED ASSETS, INVESTMENT PROPERTIES AND HOTEL PROPERTIES

Details of movements in the fixed assets, investment properties and hotel properties of the Group during the year are set out in note 11 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 12 to the financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's principal subsidiaries and the Group's associates and jointly controlled entities as at 31 December 2000 are set out in notes 35, 36 and 37 to the financial statements, respectively.

BANK BORROWINGS

Details of the bank borrowings of the Group and the Company as at 31 December 2000 are set out in note 26 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options during the year are set out in note 29 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30, to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$591,860,000. In addition, the Company's share premium account, in the amount of HK\$946,454,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 24% by value of the Group's turnover during the year, with the largest one accounting for approximately 12%. The five largest suppliers of the Group together accounted for approximately 60% by value of the Group's total purchase during the year, with the largest one accounting for approximately 48%.

Apart from the Group's ultimate holding company, China National Cereals, Oils & Foodstuffs Import & Export Corporation ("COFCO"), which had interests in two of the Group's five largest suppliers, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or the Group's three other largest suppliers.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

Zhou Mingchen	
Xue Guoping	(also alternate to Mr. Zhou Mingchen)
Dong Zhongxin	(appointed on 8 August 2000)
Wang Jinjun	(appointed on 8 August 2000)
Ma Lishan	(resigned on 8 August 2000)
Chen Hua	(resigned on 20 September 2000)
Hung Kam Hung, Allan	(resigned on 2 January 2001)

Independent non-executive Directors:

Lau Kwok Hing
Liang Shangli

In accordance with Article 99 of the Company's Articles of Association, Mr. Dong Zhongxin and Mr. Wang Jinjun retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS (Cont'd)

In accordance the Article 116 of the Company's Articles of Association, Mr. Xue Guoping and Mr. Liang Shangli retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on page 17 to 18 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The independent non-executive Directors have been appointed for a term subject to retirement by rotation as required by the Company's Articles of Association.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party during or at the end of the year.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the Directors' remuneration and of the five highest paid employees in the Group are set out in note 6 to the financial statements.

PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2000, the interests of the Directors in the shares or other securities of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of or Part 1 of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(i) The Company

Name of Director	Number of ordinary shares and nature of interest		
	Personal interest	Family interest	Corporate interest
Zhou Mingchen	–	–	1,350,975,039 (Note)

Note: This represents the deemed interest of COFCO in 1,350,975,039 shares held directly and indirectly by COFCO (Hong Kong) Limited ("COFCO HK") with respect to which Mr. Zhou Mingchen is deemed to have a corporate interest by virtue of his previous position as the president of COFCO.

(ii) Associated corporation

Name of Director	Number of shares	Nature of interest	Associated corporation
Zhou Mingchen	347,775,002 (Note)	Corporate	China Foods Holdings Limited ("China Foods")

Note:

This represents the deemed interest of COFCO in 347,775,002 shares in China Foods directly held by COFCO HK and indirectly held by the Company with respect to which Mr. Zhou Mingchen is deemed to have a corporate interest by virtue of his previous position as the president of COFCO.

Save as disclosed above, as at 31 December 2000, none of the Directors, chief executive of the Company and their respective associates had any interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance which were required to be notified to the Company and the Stock Exchange as mentioned above.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

- (a) The Company's share option scheme, which expired on 1 June 1998, enabled the Directors to grant options to eligible employees, including executive Directors, of the Company and its subsidiaries to subscribe for shares in the Company.

During the year, the following Directors had the following interests in options, which had been granted pursuant to the above share option scheme, prior to its expiry to subscribe for shares in the Company:

Name of Director	Number of options	Date granted	Expiry date of options	Price per share to be paid on exercise of options
Xue Guoping	5,000,000	5.8.1997	13.8.2000	HK\$2.116
Ma Lishan	4,000,000	5.8.1997	13.8.2000	HK\$2.116
Hung Kam Hung, Allan	3,000,000	5.8.1997	13.8.2000	HK\$2.116
Chen Hua	3,000,000	5.8.1997	15.8.2000	HK\$2.116

None of the Directors exercised their options and the above options lapsed during the year.

- (b) The Company's subsidiary, China Foods has a share option scheme to enable the directors of China Foods to grant options to eligible employees, including executive directors of China Foods or any of its subsidiaries to subscribe for shares in China Foods.

As at 31 December 2000, Mr. Xue Guoping, who is also a director of China Foods, had the following interest in options granted pursuant to China Foods' share option scheme to subscribe for shares in China Foods:

Name of Director	Number of options	Date granted	Expiry date of options	Price per share in China Foods to be paid on exercise of options
Xue Guoping	5,000,000	5.8.1997	12.2.2003	HK\$2.156

Save as aforesaid, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors, or their respective spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following details were recorded in the register maintained by the Company under Section 16 of the SDI Ordinance for the purpose of Sections 3 to 7 of the SDI Ordinance:

Name of shareholder	Number of ordinary shares and nature of interest		
	Direct interest	Deemed interest	Total interest
Rovtec Investments Limited (Note)	886,519,589	–	886,519,589
COFCO HK (Note)	226,163,450	1,124,811,589	1,350,975,039
COFCO	–	1,350,975,039	1,350,975,039

Note: The ultimate holding company of these companies is COFCO.

Save as disclosed above, as at 31 December 2000, the register of substantial shareholders maintained by the Company pursuant to Section 16 of the SDI Ordinance shows that the Company has not been notified of any other interest representing 10% or more of the Company's issued share capital.

CONNECTED TRANSACTIONS

- (a) Separate management contracts had been entered into between Gloria International Hotels Limited ("Gloria International"), a 65% owned subsidiary of COFCO HK, and the respective Group companies owning Gloria Plaza Hotel, Beijing, Gloria Plaza Hotel, Shenyang, Gloria Plaza Hotel, Dalian and Gloria Resort, Sanya. Details of each of the management contracts are as follows:
- (i) Pursuant to the management contract entered into between Gloria International and Gloria Plaza Hotel Ltd. ("Beijing JVC") in relation to Gloria Plaza Hotel, Beijing, Gloria International will provide certain hotel operation and management services to Beijing JVC in return for a fee calculated based on 2.5% of the turnover of Gloria Plaza Hotel, Beijing. The management contract is for a term of 10 years from 29 September 1993 to 28 September 2003. Under the management contract, Gloria International will be entitled to receive a bonus calculated at 4% of the actual gross profit for the relevant year should the annual gross profit of Beijing JVC exceed the amount budgeted for by the board of directors of Beijing JVC for the relevant year.
 - (ii) Pursuant to the management contract entered into between Gloria International and Shenyang Gloria Plaza Co., Ltd. ("Shenyang JVC") in relation to Gloria Plaza Hotel, Shenyang, Gloria International will provide certain hotel operation and management services to Shenyang JVC in return for a fee calculated based on 3% of the turnover of Gloria Plaza Hotel, Shenyang. The management contract is for a term of 10 years from 18 October 1995 to 17 October 2005. Under the management contract, Gloria International will be entitled to receive a bonus calculated at 1% of the turnover for the relevant year should the annual gross profit of Shenyang JVC exceed the amount budgeted for by the board of directors of Shenyang JVC for the relevant year.

CONNECTED TRANSACTIONS (CONT'D)

- (iii) Pursuant to the management contract entered into between Gloria International and Dalian Gloria Plaza Hotel Co., Ltd. ("Dalian JVC") in relation to Gloria Plaza Hotel, Dalian, Gloria International will provide certain hotel operation and management services to Dalian JVC in return for a fee calculated based on 2.5% of the turnover of Gloria Plaza Hotel, Dalian. The management contract is for a term of 25 years from 22 March 1996 to 21 March 2021. Under the management contract, Gloria International will be entitled to receive a bonus calculated at 4% of the actual gross profit for the relevant year should the annual gross profit of Dalian JVC exceed the amount budgeted for by the board of directors of Dalian JVC for the relevant year.
- (iv) Pursuant to the management contract entered into between Gloria International and Sanya Gloria Resort Limited ("SGRL") in relation to Gloria Resort, Sanya, Gloria International will provide certain hotel operation and management services to SGRL in return for a management fee calculated based on 2.5% of the turnover together with a bonus payment calculated based on 4% of the gross operating profit of Gloria Resort, Sanya for the relevant year. The management contract is for a term of 10 years from 26 February 1997 to 25 February 2007.

The total amount of the management fees paid to Gloria International pursuant to the respective management contracts mentioned above for the year ended 31 December 2000 was approximately HK\$8,997,000 (1999: approximately HK\$7,957,000).

- (b) During the year, China Foods Trading Limited, a wholly-owned subsidiary of China Foods, entered into various transactions with COFCO, the Company's ultimate holding company, relating to the buying and selling of various commodities and foodstuffs (the "Transactions"). The Transactions are covered by a waiver granted by the Stock Exchange to the Company from the connected transaction requirements under Chapter 14 of the Listing Rules. The ceiling for the annual value of the Transactions in any particular financial year for the three financial years ended 31 December 2000 is 25% of the audited consolidated net tangible assets of the Company as stated in its audited financial statements for the relevant year (the "Cap").

During the year, the total value of the Transactions amounted to approximately HK\$783,116,000 (1999: approximately HK\$75,524,000).

The above connected transactions were reviewed by the independent non-executive Directors who confirmed that:

- (i) they were carried out in accordance with the terms of the agreement relating to the transactions in question or, where there was no such agreement, on terms no less favourable than terms available to (or from, as the case may be) independent third parties;
- (ii) they were carried out in the ordinary and usual course of business of the Group;

CONNECTED TRANSACTIONS (Cont'd)

- (iii) they were either on normal commercial terms or, where there was no available comparison, on terms that were fair and reasonable in so far as the independent shareholders of the Company were concerned; and
- (iv) in respect of the Transactions, their aggregate value did not exceed the Cap.
- (c) During the year, Bapton Company Limited, a wholly-owned subsidiary of the Company, entered into 6 separate tenancy agreements with COFCO HK and its associates (as defined in the Listing Rules) for the lease of certain floors of office space in Top Glory Tower, the Company's office tower in Causeway Bay, for a period of 2 years from 1 January 2000 to 31 December 2001 at an aggregate rental of HK\$12,369,696.00 with an option to renew the respective tenancies for another period of 2 years from 1 January 2002 to 31 December 2003 at an aggregate rental of HK\$14,225,150.40. Brief details of the tenancy agreements are as follows:

Tenant	Connected relationship to the Company	Premises rented	Rental paid for the entire tenancy
COFCO HK	The Company's intermediate holding company	Whole of 33rd Floor	HK\$7,244,846.40
Top Glory Sugar Company Limited	As at the date of the tenancy agreement, an 70% owned subsidiary of COFCO HK	Room 2802, 28th Floor	HK\$3,800,649.60
Top Glory Shipping Company Limited	As at the date of the tenancy agreement, a wholly-owned subsidiary of COFCO HK	Whole of 27th Floor	HK\$7,210,790.40
Gloria International	As at the date of the tenancy agreement, a 65% owned subsidiary of COFCO HK	Room 2203, 22nd Floor	HK\$1,783,296.00
Grand Silver Holdings Limited	As at the date of the tenancy agreement, a wholly-owned subsidiary of COFCO HK	Room 1802, 18th Floor	HK\$3,002,088.00
Ceroilfood Finance Limited	A wholly-owned subsidiary of COFCO	Room 1801, 18th Floor	HK\$3,553,176.00

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Set out below is the information disclosed pursuant to paragraph 8.10 of the Listing Rules.

Four Directors of the Company, namely Messrs. Zhou Mingchen, Xue Guoping, Dong Zhongxin and Wang Jinjun being also directors of the Company's ultimate holding company, COFCO, and/or its subsidiaries (together the "COFCO Group") are considered as having an interest in the businesses of the COFCO Group for the purposes of paragraph 8.10 of the Listing Rules.

The following businesses of the COFCO Group compete or are likely to compete, directly or indirectly, with the businesses of the Group:

(a) Property investment and development

The COFCO Group holds investment properties and/or properties under development in the following cities in Mainland China in which the Group also has investment properties and/or properties under development.

Beijing

The COFCO Group owns Beijing COFCO Plaza, an office and commercial building located at Jian Guo Men Nei Avenue. Six floors of one office block of Beijing COFCO Plaza are occupied by COFCO, whilst the rest of the floor space has been leased out for office and commercial purposes. The COFCO Group also has plans to develop a site in Chaoyang District into high-rise residential apartments.

There is little competition between the COFCO Group's properties in Beijing and the Group's properties as Beijing Capital Paradise is a low-rise residential development catered to the expatriate community in Beijing and Beijing Qianmen Shopping Centre is a re-developed, modern shopping arcade.

Shanghai

In Shanghai, the COFCO Group has an approximate 10% interest in Kerry Everbright City located in Zhabei District. The COFCO Group is a passive investor as the development of this project is undertaken by Kerry Properties Limited. The Group's property interest in Shanghai on the other hand is located in Pudong, where a premium serviced apartment block is planned.

Guangzhou

The COFCO Group has three properties under development located in different parts of Guangzhou, namely Tian He District, Huanshi Dong Lu and Henan Lu. All three properties are proposed residential projects, whereas the Group's property, Top Spring Development Building, is an office and commercial building.