

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (CONT'D)**Shenzhen**

The COFCO Group has two high-rise residential property developments in Shenzhen, located at Beili Nan Lu and Wenjin Bei Lu respectively, whereas the Group's residential-cum-commercial development, Shenzhen Xin An Lake, is located in Baoan County outside the Shenzhen city limits.

(b) Hotel investment

The COFCO Group owns the following hotels, which are managed by Gloria International, a 65% owned subsidiary of COFCO HK.

Name	Location	No. of rooms
Gloria Plaza Hotel, Suzhou	Suzhou, Jiangsu Province	300
Gloria Plaza Hotel, Nanchang	Nanchang, Jiangxi Province	350
Gloria Inn, Shenyang	Shenyang, Liaoning Province	81
Songhuajiang Gloria Inn	Harbin, Heilongjiang Province	304
Huanhai Gloria Inn	Qingdao, Shandong Province	238
Cactus Resort	Sanya, Hainan Province	600

Save and except for Gloria Inn, Shenyang and Cactus Resort, the hotels owned and operated by the COFCO Group are located in cities other than those in which the Group owns and operates its hotels. In Shenyang, the Group's hotel, Gloria Plaza Hotel, Shenyang, is operated to 4-star hotel standards and caters to a large extent to business travellers, whereas Gloria Inn, Shenyang is operated to 3-star hotel standards and caters to domestic travellers and tourists. In Sanya, the Group's resort hotel, Gloria Resort, Sanya, is operated to 5-star hotel standards, whereas Cactus Resort is operated to 3-star hotel standards. As the hotels are either located in different locations or where if they are located in the same cities, they are operated to different hotel standards, the Company considers that there is no direct competition between the hotels owned and operated by the COFCO Group and those owned and operated by the Group.

(c) Edible oils refining

The COFCO Group's edible oils refining business is operated through its investments in seven edible oils plants in the northern and western regions of the Mainland which are located in the cities / provinces of Tianjin, Shandong, Zhangjiagang, Laiyang and Guangxi. The principal business of the seven edible oils plants is the extraction, processing and refining of a wide variety of edible oils and fats in the northern and western regions of the Mainland. Since the Group's edible oils refining business is operated through Eastbay Oils and Fats Industries (Guangzhou) Co., Ltd. and Southseas Oils & Fats Industrial (Chiwan) Ltd. which are located in the Guangdong province and targeted mainly at customers in the Pearl River Delta region, the effect of any possible competition with the edible oils business of the COFCO Group is minimized.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Cont'd)**(d) Wine making**

The COFCO Group's wine making business is operated through its investments in three wineries including a 25% equity interest in China Great Wall Wine Co., Ltd. ("Great Wall Wine") of which the Group is also a holder of 25% equity interest. The other two wineries are located in the cities of Qinhuangdao and Yantai and are engaged in the business of production of white and red wine targeting the markets in the southern and eastern regions of the Mainland. Great Wall Wine on the other hand is located in the city of Zhangjiakou and focused on the production of dry white and dry red wine and targeted the northern region of the Mainland.

(e) Food trading

The COFCO Group's food trading business is operated mainly in the Mainland through its various subsidiaries and associates which act as principal or as agent for customers in the Mainland, whereas the Group focuses mainly on the markets in the Asia-Pacific region.

(f) Flour milling

The Group's flour milling business is operated through its two flour mills in Zhengzhou and Xiamen which targets the flour markets in the central part of the Mainland, whereas the COFCO Group's flour milling business focuses mainly on the flour markets in the northern and eastern parts of the Mainland.

AUDIT COMMITTEE

In 1999, the Company established an Audit Committee in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules to review and supervise the Group's financial reporting process and internal controls.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year except that the non-executive Directors are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

PRACTICE NOTE 19 OF THE LISTING RULES

As at 31 December 2000, the Company had the following outstanding loan facilities, each of which was subject to, inter alia, a specific performance obligation being maintained by the Company's intermediate holding company, COFCO HK, during the tenure of each loan facility:

- (a) HK\$78,000,000, maturing on 21 February 2001;
- (b) HK\$571,429,000, maturing on 28 November 2002; and
- (c) HK\$77,000,000, maturing on 29 June 2003.

The obligation requires COFCO HK to maintain a holding of not less than 40% of the entire issued share capital of the Company throughout the life of each loan facility. A breach of the aforesaid obligation will constitute an event of default under the loan agreement setting out the terms and conditions of each loan facility. As a result of such breach, each loan facility may become due and payable on demand by the lender under the loan agreement according to the terms and conditions thereof.

As at 31 December 2000, COFCO HK, directly and indirectly, held approximately 50.5% of the issued share capital of the Company.

AUDITORS

In respect of the year ended 31 December 1999, Deloitte Touche Tohmatsu resigned as one of the joint auditors of the Company and Ernst & Young were appointed by the Directors as joint auditors with W. M. Sum & Co.. There have been no other changes of auditors in the past three years.

Ernst & Young and W. M. Sum & Co. retire and a resolution for their reappointment as joint auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Xue Guoping

Vice-Chairman & Managing Director

Hong Kong
6 April 2001