

BUSINESS REVIEW

Property Investment and Development

Hong Kong

Due to the overall stagnant economic situation, the recovery pace for the Hong Kong property market has been weak. Notwithstanding this, the Group's Top Glory Tower situated in Causeway Bay has been able to maintain reasonable rental rates and an occupancy rate of over 90% due to superior location and good management. This investment property continues to provide stable income to the Group.

Mainland China

Shanghai Pudong Gloria Harbour View

Shanghai Pudong Gloria Harbour View is located at Lujiazui Central Financial District, Pudong, Shanghai, fronting the Pudong Binjiang Main Street and Huangpu River to the south. Its neighborhood are fine office buildings and first-class hotels. This development property is situated at a prime location of Pudong and overlooks the Bund. During the year, the Group purchased the land adjoining the original lot for the purpose of an amalgamated development. Total developable gross floor area would be over 1,000,000 square feet. The blueprint of the conceptual development is for first-class deluxe apartments. The intended development would comprise 5 high-rise deluxe residential blocks providing flatted and duplex residential apartments. Gardens, luxurious clubhouse and underground car parks would also be available. The landscape space would cover approximately 65% of the total area under construction. The Group believes this development project would cater for the demand of the buyers who call for comfortable and fashionable home living environment and provide a promising return to the Group. Planning of the project is now in an advanced stage and it is expected that construction works would commence in the middle of 2002.

Beijing Capital Paradise

Through years of planning and operations, Beijing Capital Paradise has become a landmark residential community for expatriates in Beijing. Construction works have substantially been completed and 95% of the villas has been sold. Occupancy rate of the rental apartments was over 70%. Overall this development has been a reasonable success. The Group endeavors to vend the remaining villas and to strengthen the occupancy rate of the apartments during the ensuing year.



Xue Guoping

Vice-Chairman & Managing Director

BUSINESS REVIEW (cont'd)

Shenyang Top Glory Square

Shenyang Top Glory Square is located at the central business district of Shenyang. It is a multi-functional commercial building where food, entertainment and shops are available. Since Wal-Mart, a well-known department store in the United States, opened a store in this area in September 2001, more shoppers have flocked to the district, thus establishing Shenyang Top Glory Square's position as the center for food and beverage, shopping and entertainment in Shenyang. The proposed development of middle-class apartment blocks in this district has to be amended to meet the latest planning requirements of the local government. It is expected that construction works will resume in the middle of 2002.

Hotel Investment

The hotel and tourist industry was greatly affected by the domestic and international economies. The global recession in 2001 as well as the adverse impact of 911 incident in the United States affected the tourist market in the mainland, resulting in a decrease in the number of visitors and commercial travelers to China. Apart from that, excess supply of the number of hotel rooms made the hotel industry even more competitive. The overall results of the hotel industry in the mainland slid, and the occupancy rate of the Group's Gloria Hotels fell as a result. The average occupancy rate were 62%, 62%, 72% and 47% for Beijing Gloria Plaza Hotel, Shenyang Gloria Plaza Hotel, Gloria Resort, Sanya and Dalian Gloria Plaza Hotel, respectively. The Management of the Group will continue to raise efficiency by reducing costs. The Group will spare no effort in promoting and increasing the marketing channels so as to capitalize on the business opportunities brought by China's accession to the WTO.

Foodstuffs & Edible Oils Processing and Manufacturing

Last year, COFCO International, the Group's then subsidiary, acquired the edible oils, wines & spirits, trading and confectionery businesses of its parent company, COFCO (HK). As a result of these acquisitions, COFCO International has five large-scale core food related businesses, namely international trading of edible oils & foodstuffs, edible oils & fats refining, wines and beverage making, flour milling and confectionery. It is now the largest manufacturer of edible oils & fats in the mainland. During the year, COFCO International had an outstanding performance and contributed HK\$61,437,000 to the Group's profits.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2001, the Group's total net assets was HK\$4,667,384,000, decreased by 12% over prior year, which was mainly due to the provision of approximately HK\$570,469,000 for diminution in value of the Group's property and hotel portfolios and the loss of HK\$162,312,000 resulting from the dilution in the Group's interest in COFCO International.

As at 31 December 2001, bank borrowings by the Group amounted to HK\$971,101,000 (2000: HK\$862,680,000). The portion repayable within one year was HK\$441,714,000 (2000: HK\$492,062,000) while long-term loans amounted to HK\$529,387,000 (2000: HK\$370,618,000). The Group's loans were all unsecured. The gearing ratio (total liabilities/total assets) was 22% (2000: 19%). The Group's stand-by credit facilities amounted to HK\$1,013,000,000 and cash on hand was about HK\$256,240,000 which are sufficient to meet its working capital requirement. The Group will consistently maintain a prudent financial policy.



Gloria Resort, Sanya



Management Discussion and Analysis (cont'd)

LIQUIDITY AND FINANCIAL RESOURCES (cont'd)

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and the United States dollars is pegged, together with the insignificant fluctuation in exchange rate between the Hong Kong dollars and Renminbi, the Group believes its exposure to exchange rate risk is not material.

CAPITAL STRUCTURE

Pursuant to the approval given by the shareholders of the Company at the Extraordinary General Meeting held on 2 November 2001 and the confirmation by the High Court of Hong Kong on 27 November 2001, the Company reduced the nominal amount of all the shares from HK\$1.00 to HK\$0.10, resulting in the reduction of the authorised share capital of the Company from HK\$5,000,000,000 to HK\$500,000,000. Upon the reduction of capital became effective, the authorised share capital of the Company was immediately restored to the original amount of HK\$5,000,000,000 by the creation of an additional 45,000,000,000 new shares. The credit arising from the reduction of capital has been transferred to a special reserve created by the Company the application of which is subject to the conditions imposed by the court.

The above adjustment scheme will facilitate any issue of shares in future when suitable circumstances arise, whether as consideration for acquisitions or for capital raising or otherwise, and avoid the cumbersome statutory procedure for issuing shares at a discount and the time involved.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2001, the Group's total number of full-time staff was 2,322. Remuneration policies are reviewed and approved by management on a regular basis.

CHANGE IN GROUP STRUCTURE

Apart from that stated above, there was no change in the group structure in the year under review.

PROSPECTS

On 11 December 2001, China had officially acceded to the WTO. China's accession to the WTO will bring about significant influence on the entire business environment in the mainland. Demand for properties and hotel rooms in the mainland will increase as a result. Facing the challenges, the Group will strengthen its core business, increase its market share, raise cost efficiency and expand its businesses to add value to shareholders.

Moreover, with the full support of COFCO, the Company's ultimate holding company, the Group will continue to seek opportunities for medium to high class residential projects in China's major cities such as Beijing, Shanghai, Guangzhou and Shenzhen. The Group continually monitors market development and would add to its land reserve as appropriate.

Xue Guoping

Vice-Chairman & Managing Director

Hong Kong, 8 April 2002



Beijing Capital Paradise

