



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

24 October 2006

CRITICISM

of

**COFCO International Limited (“the Company”)
for breaching Rules 14.25(1), 14.26(6)(a) and 14.29 of the Listing Rules
in force prior to 31 March 2004, Rule 13.13
in force from 31 March 2004 to 28 February 2006,
and Rules 14.34, 14.38, 14A.35 and 14A.63 of the Listing Rules
in force from 31 March 2004**

The Stock Exchange of Hong Kong Limited (the “Exchange”) hereby publicly criticises the Company for:

- (1) failing to disclose by way of issue of press notice and in the Company’s 2002 annual report and accounts relevant financial assistance by the Company for the financial year ended 31 December 2002, thereby breaching Rule 14.25(1) of the then Listing Rules;
- (2) failing to notify the Exchange, issue a circular and obtain the approval of the Company’s independent shareholders in general meeting in respect of relevant financial assistance by the Company for the financial year ended 31 December 2003, thereby breaching Rules 14.26(6)(a) and 14.29 of the then Listing Rules;
- (3) failing to disclose by way of an announcement relevant financial assistance by the Company for the period from 31 March 2004 to 10 March 2005 when the relevant percentage ratios exceeded 8 per cent, thereby breaching Rule 13.13 of the then Listing Rules; and
- (4) failing to disclose by way of announcement, issue a circular and obtain the approval of the Company’s independent shareholders in general meeting in respect of relevant financial assistance by the Company for the period from 31 March 2004 to 10 March 2005, thereby breaching Rules 14.34, 14.38, 14A.35 and 14A.63 of the Listing Rules.

Late disclosure of financial assistance and non-obtaining of independent shareholders' approval

During the period from 30 October 2002 to 10 March 2005, 15 subsidiaries/associates of the Company (together the "Group") in the PRC had placed cash and other kinds of deposits with COFCO Finance Corporation Limited ("COFCO Finance"), a beneficially wholly-owned subsidiary of China National Cereals, Oils and Foodstuffs Corporation ("COFCO"). COFCO was the indirect controlling shareholder of the Company and therefore COFCO Finance was a connected person of the Company under the Listing Rules.

The maximum aggregate daily outstanding balance of all deposits (including accrued interest) had not exceeded approximately \$83,824,886.61, \$318,788,310.98, \$614,610,222.18 and \$431,183,889.31 respectively for the three financial years ended 31 December 2004 and the period from 1 January to 10 March 2005, respectively.

The placing of the deposits by the Group to COFCO Finance constituted provision of financial assistance by the Company to COFCO Finance.

The Company's obligations under the then Listing Rules and the current Listing Rules are as follows:

(i) For the financial year ended 31 December 2002:

From 30 October to 31 December 2002, the amount of the deposits with accrued interest totalled approximately \$83,824,886.61. The Company was in breach of Rule 14.25 of the then Listing Rules which required disclosure of the deposits by press notice and in the Company's 2002 annual report and accounts.

(ii) For the financial year ended 31 December 2003:

The amount of the deposits with accrued interest totalled approximately \$318,788,310.98 which exceeded 3 per cent of the Company's net asset value. The Company was in breach of Rule 14.26(6)(a) of the then Listing Rules which required approval of the deposits by the Company's independent shareholders in general meeting, and Rule 14.29 of the then Listing Rules which required notification to the Exchange of the deposits as soon as possible after the terms thereof had been agreed and issue of a circular within 21 days after the said notification to the Exchange.

(iii) For the financial year ended 31 December 2004 and for the period from 1 January to 10 March 2005

The amount of the deposits with accrued interest totalled approximately \$614,610,222.18 for the financial year ended 31 December 2004 and approximately \$431,183,889.31 for the period from 1 January to 10 March 2005. The placing of the deposits constituted a discloseable transaction. The Company was in breach of Rules 14.34 and 14.38 of the Listing Rules for failure to disclose the deposits by way of an announcement and issue of a circular.

The placing of the deposits also constituted continuing connected transactions and the provision of financial assistance by the Company to COFCO Finance which were subject to reporting, announcement and independent shareholders' approval requirements, as required by Rules 14A.35 and 14A.63 of the Listing Rules. The Company has also failed to comply with Rule 13.13 at the material time by disclosing the placing of the deposits when the relevant percentage ratios exceeded 8 per cent.

The deposits were disclosed by the Company in an announcement on 4 May 2005. After being made aware of the above-mentioned breaches (the "Breaches"), the Company, at the request and on the recommendation of the Company's independent non-executive directors, withdrew all of the deposits from COFCO Finance and reported the matter to the Exchange.

The Company has admitted the Breaches.

Having considered the foregoing facts and the representations made by the parties concerned, the Listing Committee has concluded that the Company was in breach of Rules 14.25(1), 14.26(6)(a) and 14.29 of the Listing Rules in force prior to 31 March 2004, Rule 13.13 which was in force from 31 March 2004 to 28 February 2006, and Rules 14.34, 14.38, 14A.35 and 14A.63 of the Listing Rules in force from 31 March 2004.

Accordingly, the Listing Committee hereby criticises the Company for the Breaches.

The Exchange confirms that this public statement involving criticism applies only to the Company and not to any past or present member of the Board of Directors of the Company.

Richard Williams, Head of Listing, said, "The decision in this case to impose a public sanction on the Company continues a theme established by a disciplinary action which was concluded last year in which a public sanction was also imposed.

As can be seen, this case also involved the placing of deposits by the listed issuer with a connected person which constituted continuing connected transactions and the provision of financial assistance by the listed issuer to connected persons. These transactions were subject to announcement, reporting and independent shareholders' approval requirements but which as the rules were not observed had the consequence of prejudice to shareholders and investors in terms of the timing of disclosure and prior voting issues.

Listed issuers are reminded of the importance of complying with the applicable requirements in respect of such transactions, and to put in place adequate internal controls to ensure that such transactions are detected and the amount involved is closely monitored to secure compliance with the applicable obligations. The Exchange will not hesitate to take enforcement action where the applicable rules are not observed."