



REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and 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 Group have not changed during the year and consisted of the manufacturing and sale of eel feeds and shrimp feeds under the Group's "Juhua" brand name in the People's Republic of China outside of Hong Kong (the "PRC"). In addition, during the year, the Group acquired an associate which, together with its subsidiaries, are principally engaged in the manufacturing and sale of processed eels.

Segmental information

Details of the turnover and contribution to profit from operating activities of the Group by principal

activity in respect of the Group's operations, which are principally conducted for the PRC market, are set out in notes 4 and 5, respectively, to the financial statements.

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 accompanying financial statements on pages 19 to 60.

The directors of the Company do not recommend the payment of any dividend in respect of the year.

Summary financial information

The following is a summary of the published combined/consolidated results and net assets of the Group for the last five financial years.

	Year ended 31 December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Turnover	<u>285,102</u>	<u>256,735</u>	<u>227,776</u>	<u>155,062</u>	<u>82,814</u>
Profit before tax	<u>47,841</u>	<u>64,498</u>	<u>60,806</u>	<u>45,070</u>	<u>24,581</u>
Tax	<u>(5,917)</u>	<u>(7,422)</u>	<u>(4,154)</u>	<u>(1,240)</u>	<u>(1,053)</u>
Net profit from ordinary activities attributable to shareholders	<u>41,924</u>	<u>57,076</u>	<u>56,652</u>	<u>43,830</u>	<u>23,528</u>



REPORT OF THE DIRECTORS

	31 December			
	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	328,862	252,723	198,772	180,484
Total liabilities	50,625	36,943	75,480	142,690
Net assets	278,237	215,780	123,292	37,794

Notes:

1. The summary of the combined results of each of the two years ended 31 December 1997 is extracted from the Company's prospectus dated 16 June 1998. The summary for these two years was prepared from the audited financial statements of the companies comprising the Group as if the structure of the Group after the Group reorganisation completed on 5 July 1998 had been in existence throughout these financial years. The results of the Group for each of the years ended 31 December 1998, 1999 and 2000 are extracted from the financial statements.
2. The summary of net assets of the Group as at 31 December 1997 is extracted from the Company's prospectus dated 16 June 1998. The summary of net assets of the Group as at 31 December 1998, 1999 and 2000 is extracted from the audited consolidated balance sheets of the Group included in the financial statements.

Major customers and suppliers

Sales to the five largest customers of the Group accounted for less than 30% of the Group's turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 77% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 20% of the Group's purchases for the year.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any beneficial interest in the Group's five largest customers and/or five largest suppliers noted in the preceding paragraphs.

Fixed assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 15 to the financial statements.

Borrowings

Details of the Group's borrowings at the balance sheet date are set out in notes 25 to 28 to the financial statements.

Share capital, share options and warrants

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in note 29 to the financial statements.



REPORT OF THE DIRECTORS

Share premium and reserves

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

Distributable reserves

As at 31 December 2000, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus account and retained profits, amounted to HK\$45,899,000. In accordance with the Companies Act 1981 of Bermuda (as amended) the contributed surplus may only be distributed in certain circumstances. In addition, the Company's share premium account with a balance of HK\$55,142,000 may be distributed in the form of fully paid bonus shares.

Directors

The directors of the Company during the year were:

Executive directors:

Mr. Kwok Man Yu (*Chairman*)
Mr. Lam Kwok Kam
Mr. Yu Jian Guo
Mr. Pan Xian Fa
Mr. Yang Fang Guo

Independent non-executive directors:

Mr. Wang Cheng Ming
Mr. Lam Ming Yung (appointed on 1 July 2000)
Mr. Hui Kee Fung (resigned on 30 June 2000)

In accordance with bye-law 99 of the Company's bye-laws, Messrs. Pan Xian Fa and Yang Fang Guo will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive directors, but excluding the chairman, Mr. Kwok Man Yu, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

Directors' service contracts

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing on 8 June 1998 which will continue thereafter unless and until terminated by either party by serving not less than three months' prior written notice. However, Mr. Kwok Man Yu does not have the right to terminate his employment with the Company by notice during the continuance of his service contract with the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.



REPORT OF THE DIRECTORS

Directors' interests in shares and warrants

At 31 December 2000, the interests of the directors and their associates in the share capital and warrants of the Company and its associated corporations, as

recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	Type of interest	Number of shares held	Number of warrants held
Mr. Kwok Man Yu ("Mr. Kwok")	Corporate (Note)	415,450,000	78,072,500
	Personal	40,000,000	–

Note: Freemantle International Limited, a company incorporated in the British Virgin Islands, owned 415,450,000 shares and 78,072,500 warrants of the Company. Mr. Kwok and his wife, Ms. Lam Yuk Ang, are the beneficial owners of 90% and 10% of the issued share capital of Freemantle International Limited, respectively.

In addition to the above, Mr. Kwok holds shares in certain subsidiaries of the Company in a non-beneficial capacity for the sole purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the share capital of the Company or any of its associated corporations which were recorded in the Register, as defined in the SDI Ordinance.

Directors' rights to acquire shares

Under the terms of a share option scheme adopted by the Company on 8 June 1998, the directors may, at their absolute discretion, grant options to employees and directors of the Company or any of its subsidiaries to subscribe for shares in the Company. Further details of the share option scheme

are set out in note 29 to the financial statements. As at the date of this report, no options have been granted to any directors of the Company under the share option scheme.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in contracts

Save as disclosed in note 3 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.



REPORT OF THE DIRECTORS

Substantial shareholders

At 31 December 2000, the following interests of 10% or more in the issued share capital of the

Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of holding
Freemantle International Limited	415,450,000	35.27%

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

Biographical details in respect of directors and senior management

Executive directors

Mr. Kwok Man Yu, aged 49, Chairman of the Group. Mr. Kwok is the founder of the Group and has overall responsibility for the Group's strategic planning, formulation of corporate policies and marketing. Mr. Kwok has more than 14 years of experience in eel-related industries in the PRC.

Mr. Lam Kwok Kam, aged 46, Director. Mr. Lam has joined the Group in 1989, and is responsible for the development, planning and business management of the Group. Mr. Lam has more than 14 years of experience in eel-related industries.

Mr. Yu Jian Guo, aged 45, Director. Mr. Yu joined the Group in 1997, and is responsible for managing the operation of the Group's production facilities. Mr. Yu has more than 27 years of experience in business management.

Mr. Pan Xian Fa, aged 58, Director. Mr. Pan joined the Group in 1989, and is responsible for managing the Group's production facilities. Mr. Pan has more than 27 years of experience in aquaculture and business management.

Mr. Yang Fang Guo, aged 45, Finance Director. Mr. Yang joined the Group in 1992, and is responsible for the overall finance and office management of the Group. Mr. Yang has more than 21 years of experience in corporate finance and accounting.

Independent non-executive directors

Mr. Wang Cheng Ming, aged 61, Director. Mr. Wang graduated from the Beijing Institute of Foreign Trade. He has been working in foreign economic relations and trade in Fujian Province since July 1961 and was the general manager of the Fujian Foreign Trade General Office from 1983 to 1987. In May 1987, he was appointed by the PRC government to act as the commercial counsellor of the Chinese Consulate in West Germany. In September 1990, he acted as the executive director and general manager of Fujian Enterprises (Holdings) Co., Ltd. in Hong Kong. He was the chairman of Fujian Enterprises (Holdings) Co. Ltd. from May 1994 and has now resigned.

Mr. Lam Ming Yung, aged 36, was appointed as a Director of the Company on 1 July 2000. He graduated from the School of Law of Shanghai Eastern Chinese College of Politics and Jurisprudence and was awarded the degree of



REPORT OF THE DIRECTORS

bachelor of law in 1986. Mr. Lam started practising law in 1987 in Fujian Province in the PRC, and moved to Hong Kong in mid-1993. He was registered as a foreign lawyer with the Hong Kong Law Society in 1995, and is presently in private practice with a Hong Kong solicitors firm.

Mr. Hui Kee Fung, aged 40, Director. Mr. Hui is the president of Kiu Hung Holdings Ltd., a committee member of Fujian CPPCC, a member of Putian Shi Administrative Committee, a committee member of Min Gang Economic Co-operation Promotion Committee, the honorary principal of Fujian Qinghua University Xiongxin Management Institute and the visiting professor of Fujian Qinghua University. He resigned as a Director of the Company on 30 June 2000.

Senior management

Mr. Leung Shu Sun, aged 38, Business Development Controller of the Group. Mr. Leung is a member of the Hong Kong Society of Accountants, an associate member of the Chartered Association of Certified Accountants and a member of the Association of Certified General Accountants in Canada. He has more than 14 years of experience in corporate finance, accounting and business development. Mr. Leung joined the Group in 1999.

Mr. Ma Jun Xiang, aged 53, Chief Engineer of the Group. Mr. Ma graduated from Xiamen University and is a qualified Engineer in the PRC. Mr. Ma has more than 22 years of experience in quality control in the feed production industry. Mr. Ma joined the Group as the Chief Engineer in 1996.

Mr. Ke Chun Lin, aged 32, Quality Control Manager of the Group. Mr. Ke graduated from the Yangen College and is a qualified assistant engineer in the PRC. Mr. Ke has more than 9 years of experience

in animal feed production. Mr. Ke joined the Group in 1995.

Mr. Wu Zong Rong, aged 53, Central Office Administration Department Manager. Mr. Wu graduated from the Fujian Lingxi Agriculture College and is a qualified agriculturist in the PRC. Mr. Wu has more than 32 years of experience in agriculture. Mr. Wu joined the Group in 1994.

Mr. Chen Zhi Chun, aged 47, Manager of the Group's PRC finance department. Mr. Chen graduated from the Fujian Supply and Marketing College and is a qualified accountant in the PRC. He has more than 20 years of experience in trading, administration and financial management. Mr. Chen joined the Group in 1992.

Mr. Guo Li Fang, aged 31, General Manager of Guilin Juhua Forage Co., Ltd., a subsidiary of the Company. Mr. Guo graduated from Fujian University, majoring in Business and Commerce Administration. Mr. Guo has more than 10 years of experience in administration and management. Mr. Guo joined the Group in 1996.

Mr. Fu Jian Ping, aged 45, General Manager of Zhangzhou Juhua Feed Co. Ltd., a subsidiary of the Company. Mr. Fu graduated from Xiamen University and is a qualified electronic technology engineer. Mr. Fu had had more than 13 years of experience in management before joining the Group in 1996.

Mr. Chen De Ming, aged 43, General Manager of Fuqing Juhua Feed Fill Co., Ltd., a subsidiary of the Company. Mr. Chen graduated from the Fujian Broadcasting and Television College and is a qualified associated economist with two years of legal training in the PRC. Mr. Chen had had more than 12 years of experience in management before joining the Group in 1994.



Mr. Gong Jing Tong, aged 45, General Manager of Jianou Juhua Feed Co., Ltd., a subsidiary of the Company. Mr. Gong graduated from the Fujian Broadcasting and Television College and is a qualified assistant economist in the PRC. Mr. Gong has more than 14 years of experience in administration and management. Mr. Gong joined the Group in 1996.

Mr. Gong Jing Xiong, aged 48, General Manager of Juhua Feed Co. Ltd., Putian County a subsidiary of the Company. Mr. Gong has more than 21 years of experience in trading, administration and financial management. Mr. Gong joined the Group in 1996.

Mr. Luo Wan An, aged 73, Technical Controller of the Company. Mr. Luo graduated from Dongbei University, specialising in animal nutrition research and is a qualified assistant professor and senior engineer in the PRC. Mr. Luo had more than 35 years of experience in animal nutrition research before joining the Group in 1996.

Purchase, redemption or sale of listed securities

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

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Compliance with the Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms. In addition, the Company has not yet established its audit committee in accordance with paragraph 14 of the Code of Best Practice.

Connected transactions

Details of significant related party transactions of the Group, which also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, are set out in note 3 to the financial statements.

With respect to the on-going connected transactions entered into by the Group as set out in note 3(a) to the financial statements, The Stock Exchange of Hong Kong Limited, on application by the Company, granted to the Company a waiver from the requirement for such transactions to be approved by shareholders as set out in the Listing Rules. In the opinion of the independent non-executive directors, the on-going connected transactions were:

- (i) conducted in the ordinary and usual course of business of the Group;



REPORT OF THE DIRECTORS

- (ii) on normal commercial terms (by reference to transactions of a similar nature and as made by similar entities in the PRC) or (where there is no available comparison) on terms no less favourable than those available to third parties;
- (iii) in accordance with the terms of the respective agreements governing such transactions;
- (iv) fair and reasonable so far as the shareholders of the Company are concerned; and
- (v) within the relevant annual cap amounts in respect of the waiver for the connected transactions granted by The Stock Exchange of Hong Kong Limited, that is,
 - the sales of eel feeds and soft-shelled turtle feeds supplied by the Group to Fujian Province Xiangjiang (Group) Co. Ltd. accounted for 0.19%, less than the cap amount of 13% on the Group's turnover; and
 - the purchase of starch from Ningxia Xiangji Starch Co., Ltd. accounted for 0.89%, less than the cap amount of 8% on the Group's turnover.

Auditors

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

ON BEHALF OF THE BOARD

Kwok Man Yu

Chairman

Hong Kong
10 May 2001