

The directors have pleasure in presenting their annual report and the audited financial statements of the Company and of the Group for the year ended 30 April 2002.

CHANGE OF CHINESE NAME

Pursuant to a special resolution of the Company passed on 13 May 2002, the Chinese name of the Company was changed from 齊翔食品國際有限公司 to 東成控股有限公司 effective from 23 May 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consisted of the manufacture and trading of processed eels and eel feed products. There were no changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 30 April 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 30 April 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 23 to 56.

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

SUMMARY FINANCIAL INFORMATION

The following is a summary of the combined/consolidated results of the Group for the last five financial years and its assets, liabilities and minority interests as at 30 April 2000, 2001 and 2002, prepared on the basis set out in the notes below.

SUMMARY FINANCIAL INFORMATION (continued)

RESULTS

	Year ended 30 April				
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
TURNOVER	370,533	469,698	435,260	351,983	250,633
PROFIT/(LOSS) AFTER FINANCE COSTS	(46,895)	(23,701)	52,726	41,784	28,596
Share of profit/(loss) of an associate	(6,391)	3,762	2,653	1,478	505
PROFIT/(LOSS) BEFORE TAX	(53,286)	(19,939)	55,379	43,262	29,101
Tax	(199)	(2,422)	(2,368)	(3,574)	(980)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(53,485)	(22,361)	53,011	39,688	28,121
Minority interests	176	5,115	(2,594)	(7,277)	(5,015)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(53,309)	(17,246)	50,417	32,411	23,106

ASSETS, LIABILITIES AND MINORITY INTERESTS

	30 April		
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> <i>(Restated)</i>
NON-CURRENT ASSETS	47,240	102,848	69,668
CURRENT ASSETS	147,876	116,050	176,516
TOTAL ASSETS	195,116	218,898	246,184
CURRENT LIABILITIES	(99,542)	(96,999)	(82,684)
MINORITY INTERESTS	-	-	(11,119)
NET ASSETS	95,574	121,899	152,381

SUMMARY FINANCIAL INFORMATION (continued)

Notes:

1. Prior to 1 September 1999, the Group had a 100% equity interest in Fu Qing Sanhua Forage Co., Ltd. ("Fu Qing Sanhua") and a 99% equity interest in Fuqing Qixiang Food Co., Ltd. ("Fuqing Qixiang"). Pursuant to a Group reorganisation, on 9 September 1999, the Group disposed of a 51% equity interest in Fu Qing Sanhua and a 29% equity interest in Fuqing Qixiang to Great Global Limited ("GGL") for an aggregate consideration of approximately US\$2,465,000 (equivalent to HK\$19,080,000) computed based on the unaudited net asset value of the relevant equity interests of Fu Qing Sanhua and Fuqing Qixiang disposed of as at 1 September 1999, the effective date of the disposal.

The above summary of the combined results of the Group for each of the three years ended 30 April 2000 was prepared on a pro forma basis to reflect the Group reorganisation, as set out above, as if the Group structure as at 5 October 1999, when the Company became the holding company of the companies now comprising the Group, had been in existence throughout these financial years. The results of the Group for the two years ended 30 April 2002 are set out on page 23 of the annual report.

2. As the Company was incorporated on 27 July 1999, only the audited consolidated/combined balance sheets of the Group as at 30 April 2000, 2001 and 2002 have been presented.
3. The assets, liabilities and minority interests of the Group for the year ended 30 April 2000 have been adjusted for the effect of the retrospective changes in accounting policy affecting proposed dividends, as detailed in note 2 to the financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the Company's share capital during the year, together with the reasons therefor, and details of the warrants and share option scheme of the Company are set out in note 20 to the financial statements and disclosed under the heading "Share option scheme" below.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 21 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 April 2002, the Company had no reserves available for distribution.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 85% of the total sales for the year and sales to the largest customer included therein amounted to approximately 31% of the total sales.

Purchases from the Group's five largest suppliers accounted for approximately 45% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 17% of the total purchases.

As far as the directors are aware, none of the directors of the Company or their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), nor 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 suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Lai Leong (<i>Chairman</i>)	(appointed on 4 February 2002)
Mr. Zhu Yi Cai	(appointed on 4 February 2002)
Mr. Wang Hao	(appointed on 4 February 2002)
Mr. Lam Hau Mei	(resigned on 8 March 2002)
Mr. Lin Hou Yun	(resigned on 8 March 2002)
Mr. Pan Zhi Ming	(resigned on 8 March 2002)
Mr. Chen Yuan Jian	(resigned on 8 March 2002)
Mr. Wu Wai Kit	(resigned on 8 March 2002)

Independent non-executive directors:

Ms. Chiu Wang	(appointed on 8 March 2002)
Mr. Choi Tat Ying, Jacky	(appointed on 8 March 2002 and resigned on 5 June 2002)
Mr. Kong Shan, David	(appointed on 5 June 2002)
Mr. Chan Kwok Tsang	(resigned on 8 March 2002)
Mr. Li Qinghe	(resigned on 8 March 2002)

DIRECTORS (continued)

In accordance with clause 87 of the Company's bye-laws, Mr. Zhu Yi Cai will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Directors

Mr. Lai Leong, aged 38, is the Chairman of the Company. Mr. Lai has worked for several property and trading companies in the People's Republic of China (the "PRC") and has over 11 years of experience in corporate management for companies in Hong Kong and in the PRC.

Mr. Wang Hao, aged 39, is a director of the Company. Mr. Wang is engaged as investment consultant in several listed companies in the PRC and has over 10 years of experience in investment management for companies in the PRC.

Mr. Zhu Yi Cai, aged 38, is a director of the Company. Mr. Zhu graduated from a university in the PRC and has over 15 years of experience in managing food manufacturing and processing companies in the PRC.

Mr. Kong Shan, David, aged 48, is an independent non-executive director of the Company. Mr. Kong graduated from a university in the PRC and has significant experience in property, investment and strategic planning areas as well as high technology aspects in the PRC.

Ms. Chiu Wang, aged 32, is an independent non-executive director of the Company. Ms. Chiu has significant experience in corporate management.

Mr. Lam Hau Mei, aged 50, is the director of Qixiang International Limited, Sanhua Consultants Limited and Qixiang (Hong Kong) Limited, wholly-owned subsidiaries of the Company. He has over 12 years of experience in eel processing, the manufacture of eel feeds and eel farming in the PRC. He is the younger brother of Mr. Lin Hou Yun.

Mr. Lin Hou Yun, aged 53, is the director of Qixiang International Limited, Qixiang (Hong Kong) Limited and Qixiang Food Limited, wholly-owned subsidiaries of the Company. He has extensive experience in the eel industry and has engaged in eel processing, the manufacture of eel feeds and eel farming in the PRC since 1990. He is the elder brother of Mr. Lam Hau Mei.

Mr. Pan Zhi Ming, aged 48, is the general manager of Fuqing Qixiang. Mr. Pan joined the Group in March 1994. He has more than 18 years of experience in the production management of eel processing and more than 22 years of experience in corporate and financial management.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES (continued)

Directors (continued)

Mr. Chen Yuan Jian, aged 39, is the manager of the finance department and financial controller of the Group's PRC operations. Mr. Chen graduated from Xiamen University, the PRC, and has more than 12 years of experience in accounting, finance and auditing. He joined the Group in July 1996.

Mr. Wu Wai Kit, aged 45, holds a Bachelor of Foreign Language degree from Xiamen University, the PRC, and a Master of Business Administration degree from Murdoch University, Australia. Mr. Wu has more than 22 years of experience in business management and international trading. He joined the Group in October 1998.

Senior Management

Mr. Hsieh Kuan Jen, aged 49, is the vice-general manager of Fuqing Qixiang. Mr. Hsieh is a graduate of Taiwan National Ping Dong School of Agriculture. He was engaged in the processed eel industry in Taiwan prior to joining the Group in March 1994 and has more than 22 years of experience in the technical aspects of eel processing and sales of processed eels.

Mr. Lu Yu Fei, aged 43, is the general manager of the PRC operations of the Group's eel feeds segments. Mr. Lu graduated from the Northwestern Textile Institute of the PRC. He joined the Group in January 1995 and has more than 11 years of experience in foreign trade.

Ms. Lin Qin, aged 37, is the vice-general manager of Fuqing Qixiang and the manager of its production department. She joined the Group in March 1994 and has 8 years of experience in the technical aspects and quality control of eel processing.

Mr. Chen Zeng He, aged 43, is the general manager of Fuzhou Development Zone Sanhua Feed Co., Ltd. and Sanhua Feed Co., Ltd. Longyan. He joined the Group in February 1993 and has over 11 years of experience in the management of eel feeds production.

Ms. Chan Yim Kum, aged 38, is the company secretary of the Company. Ms. Chan holds a Bachelor's Degree (Honours) in Business Administration from the United Kingdom and a Master's Degree in Professional Accountancy from Hong Kong. Ms. Chan is a member of The Institute of Chartered Secretaries and Administration of the United Kingdom; The Hong Kong Institute of Company Secretaries; and The Taxation Institute of Hong Kong. Ms. Chan has more than 13 years of experience in corporate administration.

DIRECTORS' SERVICE CONTRACTS

All of the executive directors entered into service contracts with the Company for terms of 3 years commencing from 4 February 2002 which are determinable by either party giving not less than 6 months' written notice.

Ms. Chiu Wang and Mr. Kong Shan, David are currently appointed for a term of 3 years commencing from 8 March 2002 and 5 June 2002, respectively.

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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 23 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions of the Group are set out in note 23 to the financial statements. The Company's independent non-executive directors have reviewed the connected and related party transactions, as detailed in note 23 to the financial statements, and consider that these transactions were carried out in the ordinary and usual course of business of the Group on normal commercial terms and on an arm's length basis and that these transactions were also carried out on terms that were fair and reasonable so far as the shareholders of the Company are concerned.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 30 April 2002, the interests of the directors in the securities and warrants of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Director	Nature of interest	Number of shares held	Number of warrants held
Mr. Lai Leong	Corporate (<i>Note</i>)	980,020,000	39,350,400
Mr. Zhu Yi Cai	Corporate (<i>Note</i>)	980,020,000	39,350,400

Note: These shares and warrants were held through Wealth Success Limited ("Wealth Success"), a company beneficially owned by Mr. Zhu Yi Cai and Mr. Lai Leong as to 72% and 28%, respectively.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests in shares and warrants" above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Under the terms of the Scheme adopted by the Company on 19 October 1999, the directors of the Company are authorised, at their discretion, to invite any employee, including any executive director of the Company or any of its subsidiaries, to take up options to subscribe for shares of the Company. The Scheme became effective upon the listing of the Company's shares on 4 November 1999 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The exercise price will be the higher of 80% of the average of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the offer of the grant of the option and the nominal value of the Company's shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company from time to time which have been duly allotted and issued. The maximum number of shares in respect of which options may be granted to any one employee or director may not exceed 25% of the aggregate number of shares in respect of which options are issued and issuable under the Scheme. The offer of a grant of share options may be accepted within 30 days from the date of the grant of the options upon a payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and an option may be exercised in accordance with the terms of the Scheme at any time during a period commencing six months after the date the options is granted and accepted and ending on the third anniversary of such date.

The Scheme was adopted prior to the new rules on share option schemes under the Listing Rules coming into operation. The Company may only grant further options under the Scheme if the options are granted in accordance with the requirements of the new rules of Chapter 17 of the Listing Rules which include, inter alia, the following:

- (i) the total number of the shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the relevant class of shares of the Company (or its subsidiaries) in issue as at the date of approval of the Scheme. Subject to compliance with the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time;

SHARE OPTION SCHEME (continued)

- (ii) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Grant of options to connected persons are subject to more stringent requirements; and
- (iii) the exercise price of the share options is determined by directors, but may not be less than the higher of (a) the Stock Exchange closing price of the Company's shares on the date of the offer of the grant of the share options; and (b) the average of the Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the grant of the share options.

No share options were granted during the year and up to the date of this report.

SUBSTANTIAL SHAREHOLDERS

Other than the shares held by Wealth Success, as disclosed under the heading "Directors' interests in shares and warrants" above, no other person had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 26 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that an independent non-executive director of the Company was not appointed for specific terms as required by paragraph 7 of the Code, but resigned as independent non-executive director of the Company on 5 June 2002.

AUDIT COMMITTEE

In accordance with the requirements of the Code, as set out in Appendix 14 of the Listing Rules, the Company set up an audit committee (the "Committee") in 2000 with written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Committee comprises Ms. Chiu Wang and Mr. Kong Shan, David, two independent non-executive directors and Ms. Chan Yim Kum, the company secretary of the Company. The Group's financial statements for the year ended 30 April 2002 have been reviewed by the Committee.

SIGNIFICANT EVENT

On 19 October 1999, the Group entered into an option agreement (the "Option Agreement") with Mr. Lam Hau Mei and Mr. Lin Hou Yun, two former directors of the Company, pursuant to which the Group has an option (the "Option") to acquire from Mr. Lam Hau Mei and Mr. Lin Hou Yun a 100% equity interest in GGL at a consideration to be based on the net asset value of GGL at the date of exercising the Option. The Option is exercisable within three years from the date of the Option Agreement. On 9 March 2002, the Group entered into an agreement with Mr. Lam Hau Mei and Mr. Lin Hou Yun, pursuant to which the Group forfeited its right to exercise the Option under the Option Agreement.

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

Lai Leong

Chairman

Hong Kong

27 August 2002