1. Corporate information

During the year, the Company's principal activity was 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.

2. Summary of significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, modified with respect to the periodic measurement of leasehold land and buildings as further explained below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter company transactions and balances within the Group have been eliminated on consolidation.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

– from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

– rental income, on a time proportion basis over the lease terms; and

– interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

2. Summary of significant accounting policies (continued)

Fixed assets and depreciation

Fixed assets, other than assets under development, are stated at cost or valuation less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the fixed assets revaluation reserve. If the reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. A subsequent revaluation increase is recognised as income to the extent that it reverses a revaluation deficit of the same asset previously charged to the profit and loss account.

Depreciation is provided on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land held in the PRC	Over the period of the land use rights
Leasehold land held in Hong Kong	Over the terms of the lease
Buildings	2% to 5%
Leasehold improvements	10% or over the lease terms, whichever is shorter
Plant, machinery and equipment	10% to 20%
Furniture and fixtures	18% to 20%
Motor vehicles	18% to 20%

No depreciation is provided on assets under development until they are completed and put into commercial use.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus realised is transferred directly to retained profits as a movement in reserves.

2. Summary of significant accounting policies (continued)

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of associates represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against the goodwill reserve in the year of acquisition. The balance in the goodwill reserve is written off to the profit and loss account in the case of any impairment in value. On disposal of subsidiaries or associates, the relevant portion of attributable goodwill not previously charged to the profit and loss account is included in the calculation of the gain or loss on disposal.

Intangible asset

The intangible asset represents the cost of acquiring the right to produce, use and sell an immunological additive for shrimp feeds, so as to improve the disease resistance of the shrimps and to increase their survival rate. The intangible asset is amortised on the straight-line basis over the estimated useful commercial life of the additive of 10 years commencing from the date when the additive is put into commercial production. The intangible asset is stated at cost less accumulated amortisation, and any provision for impairment in value deemed necessary by the directors.

Research costs

All research costs are charged to the profit and loss account as incurred.

2. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

2. Summary of significant accounting policies (continued)

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are dealt with in the exchange fluctuation reserve.

3. Related party transactions and connected transactions

The Group had the following transactions with related parties, which also constitute connected transactions as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), during the year:

(a) On-going transactions

Name of related party	Nature of transactions	Notes	2000 HK$'000	1999 HK$'000
Fujian Province Xiangjiang (Group) Co., Ltd. ("FPX")	Sales of finished goods	1	**530**	7,054
Ningxia Xiangji Starch Co., Ltd. ("NXS")	Purchases of raw materials	2	**2,550**	3,554

Mr. Kwok Man Yu ("Mr. Kwok"), a director of the Company, is indirectly interested in the transactions, as he is a director and beneficial shareholder of FPX and of NXS.

Notes:

1. The sales to FPX were carried out in the ordinary and usual course of business of the Group and were effected on prices and terms similar to other unrelated customers.

2. The directors consider that purchases of raw materials from NXS were carried out in the ordinary and usual course of business of the Group and were effected on prices and terms similar to other customers of NXS. The balance due to NXS at 31 December 2000 was HK$195,000 (1999: HK$1,403,000).

3. Related party transactions and connected transactions (continued)

(b) Other recurring transactions

Name of related party	Nature of transactions	Notes	2000 HK$'000	1999 HK$'000
FPX	Purchases of raw materials	1	**573**	–
	Transportation charges	1	**3,311**	–
	Rental income	2	**396**	–

Notes:

1. The directors consider that purchases of raw materials from and the payment of transportation charges to FPX were carried out in the ordinary and usual course of business of the Group and were effected on prices and terms similar to other unrelated suppliers of the Group and customers of FPX respectively.

2. The rental income received from FPX for occupying a portion of the Group's office was charged at a fixed rate of RMB35,250 per month commencing January 2000 which was determined with reference to the prevailing market rates.

(c) On 19 January 2000, Corasia International (BVI) Limited ("CIL"), a wholly-owned subsidiary of the Company, entered into an agreement with Great Glory Investment Limited ("Great Glory") and FPX, companies in which Mr. Kwok, a director of the Company, is also a controlling shareholder and director, pursuant to which CIL conditionally agreed to acquire 19% and 30% equity interests in Fishtail Investments Limited ("Fishtail") from Great Glory and FPX, respectively (the "Acquisition"). Fishtail and its subsidiaries are principally engaged in the manufacturing and sale of premium-grade processed eels.

The consideration for the Acquisition amounted to approximately HK$70,560,000 in aggregate, which was determined based on a price earnings multiple of 4.8 times based on the Fishtail Group's audited combined net profit of approximately HK$30 million for the year ended 30 June 1999, and resulted in goodwill of HK$54,452,000 (notes 16 and 30). The Group settled part of the consideration, amounting to HK$25,000,000, upon the signing of the acquisition agreement in January 2000 from internal resources and from proceeds received from the open offer of its shares in December 1999. The remaining balance of HK$45,560,000 was principally settled by the proceeds from the open offer of the Company's shares in March 2000 (note 29(b)).

Further details of the Acquisition are set out in a circular issued by the Company dated 14 February 2000.

4. Turnover and revenue

Turnover represents the invoiced value of goods sold, net of trade discounts and returns.

The Group's turnover by principal activity in respect of the Group's operations, which are principally conducted for the PRC market, disclosed pursuant to the requirements of the Listing Rules, together with other revenue is as follows:

	2000	1999
	HK$'000	HK$'000
Sales of feeds under the Group's *"Juhua"* brand name in the PRC:		
Sales of eel feeds	**248,729**	246,157
Sales of shrimp feeds	**36,373**	10,578
Turnover	**285,102**	256,735
Bank interest income	**1,590**	651
Net rental income (note 3(b))	**396**	–
Others	**10**	250
Other revenue	**1,996**	901
Total revenue	**287,098**	257,636

5. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	2000 HK$'000	1999 HK$'000
Staff costs (excluding directors' remuneration, note 6):		
Wages and salaries	**2,953**	2,455
Pension contributions	**3**	–
	2,956	2,455
Auditors' remuneration:		
Provision for the year	**1,380**	800
Overprovision in prior years	**–**	(150)
	1,380	650
Cost of inventories sold	**220,097**	174,686
Provisions for doubtful debts	**6,050**	–
Operating lease rentals in respect of land and buildings	**163**	217
Research costs	**67**	240
Deficit on revaluation of leasehold land and buildings (note 13)	**972**	1,411

The Group's profit from operating activities by principal activity in respect of the Group's operations, which are principally conducted for the PRC market, disclosed pursuant to the Listing Rules is as follows:

	2000 HK$'000	1999 HK$'000
Sales of eel feeds	**40,664**	66,411
Sales of shrimp feeds	**1,814**	764
	42,478	67,175

6. Directors' remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2000	1999
	HK$'000	HK$'000
Fees for independent non-executive directors	**80**	40
Basic salaries, housing allowances and benefits in kind for executive directors	**1,437**	1,603
Pension contributions for executive directors	**2**	–
	1,519	1,643

The remuneration of all of the directors fell within the Nil – HK$1,000,000 band.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

7. Five highest paid individuals

The five highest paid individuals during the year included two (1999: three) directors, details of whose remuneration are set out in note 6 above. Details of the remuneration of the remaining three (1999: two) non-director, highest paid individuals are analysed as to their nature and bands of remuneration as follows:

	Group	
	2000	1999
	HK$'000	HK$'000
Basic salaries, housing, allowance and benefits in kind	**1,151**	499
Pension contributions	**3**	–
	1,154	499

The remuneration of each of these individuals fell within the Nil – $1,000,000 band for both years.

On 11 March 2000, the Company granted 10,000,000 share options to one of the five highest paid individuals of the Group. In the absence of a readily available market value for options on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of these options, and therefore, no value in respect of such has been attributed to the remuneration set out above.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

8. Finance costs

	Group	
	2000	1999
	HK$'000	HK$'000
Interest expense on bank loans, overdrafts and other loans:		
Wholly repayable within five years	**1,107**	1,757
Wholly repayable after five years	**333**	420
Interest expense on convertible note	**–**	359
Interest expense on finance leases	**190**	141
	1,630	2,677

9. Tax

	2000 HK$'000	1999 HK$'000
Group:		
Current year provision – overseas	**4,435**	7,422
Share of tax attributable to associates	**1,482**	–
Tax charge for the year	**5,917**	7,422

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year (1999: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Fuqing Juhua Feed Fill Co., Ltd. ("Fuqing Juhua"), Jianou Juhua Feed Co., Ltd. ("Jianou Juhua"), Zhangzhou Juhua Feed Co., Ltd. ("Zhangzhou Juhua"), Guilin Juhua Forage Co., Ltd. ("Guilin Juhua"), Fujian Juhua Feed Co., Ltd. ("Fujian Juhua") and Qionghai Juhua Feed Co., Ltd. ("Qionghai Juhua") were exempt from income tax for their first two profitable years of operations and were entitled to 50% relief on the income tax that would otherwise be charged for the succeeding three years.

Fuqing Juhua and Jianou Juhua commenced business in 1996 and were both profitable in their first year of operations. Therefore, they were exempt from income tax for the two years commencing 1 January 1996 and are entitled to 50% relief on the full income tax rate of 24% for the succeeding three years. For the year ended 31 December 2000, the effective tax rate of Fuqing Juhua and Jianou Juhua was therefore 12% (1999: 12%).

Zhangzhou Juhua and Guilin Juhua commenced business in 1997 and were both profitable in their first year of operations. Therefore, they were exempt from income tax for the two years commencing 1 January 1997 and are entitled to 50% relief on the full income tax rates of 24% and 33%, respectively, for the succeeding three years. For the year ended 31 December 2000, the effective tax rates of Zhangzhou Juhua and Guilin Juhua were therefore 12% (1999: 12%) and 16.5% (1999: 16.5%), respectively.

Fujian Juhua commenced business in 1998 and was profitable in its first year of operations. Therefore, it was exempt from income tax for the two years commencing 1 January 1998 and is entitled to 50% relief on the full income tax rate of 24% for the succeeding three years. For the year ended 31 December 2000, the effective tax rates of Fujian Juhua was therefore 12% (1999: Nil).

9. Tax (continued)

Qionghai Juhua commenced business in 1999 and was profitable in its first year of operations. Therefore, it was exempt from income tax for the two years commencing 1 January 1999 and is entitled to 50% relief on the full income tax rate of 15% for the succeeding three years.

The tax holiday of Putian Juhua expired in 1997. For the year ended 31 December 2000, the effective tax rate of Putian Juhua was 27% (1999: 27%).

Deferred tax has not been provided for as there were no significant timing differences at the balance sheet date.

The revaluation of the Group's leasehold land and buildings in Hong Kong does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified. No deferred tax has been provided on the revaluation surplus of the Group's properties situated in the PRC as the Group presently does not have any intention to dispose of its properties.

10. Net profit from ordinary activities attributable to shareholders

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2000 was HK$4,729,000 (1999: HK$2,217,000).

11. Dividends

	2000	1999
	HK$'000	HK$'000
Underprovision of final dividend in respect of the previous financial year, paid on shares issued under the employees' share option scheme	–	1,680

12. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2000 is based on the net profit attributable to shareholders for the year of HK$41,924,000 (1999: HK$57,076,000) and the weighted average of 1,034,630,312 shares in issue during the year (1999: 617,441,777 shares).

The diluted earnings per share for the year ended 31 December 2000 is based on the net profit from ordinary activities attributable to shareholders of HK$41,924,000 and 1,055,646,168 shares, which is the weighted average of the shares in issue during the year plus the weighted average of 21,015,856 shares deemed to be issued at no consideration if all of the outstanding share options had been exercised since their respective dates of issue.

The diluted earnings per share for the year ended 31 December 1999 is based on the adjusted net profit from ordinary activities attributable to shareholders of HK$57,435,000 calculated on the assumption that the convertible note of the Company (which would have a dilutive effect on the earnings per share) had been converted on 1 January 1999. The diluted earnings per share is based on 643,472,155 shares, which is the weighted average of the shares in issue during the year plus the aggregate of (i) the weighted average of 16,951,288 shares deemed to be issued at no consideration if all outstanding share options had been exercised; and (ii) the weighted average of 9,079,090 shares to be issued on conversion of the outstanding convertible note, since 1 January 1999 to their respective dates of exercise/redemption.

The warrants outstanding during the two years ended 31 December 2000 had an anti-dilutive effect on the basic earnings per share for these years.

The prior year's weighted average number of shares in issue and issuable for the calculations of the basic earnings per share and diluted earnings per share have been adjusted for the open offer of shares completed in March 2000 (note 29(b)).

13. Fixed assets

Group

	Leasehold land and buildings HK$'000	Assets under development HK$'000	Leasehold improvements HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:							
At beginning of year	37,426	5,550	958	15,184	72	3,612	62,802
Additions	–	–	–	289	472	47	808
Disposals	–	–	–	(3)	–	(108)	(111)
Reclassifications	–	(5,550)	–	5,550	–	–	–
Revaluation deficit	(1,487)	–	–	–	–	–	(1,487)
At 31 December 2000	35,939	–	958	21,020	544	3,551	62,012
Accumulated depreciation:							
At beginning of year	–	–	186	3,328	61	1,556	5,131
Provided during the year	1,385	–	94	1,490	57	629	3,655
Disposals	–	–	–	–	–	(65)	(65)
Reversal of accumulated depreciation upon revaluation	(1,385)	–	–	–	–	–	(1,385)
At 31 December 2000	–	–	280	4,818	118	2,120	7,336
Net book value:							
At 31 December 2000	35,939	–	678	16,202	426	1,431	54,676
At 31 December 1999	37,426	5,550	772	11,856	11	2,056	57,671
An analysis of cost or valuation of fixed assets held by the Group at 31 December 2000 is as follows:							
At cost	–	–	958	21,020	544	3,551	26,073
At 2000 valuation	35,939	–	–	–	–	–	35,939
	35,939	–	958	21,020	544	3,551	62,012

13. Fixed assets (continued)

An analysis of the valuation of the leasehold land and buildings of the Group at the balance sheet date was as follows:

	2000	1999
	HK$'000	HK$'000
Held under medium term leases in Hong Kong	4,320	5,400
Held under medium term leases in the PRC	31,619	32,026
	35,939	37,426

The medium term leasehold land and buildings situated in Hong Kong were revalued by Castores Magi Surveyors Limited ("Castores"), an independent firm of professional valuers, at 31 December 2000 at HK$4,320,000 on an open market, existing use basis. The medium term leasehold land and buildings situated in the PRC were revalued by Castores at 31 December 2000 at HK$31,619,000 on a depreciated replacement cost basis.

A total revaluation surplus of HK$870,000 arising therefrom, representing a surplus of the revalued amounts over the then carrying values of certain of the revalued assets, on an individual asset basis, has been credited to the fixed assets revaluation reserve (note 30). In addition, a total revaluation deficit of HK$972,000 arising from the revaluation, representing a shortfall of the revalued amounts under the then carrying values of certain of the revalued assets, on an individual asset basis, has been charged to the profit and loss account (note 5).

Had the Group's leasehold land and buildings been stated at cost less accumulated depreciation, their carrying amounts as at 31 December 2000 would be restated at approximately HK$34,007,000 (1999: HK$35,175,000).

The Group's leasehold land and buildings situated in Hong Kong, with an aggregate net book value of approximately HK$4,320,000 as at 31 December 2000, were pledged to secure bank loans advanced to the Group (note 26).

The net book value of the Group's and the Company's assets held under finance leases included in the total amount of fixed assets at 31 December 2000 amounted to HK$5,438,000 (1999: HK$6,068,000).

13. Fixed assets (continued)

Company

	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:			
At beginning of year and at 31 December 2000	6,305	289	6,594
Accumulated depreciation:			
At beginning of year	237	29	266
Provided during the year	630	58	688
At 31 December 2000	867	87	954
Net book value:			
At 31 December 2000	5,438	202	5,640
At 31 December 1999	6,068	260	6,328

14. Prepayments for land and buildings

During the year, the Group entered into an agreement with an independent third party in respect of the purchase of a parcel of land situated in the PRC together with the buildings erected thereon (the "Properties") for the Group's own use. The consideration of HK$11,858,000 had been fully paid as at 31 December 2000. At the balance sheet date, the Properties had not yet been put into commercial use and the Group was still in the process of obtaining the land use right certificate and building ownership certificates. The directors, based on an opinion from a PRC lawyer, do not expect any problems for the Group in obtaining the relevant land use right certificate and building ownership certificates.

The details of the Properties are as follows:

Location	Occupancy	Tenure	Attributable interest of the Group
A parcel of land and various buildings and structures erected thereon, Shanhou Cun, Jiangkou Zhen, Putian Shi, Fujian Province, The PRC	Currently vacant	Medium term lease	100%

According to a valuation performed by Castores, the open market value of the Properties, based on a depreciated replacement cost basis, would have been HK$13,987,000 as at 31 December 2000, which would have given rise to a corresponding revaluation surplus of HK$2,129,000 as at that date. The directors expect to incorporate this revaluation surplus in respect of the Properties in the Group's financial statements when the relevant land use right certificates and building ownership certificates are obtained and any other uncertainties as to the Group's title thereto are removed.

15. Investments in subsidiaries

	Company	
	2000	1999
	HK$'000	HK$'000
Unlisted shares, at cost	**90,303**	90,225

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15. Investments in subsidiaries (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued and paid-up share/ registered capital	Attributable equity interest	Principal activities
Directly held:				
Corasia International (BVI) Limited	British Virgin Islands	US$6,714,000	100%	Investment holding
Corasia Technology Investments Limited	British Virgin Islands	US$10,000	100%	Investment holding
Qionghai Juhua Feed Co., Ltd.	PRC	US$1,500,000	100%	Production and trading of shrimp feed products
Indirectly held:				
Corasia International Limited	Hong Kong	HK$10,000	100%	Provision of handling services
Free Gain Ventures Limited	British Virgin Islands	US$10,000	100%	Provision of consultancy services
Corasia Bio-Technology Limited	British Virgin Islands	US$10,000	100%	Holding of intangibles
Juhua Feed Co., Ltd. Putian County	PRC	US$2,000,000	100%	Production and trading of eel feed products

15. Investments in subsidiaries (continued)

Name	Place of incorporation/ registration	Nominal value of issued and paid-up share/ registered capital	Attributable equity interest	Principal activities
Indirectly held: (continued)				
Fuqing Juhua Feed Fill Co., Ltd.	PRC	RMB5,000,000	100%	Production and trading of eel feed products
Jianou Juhua Feed Co., Ltd.	PRC	US$1,000,000	100%	Production and trading of eel feed products
Guilin Juhua Forage Co., Ltd.	PRC	US$1,600,000	100%	Production and trading of eel feed products
Zhangzhou Juhua Feed Co., Ltd.	PRC	US$1,500,000	100%	Production and trading of eel feed products
Fujian Juhua Feed Co., Ltd.	PRC	HK$13,528,284	100%	Provision of management services

16. Investment in associates

	Group	
	2000	1999
	HK$'000	HK$'000
Share of net assets	**21,619**	–

During the year, the Group acquired a total of a 49% equity interest in Fishtail at a consideration of HK$70,560,000 from companies of which the Chairman, Mr. Kwok, is also a controlling shareholder and a director (note 3). Further details of the transactions are set out in a circular issued by the Company dated 14 February 2000.

Goodwill in the amount of HK$54,452,000 arising from the acquisition of Fishtail and its subsidiaries has been eliminated against the goodwill reserve (note 30). The directors are of the opinion that there is no impairment in the amount of the goodwill as at 31 December 2000.

The balance with an associate is unsecured, interest-free and has no fixed term of repayment.

Particulars of the associates are as follows:

Name	**Business structure**	**Place of incorporation/ registration**	**Percentage of interest held by the Group**	**Principal activities**
Fishtail Investments Limited	Corporate	British Virgin Islands	49%	Investment holding
Great Billion Profits Limited	Corporate	British Virgin Islands	49%	Provision of procurement services
Putian Rixiang Food Industry Co., Ltd.	Corporate	PRC	49%	Production and trading of processed eels

The associates are not audited by Ernst & Young Hong Kong nor other Ernst & Young International member firms.

16. Investment in associates (continued)

Extracts of the operating results and financial position of Fishtail and its subsidiaries (the "Fishtail Group"), which are based on the financial statements of the Fishtail Group prepared under accounting principles generally accepted in Hong Kong, are as follows:

	HK$'000
Operating results for the period from 16 March 2000 (date of acquisition by the Group) to 31 December 2000:	
Turnover	126,073
Profit before tax	14,273
Net profit for the period	11,247
Net profit attributable to the Group	5,511
Financial position at 31 December 2000:	
Non-current assets	24,543
Current assets	81,138
Current liabilities	(61,561)
Net assets	44,120

17. Intangible asset

	Group HK$'000
Cost:	
Additions during the year and at 31 December 2000	28,500
Accumulated amortisatioin:	
Provided during the year and at 31 December 2000	–
Net book value:	
At 31 December 2000	28,500

As at 31 December 2000, the underlying product in respect of which the intangible asset was acquired has not yet been put into commercial production and accordingly, no amortisation has been provided.

According to a valuation performed by Castores, the fair market value of the intangible asset at the time of acquisition by the Group amounted to HK$58,783,000, based on the Discounted Cash Flow Method.

18. Inventories

	Group 2000 HK$'000	1999 HK$'000
Raw materials	**6,544**	11,625
Finished goods	**1,243**	582
	7,787	12,207

No inventories of the Group are carried at net realisable value (1999: Nil).

19. Accounts receivable

Trading terms with customers are largely on credit. Invoices are normally payable within 90 days of issuance, except for certain well-established customers, where the terms are extended to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed by senior management. Accounts receivable are recognised and carried at their original invoiced amount less provisions for doubtful debts when collection of the full amount is no longer probable. Bad debts are written off as incurred.

The ages of the accounts receivable are analysed as follows:

	Group 2000 HK$'000	1999 HK$'000
90 days or less	**88,952**	61,598
91 days to 180 days	**31,187**	23,015
181 days to 365 days	**16,865**	2,177
Over 365 days	**2,140**	2,032
	139,144	88,822
Provision for doubtful debts	**(8,606)**	(2,633)
	130,538	86,189

20. Prepayments, deposits and other receivables

Included in the prepayments, deposits and other receivables of the Group as at 31 December 2000 is an amount of HK$32,800,000 advanced to a shareholder of Fishtail, an associate of the Group, which has the following terms:

(a) secured by 40% of the equity shares of Fishtail;

(b) interest charged at 9% per annum; and

(c) the principal and interest to be repaid on or before 20 December 2001.

21. Due from a related company

Particulars of the amount due from/(to) a related company of the Group disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name of related company	At 31 December 2000	Maximum amount outstanding during the year	At 1 January 2000
	HK$'000	HK$'000	HK$'000
FPX	(586)	8,649	8,649

Mr. Kwok is a director and beneficial shareholder of FPX.

The balances with related companies at 31 December 2000 arose from trading activities (note 3) and are unsecured, interest-free and have no fixed terms of repayment.

22. Pledged bank deposits

As at 31 December 2000, bank deposits of the Group in the amount of approximately HK$2,845,000 were pledged as security for bank overdrafts, trust receipt loans and certain undrawn banking facilities granted to the Group (note 26).

23. Cash and cash equivalents

	Group		Company	
	2000	1999	**2000**	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**16,756**	58,155	**82**	1,287
Time deposits	**10,592**	10,000	**–**	–
	27,348	68,155	**82**	1,287

24. Accounts payable

The ages of the accounts payable are analysed as follows:

	Group	
	2000	1999
	HK$'000	HK$'000
90 days or less	**35**	1,063
91 days to 180 days	**–**	21
181 days to 365 days	**32**	1
Over 365 days	**1,142**	1,457
	1,209	2,542

25. Interest-bearing bank and other borrowings

		Group	
		2000	1999
	Notes	**HK$'000**	HK$'000
Bank overdrafts	26	**2,538**	–
Bank loans	26	**1,832**	2,602
Trust receipt loans	26	**19,291**	–
Other loans	27	**41**	468
		23,702	3,070

26. Interest-bearing bank borrowings

	Group			
	2000		1999	
	Bank loans and overdrafts HK$'000	**Trust receipt loans HK$'000**	Bank loans and overdrafts HK$'000	Trust receipt loans HK$'000
Balances repayable on demand	**2,538**	**–**	–	–
Balances due:				
Within one year	**1,832**	**19,291**	2,602	–
In the second year	**268**	**–**	1,827	–
In the third to fifth years, inclusive	**861**	**–**	892	–
Beyond five years	**2,704**	**–**	2,939	–
	8,203	**19,291**	8,260	–
Portion classified as current liabilities – note 25	**(4,370)**	**(19,291)**	(2,602)	–
Non-current portion	**3,833**	**–**	5,658	–

As at 31 December 2000, the bank borrowings bore interest at rates ranging from 8.5% to 14.5% per annum and were secured by the following:

(a) a legal charge on the leasehold land and buildings of the Group with an aggregate net book value of HK$4,320,000 as at 31 December 2000 (note 13);

(b) a corporate guarantee executed by the Company to the extent of HK$95,208,000 (note 32); and

(c) pledged bank deposits of the Group in the amount of HK$2,845,000 (note 22).

27. Other loans

	Group	
	2000	1999
	HK$'000	HK$'000
Balances due within one year and classified as current liabilities – note 25	**41**	468

The other loans are unsecured and bear interest at 1% per month.

28. Finance lease payables

There were non-cancellable commitments under finance leases at the balance sheet date as set out below:

	Group and Company	
	2000	1999
	HK$'000	HK$'000
Amounts payable:		
Within one year	**427**	2,561
In the second year	**–**	427
Total minimum finance lease payments	**427**	2,988
Future finance charges	**(6)**	(193)
Total net finance lease payables	**421**	2,795
Portion classified as current liabilities	**(421)**	(2,374)
Non-current portion	**–**	421

29. Share capital

	2000	1999
	HK$'000	HK$'000
Authorised:		
1,600,000,000 ordinary shares of HK$0.10 each	**160,000**	160,000
Issued and fully paid:		
1,178,003,083 (1999: 616,001,600) ordinary shares of HK$0.10 each	**117,800**	61,600

The following changes in the Company's authorised and issued share capital took place during the year:

(a) On 24 February 2000, 163 ordinary shares of HK$0.10 each in the Company were issued to a warrant holder at a price of HK$0.52 per share pursuant to the exercise of 163 warrants of the Company.

(b) On 16 March 2000, the Company raised approximately HK$44 million, net of expenses, by way of an open offer of 462,001,320 new ordinary shares of HK$0.10 each of the Company at HK$0.10 per offer share in the proportion of three offer shares for every four existing shares then held (the "Open Offer"). The proceeds from the Open Offer were applied to finance the acquisition of the equity interests in Fishtail referred to in note 3(c).

(c) On 24 October 2000, pursuant to a subscription agreement entered into between the Company and an independent third party not connected with nor acting in concert with, the directors, chief executive, substantial shareholders of the Company or its subsidiaries, or any of their respective associates as defined in the Listing Rules, 100,000,000 ordinary shares of HK$0.10 each in the Company were issued and allotted at a price of HK$0.30 per share, representing a premium of approximately 3.4% to the closing price of HK$0.29 per share on 24 October 2000 and a premium of approximately 5.3% to the average closing price of the ten trading days up to and including 24 October 2000 as quoted on The Stock Exchange of Hong Kong Limited (the "Placement"). The shares rank pari passu in all respects with the existing issued shares of the Company. The proceeds received from the Placement of approximately HK$29.9 million, net of expenses, were used for the general working capital of the Group. The excess of the consideration received over the nominal value of the shares issued, in the amount of HK$20,000,000, was credited to the share premium account.

29. Share capital (continued)

A summary of the above movements in the issued share capital of the Company is as follows:

	Notes	Number of shares issued	Par value HK$'000
At beginning of year		616,001,600	61,600
Shares issued on exercise of warrants	(a)	163	–
Shares issued on the Open Offer	(b)	462,001,320	46,200
Shares issued on the Placement	(c)	100,000,000	10,000
At 31 December 2000		1,178,003,083	117,800

An aggregate of 336,001,600 ordinary shares of HK$0.10 each were issued pursuant to an open offer of shares of the Company and the exercise of share options and warrants of the Company during the year ended 31 December 1999.

Share options

Pursuant to a share option scheme adopted on 8 June 1998, the board of directors may, on or before 7 June 2008, at its discretion invite employees, including directors, of the Company or any of its subsidiaries to take up options to subscribe for shares of the Company. The subscription price must be the higher of 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the grant of the option and the nominal value of the shares. HK$10 is payable by the grantee of an option upon acceptance of the grant of an option.

The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed in nominal amount 10% of the issued share capital of the Company from time to time which has 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 share option scheme.

On 11 March 2000 and 16 March 2000, the Company granted 30,800,000 and 46,200,000 share options, respectively, to certain employees of the Group to subscribe for the ordinary shares of the Company at subscription prices of HK$0.19616 and HK$0.21856 per share, respectively. The exercise in full of such outstanding share options would, under the present capital structure of the Company, result in the issue of 77,000,000 additional new ordinary shares of HK$0.10 each in the Company at a total consideration, before issue expenses, of approximately HK$16,139,200. All of these share options remained unexercised as at 31 December 2000.

29. Share capital (continued)

Warrants

As at 1 January 2000, subscription rights of HK$52,359,320 of warrants entitling the registered holders to subscribe in cash at any time on or before 30 June 2001 for 100,691,000 fully paid shares of HK$0.10 each in the Company at the then subscription price of HK$0.52 per share (subject to adjustment) were outstanding.

On 24 February 2000, HK$85 of the subscription rights attached to certain warrants of the Company were exercised at the then subscription price of HK$0.52 per share, resulting in the issue of 163 new shares of HK$0.10 each in the Company.

On 20 March 2000, the subscription price for the warrants was adjusted to HK$0.40 per share pursuant to the Open Offer.

As at 31 December 2000, subscription rights of HK$52,359,235 of the warrants of the Company were outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 130,898,088 additional ordinary shares of the Company.

30. Reserves

	Share premium account HK$'000	Fixed assets revaluation reserve HK$'000	Statutory reserve* HK$'000	Contributed surplus# HK$'000	Exchange fluctuation reserve HK$'000	Goodwill reserve HK$'000	Retained profits HK$'000	Total HK$'000
Group								
At 1 January 1999	35,624	3,022	7,051	13,933	195	–	35,467	95,292
Issue of shares	3,316	–	–	–	–	–	–	3,316
Share issue expenses	(1,713)	–	–	–	–	–	–	(1,713)
Surplus on revaluation	–	1,889	–	–	–	–	–	1,889
Net profit for the year	–	–	–	–	–	–	57,076	57,076
Transfer to statutory reserve	–	–	959	–	–	–	(959)	–
Dividends – note 11	–	–	–	–	–	–	(1,680)	(1,680)
At 31 December 1999 and 1 January 2000	37,227	4,911	8,010	13,933	195	–	89,904	154,180
Issue of shares	20,000	–	–	–	–	–	–	20,000
Share issue expenses	(2,085)	–	–	–	–	–	–	(2,085)
Surplus on revaluation – note 13	–	870	–	–	–	–	–	870
Net profit for the year	–	–	–	–	–	–	41,924	41,924
Transfer to statutory reserve	–	–	2,357	–	–	–	(2,357)	–
Goodwill arising on acquisition of associates – note 16	–	–	–	–	–	(54,452)	–	(54,452)
At 31 December 2000	55,142	5,781	10,367	13,933	195	(54,452)	129,471	160,437
Reserves retained by:								
Company and subsidiaries	55,142	5,781	10,367	13,933	195	(54,452)	123,960	154,926
Associates	–	–	–	–	–	–	5,511	5,511
	55,142	5,781	10,367	13,933	195	(54,452)	129,471	160,437
Company								
At 1 January 1999	35,624	–	–	40,569	–	–	64	76,257
Issue of shares	3,316	–	–	–	–	–	–	3,316
Share issue expenses	(1,713)	–	–	–	–	–	–	(1,713)
Net profit for the year	–	–	–	–	–	–	2,217	2,217
Dividends – note 11	–	–	–	–	–	–	(1,680)	(1,680)
At 31 December 1999 and 1 January 2000	37,227	–	–	40,569	–	–	601	78,397
Issue of shares	20,000	–	–	–	–	–	–	20,000
Share issue expenses	(2,085)	–	–	–	–	–	–	(2,085)
Net profit for the year	–	–	–	–	–	–	4,729	4,729
At 31 December 2000	55,142	–	–	40,569	–	–	5,330	101,041

30. Reserves (continued)

* In accordance with the relevant PRC regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against the respective accumulated losses, if any, of the subsidiaries.

\# The contributed surplus of the Group represents the difference between the aggregate of the nominal value of (i) the share capital of the subsidiaries acquired pursuant to the Group reorganisation completed on 5 July 1998; and (ii) the debt of approximately HK$17,039,000 (the "Debt") due by the then shareholders, Mr. Kwok and his wife, Ms. Lam Yuk Ang, to CIL, the former holding company of the Group, and assumed by the Company by virtue of the same Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, as reduced by the balance of the Debt assumed by the Company by virtue of the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

In accordance with the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus is available for cash distribution and/or distribution in specie in certain circumstances.

31. Notes to consolidated cash flow statement

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2000	1999
	HK$'000	HK$'000
Profit from operating activities	**42,478**	67,175
Interest income	**(1,590)**	(651)
Depreciation	**3,655**	2,373
Deficits on revaluation of leasehold land and buildings	**972**	1,411
Provisions for doubtful debts	**6,050**	–
Decrease/(increase) in inventories	**4,420**	(4,182)
Increase in accounts receivable	**(50,399)**	(13,754)
Decrease/(increase) in prepayments, deposits and other receivables	**8,974**	(6,190)
Increase in amount due from an associate	**(13)**	–
Decrease/(increase) in amount due from a related company	**8,649**	(671)
Decrease in accounts payable	**(1,333)**	(9,757)
Increase in accrued liabilities and other payables	**1,944**	2,121
Decrease in amount due to related companies	**(622)**	(74)
Net cash inflow from operating activities	**23,185**	37,801

31. Notes to consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Share capital and share premium HK$'000	Bank loans HK$'000	Other loans HK$'000	Convertible note HK$'000	Obligations under finance leases HK$'000
At 1 January 1999	63,624	16,117	4,353	5,000	–
Issue of shares	36,916	–	–	–	–
Share issue expenses	(1,713)	–	–	–	–
Net cash inflow/ (outflow) from financing	–	(7,857)	(3,885)	(5,000)	2,795
At 31 December 1999 and at 1 January 2000	98,827	8,260	468	–	2,795
Issue of shares	76,200	–	–	–	–
Share issue expenses	(2,085)	–	–	–	–
Net cash outflow from financing	–	(2,595)	(427)	–	(2,374)
At 31 December 2000	172,942	5,665	41	–	421

32. Contingent liabilities

As at 31 December 2000, the Company provided corporate guarantees of HK$95,208,000 for banking facilities granted to certain of its subsidiaries which were utilised to the extent of HK$27,494,000 as at that date.

33. Commitments

(i) Capital commitments

	Group	
	2000	1999
	HK$'000	HK$'000
Capital investment in subsidiaries operating in the PRC	**11,153**	11,153
Purchases of fixed assets contracted, but not provided for	**–**	4,381
	11,153	15,534

(ii) Other commitments

	Group	
	2000	1999
	HK$'000	HK$'000
Commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring after five years	**232**	161

34. Approval of the financial statements

The financial statements were approved by the board of directors on 10 May 2001.