Notes to Financial Statements

31 December 2002

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. During the year, the Group was involved in the following principal activities:

Continuing operations:

- Nurturing, selling and trading of tree seedlings and seeds
- Manufacturing and sale of shrimp feeds

Discontinued operations:

- Manufacturing and sale of eel feeds (the discontinuance was completed on 30 December 2002, as further detailed in note 6 to the financial statements)

Pursuant to a special resolution of the Company passed on 21 January 2002, the name of the Company was changed from Corasia Group Limited to First Dragoncom Agro-Strategy Holdings Ltd. effective from 28 January 2002.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and Interpretation are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 33: "Discontinuing operations"
- SSAP 34: "Employee benefits"
- Interpretation 15: "Business combinations – "Date of exchange" and fair value of equity instruments"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretation are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated summary statement of changes in equity is presented in the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for "Foreign currencies" in note 3 to the financial statements.

SSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes and the prior year adjustment that has resulted are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 and note 34(a) to the financial statements.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies (Revised)". The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group's discontinued operations are now included in the consolidated profit and loss account, consolidated cash flow statement and note 6 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company's share option schemes, as detailed in note 32 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

Interpretation 15 provides a guidance on the application of SSAP 30 "Business combinations" to determine the date of exchange and fair value of equity instruments when an enterprise issues its own equity instruments as purchase consideration in a business combination accounted for as an acquisition. The principal impact of the Interpretation is that the purchase consideration satisfied by the issuance of the Company's shares is now recorded at the published price of the Company's shares at the date of exchange.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These 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, except for the periodic remeasurement of leasehold land and buildings as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, 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 interests 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 impairment losses. Goodwill or negative goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 15 to 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. 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 total of this 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. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated 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	Over the period of the land use rights or lease terms
Buildings	2% to 5%
Leasehold improvements	10% or over the lease terms, whichever is higher
Plant, machinery and equipment	10% to 20%
Furniture and fixtures	10% to 20%
Motor vehicles	10% to 20%

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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct cost of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset

The intangible asset represents the cost of acquiring the rights 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 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 impairment losses.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average 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 estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 2 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to trust receipt loans, further details of which are included in note 34(a) to the financial statements.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has had no material effect on the amounts of the previously reported cash flows of the prior year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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:

(a) 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;

(b) rental income, on a time proportion basis over the lease terms; and

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

Employee benefits

Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. 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 MPF Scheme. The assets of the MPF 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 MPF 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 MPF Scheme.

The employees of the Group's subsidiaries which operates in the Mainland of The People's Republic of China (the "PRC") are required to participate in the central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or 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.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations

(a) the tree seedlings and seeds segment engages in the nurturing, selling and trading of tree seedlings and seeds;

(b) the shrimp feeds segment engages in the manufacturing and sale of shrimp feeds; and

Discontinued operations

(c) the eel feeds segment engages in the manufacturing and sale of eel feeds.

Further details of the discontinuance of the operations under the eel feeds segment are set out in note 6 to the financial statements.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted at mutually agreed terms.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments.

Group

	Continuing operations				Discontinued operations			
	Tree seedlings and seeds		Shrimp feeds		Eel feeds		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**460**	–	**13,569**	28,384	**40,739**	110,957	**54,768**	139,341
Segment results	**(1,000)**	–	**(26,775)**	(8,268)	**(4,351)**	(29,468)	**(32,126)**	(37,736)
Gain on disposal of discontinued operations							**8,327**	–
Interest income and unallocated revenue/gains							**4,245**	7,447
Unallocated expenses							**(69,046)**	(10,163)
Loss from operating activities							**(88,600)**	(40,452)
Finance costs							**(2,366)**	(2,610)
Share of profits and losses of associates							**(760)**	(3,752)
Amortisation of goodwill on acquisition of associates							**(2,889)**	(3,630)
							(3,649)	(7,382)
Loss before tax							**(94,615)**	(50,444)
Tax							**(334)**	(3,988)
Loss before minority interests							**(94,949)**	(54,432)
Minority interests							**193**	–
Net loss from ordinary activities attributable to shareholders							**(94,756)**	(54,432)
Segment assets	**142,273**	–	**25,338**	50,785	**-**	110,217	**167,611**	161,002
Interests in associates							**-**	63,710
Unallocated assets							**190,962**	118,373
Total assets							**358,573**	343,085
Segment liabilities	**8,054**	–	**665**	3,326	**-**	5,537	**8,719**	8,863
Unallocated liabilities							**80,031**	41,826
Total liabilities							**88,750**	50,689

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Continuing operations				Discontinued operations			
	Tree seedlings and seeds		Shrimp feeds		Eel feeds		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Depreciation and amortisation expenses	**883**	–	**3,742**	3,747	**1,464**	1,735	**6,089**	5,482
Unallocated depreciation							**1,506**	1,011
							7,595	6,493
Impairment loss recognised in the profit and loss account	**-**	–	**14,820**	–	**-**	–	**14,820**	–
Amortisation of goodwill on acquisition of associates							**2,889**	3,630
Capital expenditure	**15,000**	–	**-**	–	**-**	–	**15,000**	–
Unallocated amounts							**807**	817
							15,807	817
Provision for doubtful debts and bad debts written off	**-**	–	**8,764**	8,029	**3,628**	31,955	**12,392**	39,984
Unallocated provision for doubtful debts							**32,800**	–
							45,192	39,984
Write-off of scrap raw materials	**-**	–	**-**	–	**-**	5,246	**-**	5,246

(b) Geographical segments

Over 90% of the Group's revenue, results, assets and expenditure are attributable to its operations in the PRC. Accordingly, an analysis by geographical segment is not presented.

5. TURNOVER AND REVENUE

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

Revenue from the following activities has been included in turnover:

	2002	2001
	HK$'000	*HK$'000*
Continuing operations:		
Sale of tree seedlings and seeds	**460**	–
Sale of shrimp feeds	**13,569**	28,384
	14,029	28,384
Discontinued operations:		
Sale of eel feeds	**40,739**	110,957
	54,768	139,341

6. DISCONTINUED OPERATIONS

In view of the Group's strategy to diversify into high-tech, large-scale and industrialised agricultural businesses in the PRC and to concentrate its resources on the development of such businesses, the Group discontinued its eel feeds business, which was engaged primarily in the manufacture and sale of eel feed products in the PRC, during the year through the disposals of the related subsidiaries/operations (the "Discontinuance").

On 30 December 2002, the Group entered into a sale and purchase agreement with an independent third party for the disposal of substantially all of the then existing assets attributable to the eel feeds business. This was effected through the disposal of the entire issued share capital of Corasia International (BVI) Limited ("Corasia BVI"), an investment holding company, which holds the remaining eel feeds business of the Group, for a consideration of HK$120 million (the "Corasia BVI Disposal"). The Corasia BVI Disposal, together with other disposals during the year, has effectively resulted in the completion of the Discontinuance on 30 December 2002. The consideration for the Corasia BVI Disposal was satisfied by the purchaser by way of issuing a promissory note to the Group amounting to HK$120 million. Further details of the Corasia BVI Disposal are set out in notes 19 and 34(b)(iv) to the financial statements and also in a circular of the Company dated 16 January 2003.

The eel feeds operations are principally reported under the "eel feeds" business segment, except for certain of its auxiliary and administrative functions, which are not separately reported, but are included in unallocated items for segment reporting purposes.

Further details of the discontinued operations are set out in notes 34(b) and (d) to the financial statements.

6. DISCONTINUED OPERATIONS *(Continued)*

The turnover, other revenue and gains, expenses, profit/(loss) before tax and tax attributable to the discontinued operations for the year ended 31 December 2002 are as follows:

	2002	2001
	HK$'000	*HK$'000*
Turnover	**40,739**	110,957
Other revenue and gains	**3,762**	7,212
Changes in inventories of finished goods and raw materials and consumables used	**(36,989)**	(95,473)
Staff costs	**(1,293)**	(1,672)
Depreciation and amortisation expenses	**(2,450)**	(2,689)
Other operating expenses	**(6,160)**	(43,359)
Gain on disposal of discontinued operations	**8,327**	–
Profit/(loss) from operating activities	**5,936**	(25,024)
Finance costs	**(2,358)**	(2,604)
Profit/(loss) before tax	**3,578**	(27,628)
Tax	**(54)**	(348)
Profit/(loss) after tax	**3,524**	(27,976)

The carrying amounts of the total assets and liabilities of the discontinued operations at the balance sheet date are as follows:

	2002	2001
	HK$'000	*HK$'000*
Total assets	**–**	228,748
Total liabilities	**–**	(48,209)
Net assets	**–**	180,539

7. LOSS FROM OPERATING ACTIVITIES

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

	2002 HK$'000	2001 HK$'000
Cost of inventories sold	**51,443**	123,475
Staff costs, excluding directors' remuneration *(note 9)*:		
Salaries, wages and allowances	**3,744**	2,089
Retirement benefits scheme contributions	**81**	27
	3,825	2,116
Amortisation of goodwill on acquisition of subsidiaries*	**379**	–
Amortisation of an intangible asset*	**2,850**	2,850
Auditors' remuneration	**1,000**	1,080
Bad debts written off	**3,628**	3,955
Deficit on revaluation of leasehold land and buildings	**–**	634
Depreciation	**4,366**	3,643
Impairment of an intangible asset**	**14,820**	–
Loss on disposal of associates	**19,031**	–
Loss on disposal of fixed assets	**147**	–
Minimum lease payments under an operating lease in respect of land and buildings	**915**	153
Provision for doubtful debts	**41,564**	36,029
Write-off of scrap raw materials	**–**	5,246
Exchange gains, net	**(463)**	(90)
Gain on disposal of discontinued operations	**(8,327)**	–
Interest income	**(3,271)**	(6,933)
Net rental income	**(396)**	(396)

* *Included in "Depreciation and amortisation expenses" on the face of the consolidated profit and loss account.*

** *Included in "Other operating expenses" on the face of the consolidated profit and loss account.*

At 31 December 2002, the Group had no material forfeited contributions available to reduce its contributions to its retirement benefits scheme in future years (2001: Nil).

8. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts:		
Wholly repayable within five years	**2,183**	2,353
Wholly repayable after five years	**183**	251
Interest on finance leases	**–**	6
	2,366	2,610

9. DIRECTORS' REMUNERATION

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Fees	**125**	77
Other emoluments:		
Salaries, allowances and benefits in kind	**1,632**	2,057
Retirement benefits scheme contributions	**38**	25
	1,670	2,082
	1,795	2,159

Fees include HK$47,000 (2001: HK$77,000) paid to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

The remuneration of each of the twelve (2001: thirteen) directors fell within the band of nil to HK$1,000,000 for each of the years ended 31 December 2002 and 2001.

9. DIRECTORS' REMUNERATION *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

During the year, 15,156,000 share options (2001: Nil) were granted to the directors in respect of their services to the Group, further details of which are set out in note 32 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures (2001: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2001: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2001: two) non-director, highest paid employees are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,861**	330
Retirement benefits scheme contributions	**35**	9
	1,896	339

The remuneration of the three (2001: two) non-director, highest paid employees fell within the band of nil to HK$1,000,000 for each of the years ended 31 December 2002 and 2001.

No share options were granted to the three (2001: two) non-director, highest paid employees for the year (2001: Nil).

11. TAX

	2002	2001
	HK$'000	*HK$'000*
Group:		
Current year provision – outside Hong Kong	**54**	348
Share of tax attributable to associates	**280**	3,640
Tax charge for the year	**334**	3,988

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year (2001: 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.

There was no significant unprovided deferred tax charge in respect of the year (2001: Nil).

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 such properties.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK$101,245,000 (2001: HK$10,305,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$94,756,000 (2001: HK$54,432,000), and the weighted average of 1,433,373,083 (2001: 1,220,252,398) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2002 and 2001 have not been disclosed, as the potential ordinary shares outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

14. FIXED ASSETS

Group

	Leasehold land and buildings	Leasehold improve-ments	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Construc-tion in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:							
At beginning of year	34,300	1,412	21,130	797	3,551	–	61,190
Additions	11,557	3	1,061	11	752	2,423	15,807
Acquisition of subsidiaries *(note 34(c))*	56,761	–	1,714	29	1,329	3,672	63,505
Transfers	6,095	–	–	–	–	(6,095)	–
Disposals	–	–	–	–	(851)	–	(851)
Disposal of subsidiaries *(note 34(d))*	(29,700)	(958)	(14,037)	(509)	(3,263)	–	(48,467)
At 31 December 2002	**79,013**	**457**	**9,868**	**328**	**1,518**	**–**	**91,184**
Analysis of cost or valuation:							
At cost	74,413	457	9,868	328	1,518	–	86,584
At 31 December 2001 valuation	4,600	–	–	–	–	–	4,600
	79,013	**457**	**9,868**	**328**	**1,518**	**–**	**91,184**
Accumulated depreciation:							
At beginning of year	–	374	6,271	201	2,724	–	9,570
Provided during the year	2,013	437	1,184	141	591	–	4,366
Disposals	–	–	–	–	(142)	–	(142)
Disposal of subsidiaries *(note 34(d))*	(1,280)	(469)	(5,194)	(278)	(3,066)	–	(10,287)
At 31 December 2002	**733**	**342**	**2,261**	**64**	**107**	**–**	**3,507**
Net book value:							
At 31 December 2002	**78,280**	**115**	**7,607**	**264**	**1,411**	**–**	**87,677**
At 31 December 2001	34,300	1,038	14,859	596	827	–	51,620

14. FIXED ASSETS *(Continued)*

The Group's leasehold land and buildings at the balance sheet date are held under the following terms:

	2002	2001
	HK$'000	HK$'000
At cost:		
Held under medium term leases in the PRC	74,413	–
At valuation:		
Held under medium term leases in Hong Kong	–	3,600
Held under medium term leases in the PRC	4,600	30,700
	79,013	34,300

The medium term leasehold land and buildings situated in Hong Kong and the PRC carried at valuation amount were revalued individually at 31 December 2001, by B.I. Appraisals Limited, independent professionally qualified valuers, at open market value, based on existing use, and using the depreciated replacement cost method, respectively. A total revaluation surplus of HK$404,000 and revaluation deficits aggregating HK$634,000, resulting from the above valuations, have been credited to the fixed assets revaluation reserve (note 33) and charged to the profit and loss account (note 7), respectively, in the prior year.

In the opinion of the directors, the fair values of the Group's leasehold land and buildings at 31 December 2002 would not be significantly different from their respective carrying values. Accordingly, these fixed assets continue to be stated at their cost or valuation as at 31 December 2001 less accumulated depreciation.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts as at 31 December 2002 would have been approximately HK$77,791,000 (2001: HK$32,834,000).

At 31 December 2001, the Group's leasehold land and buildings situated in Hong Kong, with an aggregate net book value of approximately HK$3,600,000, were pledged to secure general banking facilities granted to the Group (note 28). The leasehold land and buildings and the related bank borrowings were effectively disposed of upon the disposal of the discontinued eel feeds operations during the year (note 6).

14. FIXED ASSETS *(Continued)*

Company

	Leasehold improvements	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At beginning of year	454	93	253	289	1,089
Additions	3	42	9	–	54
Disposals	–	–	–	(289)	(289)
At 31 December 2002	**457**	**135**	**262**	**–**	**854**
Accumulated depreciation:					
At beginning of year	–	–	–	142	142
Provided during the year	343	19	59	–	421
Disposals	–	–	–	(142)	(142)
At 31 December 2002	**343**	**19**	**59**	**–**	**421**
Net book value:					
At 31 December 2002	**114**	**116**	**203**	**–**	**433**
At 31 December 2001	454	93	253	147	947

15. INTANGIBLE ASSET

	Group
	HK$'000
Cost:	
At beginning of year and at 31 December 2002	**28,500**
Accumulated amortisation and impairment:	
At beginning of year	2,850
Amortisation provided during the year	2,850
Impairment loss during the year recognised in the profit and loss account	14,820
At 31 December 2002	**20,520**
Net book value:	
At 31 December 2002	**7,980**
At 31 December 2001	25,650

16. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

	Group
	HK$'000
Cost:	
Acquisition of subsidiaries (note 34(c)) during the year and at 31 December 2002	**45,436**
Accumulated amortisation:	
Amortisation provided during the year and at 31 December 2002	**379**
Net book value:	
At 31 December 2002	**45,057**
At 31 December 2001	–

17. INTERESTS IN SUBSIDIARIES

	Company 2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	**11,696**	90,303
Due from subsidiaries	**287,146**	159,876
Due to subsidiaries	**(59)**	(935)
	298,783	249,244
Provision for impairment	**(59,970)**	(23,046)
	238,813	226,198

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

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Equity attributable to the Company 2002	Equity attributable to the Company 2001	Principal activities
Directly held:					
Corasia Technology Investments Limited	British Virgin Islands	US$10,000	**100%**	100%	Investment holding
Qionghai Juhua Feed Co., Ltd.#	PRC	US$1,500,000	**100%**	100%	Manufacture and sale of shrimp feed products
Macro-Invest Ltd.	British Virgin Islands	US$1	**100%**	–	Investment holding
Dragoncom Bio-Tech Limited	British Virgin Islands	US$100	**100%**	–	Inactive

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows *(Continued)*:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Equity attributable to the Company 2002	2001	Principal activities
Directly held *(Continued)***:**					
First Dragoncom International Limited	British Virgin Islands	US$100	**100%**	–	Investment holding
Corasia International (BVI) Limited *	British Virgin Islands	US$6,714,000	**–**	100%	Investment holding
Indirectly held:					
Corasia Bio-Technology Limited	British Virgin Islands	US$10,000	**100%**	100%	Holding of an intangible asset
First Dragoncom (Hong Kong) Limited	Hong Kong	HK$100	**100%**	–	Provision of corporate services
North Asia Forest Development Limited **	British Virgin Islands	US$1	**100%**	–	Investment holding
Hebei Bashang Plant Seeds Co. Limited **	PRC	RMB15,000,000	**70%**	–	Nurturing, selling and trading of tree seedlings and seeds
Corasia International Limited *	Hong Kong	HK$10,000	**–**	100%	Provision of handling services
Free Gain Ventures Limited *	British Virgin Islands/PRC	US$10,000	**–**	100%	Provision of consultancy services

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows *(Continued)*:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Equity attributable to the Company 2002	Equity attributable to the Company 2001	Principal activities
Indirectly held *(Continued)*:					
Juhua Feed Co., Ltd. Putian County#*	PRC	US$2,000,000	–	100%	Manufacture and sale of eel feed products
Fuqing Juhua Feed Fill Co., Ltd.#*	PRC	RMB5,000,000	–	100%	Manufacture and sale of eel feed products
Jianou Juhua Feed Co., Ltd.#*	PRC	US$1,000,000	–	100%	Manufacture and sale of eel feed products
Guilin Juhua Forage Co., Ltd.#*	PRC	US$1,600,000	–	100%	Manufacture and sale of eel feed products
Zhangzhou Juhua Feed Co., Ltd.#*	PRC	US$1,500,000	–	100%	Manufacture and sale of eel feed products
Fujian Juhua Feed Co., Ltd.#*	PRC	HK$13,528,284	–	100%	Provision of management services

17. INTERESTS IN SUBSIDIARIES *(Continued)*

*	*Disposed of during the year in connection with the disposal of the discontinued operations (note 6).*

**	*On 20 September 2002, the Group entered into an agreement (the "Acquisition Agreement") with an independent third party (the "Vendor") for the acquisition (the "Acquisition") of the entire issued share capital of North Asia Forest Development Limited ("North Asia") for a total consideration of HK$108.3 million (the "Consideration"). The Acquisition was completed on 25 October 2002. North Asia is an investment holding company, which holds a 70% equity interest in Hebei Bashang Plant Seeds Co. Limited ("Hebei Bashang"), a Sino-foreign equity joint venture enterprise established in the PRC, which is principally engaged in the nurturing, selling and trading of tree seedlings and seeds in the PRC. The Consideration was satisfied as to (i) HK$18.3 million by the issue and allotment by the Company of 150,000,000 new shares of the Company to the Vendor and/or its nominee(s) (the "Share Consideration"); (ii) HK$30 million by the issue by the Company of a convertible note to the Vendor and/or its nominee(s) (the "Convertible Note"); (iii) HK$30 million in cash payable to the Vendor (the "Consideration Payable"); and (iv) HK$30 million within two months after April 2004 or the date on which the audited results of Hebei Bashang for the year ending 31 December 2003 is available (whichever is later) in cash payable by the Group to the Vendor (the "Deferred Consideration").*

Pursuant to the Acquisition Agreement, the Vendor and a beneficial shareholder of the Vendor (the "Guarantor") have jointly and severally warranted, undertaken and guaranteed that the audited net profit of Hebei Bashang prepared under the generally accepted accounting principles in the PRC for the year ending 31 December 2003 (the "Audited 2003 Results") will be not less than RMB31,000,000 (the "Guaranteed Profit"), to the Group. If the Guaranteed Profit cannot be met, the Vendor and the Guarantor have agreed that any shortfall in profit, being 70% of the difference between the Guaranteed Profit and the Audited 2003 Results, will be deducted from the balance of the Deferred Consideration pursuant to the Acquisition Agreement on a dollar-for-dollar basis.

Further details of the above are also set out in a circular of the Company dated 10 October 2002.

#	*Wholly-owned foreign enterprises*

18. INTERESTS IN ASSOCIATES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Share of net assets	**–**	14,227
Goodwill on acquisition	**–**	48,099
	–	62,326
Due from associates	**–**	1,384
	–	63,710

The balances due from associates as at 31 December 2001 were unsecured, interest-free and had no fixed terms of repayment.

The amount of goodwill included in interests in associates arising on the acquisition of associates in prior years is as follows:

Group

	Goodwill
	HK$'000
Cost:	
At beginning of year	54,452
Disposal of associates	(54,452)
At 31 December 2002	**–**
Accumulated amortisation:	
At beginning of year	6,353
Amortisation provided during the year	2,889
Disposal of associates	(9,242)
At 31 December 2002	**–**
Net book value:	
At 31 December 2002	**–**
At 31 December 2001	48,099

18. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Ownership interest attributable to the Group 2002	2001	Principal activities
Indirectly held:					
Fishtail Investments Limited ("Fishtail")	Corporate	British Virgin Islands	–	49%	Investment holding
Great Billion Profits Limited	Corporate	Western Samoa/ PRC	–	49%	Provision of procurement services
Putian Rixiang Food Industry Co., Ltd.	Corporate	PRC	–	49%	Production and trading of processed eels

19. PROMISSORY NOTES RECEIVABLE

		Group		Company	
		2002	2001	**2002**	2001
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Promissory notes receivable on:					
Corasia BVI Disposal	*(a)*	**120,000**	–	**–**	–
Disposal of associates	*(b)*	**30,000**	–	**30,000**	–
		150,000	–	**30,000**	–
Portion classified as current assets		**(90,000)**	–	**(30,000)**	–
Non-current portion		**60,000**	–	**–**	–

(a) The promissory note receivable is repayable in four equal tranches of HK$30 million each on 31 May 2003, 30 September 2003, 31 January 2004 and 31 May 2004, respectively. The promissory note receivable is interest-free and is secured by two first fixed legal charges created over (i) the entire issued share capital of Corasia BVI and (ii) the entire issued share capital of Corasia International Limited.

(b) The promissory notes receivable are unsecured, interest-free and are repayable on 30 June 2003 and 31 October 2003.

20. INVENTORIES

	Group 2002 HK$'000	2001 HK$'000
Raw materials	**2,064**	10,181
Work in progress	**3,707**	–
Finished goods	**555**	374
	6,326	10,555

No inventories of the Group were carried at net realisable value at 31 December 2002 (2001: Nil).

21. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The Group allows an average general credit period of 90 days to its business-related customers, except for certain well-established customers, where the terms are extended beyond 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aged analysis of the Group's accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Group 2002 HK$'000	2001 HK$'000
Within 90 days	**7,733**	56,798
91 days to 180 days	**8,180**	30,737
181 days to 365 days	**7,573**	38,430
Over 365 days	**9,313**	20,336
	32,799	146,301
Provision for doubtful debts	**(16,793)**	(44,249)
	16,006	102,052

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Advance to a shareholder of Fishtail, net of provision*	**–**	32,800	**–**	–
Prepayments, deposits and other receivables	**36,936**	8,442	**119**	216
	36,936	41,242	**119**	216

* The amount advanced to a shareholder of Fishtail (an associate, which was disposed of during the year) is under the following terms:

(a) secured by 40% (2001: 40%) of the equity interest of Fishtail;

(b) interest bearing at 9% (2001: 9%) per annum; and

(c) the principal and the interest accrued thereon to be repaid on or before 25 December 2003 (2001: 29 December 2002).

23. DUE FROM/(TO) RELATED COMPANIES

Particulars of the amounts due from related companies of the Group disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group

Name	At 31 December 2002 HK$'000	Maximum amount outstanding during the year HK$'000	At 1 January 2002 HK$'000
Central Union (Asia) Holdings Ltd.	**90**	90	–
Dragoncom China Investments Ltd.	**25**	25	–
Fujian Province Xiangjiang (Group) Co. Ltd. ("FPX")	**–**	2,462	2,462
	115		2,462

Dr. Hon Fong Ming, Perry, a director of the Company, is a director and a beneficial shareholder of Central Union (Asia) Holdings Ltd. and Dragoncom China Investments Ltd.

Mr. Kwok Man Yu, an ex-director of the Company, is a director and a beneficial shareholder of FPX.

The balances with related companies of the Company and of the Group are unsecured, interest-free and have no fixed terms of repayment. Certain directors of the Company are directors and/or beneficial shareholders of the related companies.

24. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

		Group		Company	
		2002	2001	**2002**	2001
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**8,476**	45,794	**3,529**	–
Less: Pledged time deposits	*28(c)*	**–**	(7,135)	**–**	–
Cash and cash equivalents		**8,476**	38,659	**3,529**	–

As at 31 December 2001, the pledged time deposits were pledged to secure certain bank overdrafts, trust receipt loans and certain undrawn facilities granted to the Group.

25. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within 90 days	**1,473**	–
91 days to 180 days	**2,814**	–
181 days to 365 days	**–**	32
Over 365 days	**24**	1,142
	4,311	1,174

26. DEFERRED GAIN

The amount represents the gain deferred on the Corasia BVI Disposal as further detailed in note 6 to the financial statements.

Such gain will be recognised in the profit and loss account upon the receipt of the disposal consideration.

27. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

28. INTEREST-BEARING BANK BORROWINGS

	Group 2002 HK$'000	Group 2001 HK$'000
Bank overdrafts, secured	–	1,667
Bank loans, secured	–	16,823
Trust receipt loans, secured	–	11,601
	–	30,091
Portion classified as current liabilities	–	(26,596)
Non-current portion	–	3,495
The bank borrowings are repayable:		
Within one year or on demand	–	26,596
In the second year	–	332
In the third to fifth years, inclusive	–	768
Beyond five years	–	2,395
	–	30,091

As at 31 December 2001, the Group's bank borrowings were secured by the following:

(a) a legal charge on certain leasehold land and buildings of the Group with an aggregate net book value of HK$3,600,000;

(b) corporate guarantees executed by the Company for the banking facilities of HK$65,400,000 granted to certain of its subsidiaries, of which HK$29,359,000 were utilised at 31 December 2001;

(c) pledged bank deposits of the Group in the amount of HK$7,135,000 (note 24); and

(d) a personal guarantee executed by Mr. Kwok Man Yu, an ex-director of the Company, of which HK$750,000 was utilised at 31 December 2001.

During the year, all the Group's bank borrowings were effectively disposed of upon the disposal of the Group's eel feeds business. Further details of such disposal are set out in note 6 to the financial statements.

29. CONVERTIBLE NOTE

The amount at 31 December 2002 represented the outstanding principal of the Convertible Note as further detailed in notes 17, 34(b)(iii) and 34(c) to the financial statements. The Convertible Note is unsecured, interest-free and will mature on 30 June 2004 (the "Maturity Date"). The Company has the right to redeem any portion of the Convertible Note outstanding at par in its sole and absolute discretion at any time prior to the Maturity Date.

The Convertible Note may not be assigned or transferred without the prior written consent of the Company. The noteholder has the right to convert (to the extent not already redeemed) the whole or any part of the outstanding principal amount of the Convertible Note into new ordinary shares of the Company of HK$0.01 each (the "Conversion Shares"), at any time six months after the completion of the Acquisition Agreement and before the Maturity Date at an initial conversion price of HK$0.20 per ordinary share of the Company (subject to adjustment). The outstanding principal amount of the Convertible Note has to be converted into the Conversion Shares on a mandatory basis on the Maturity Date, unless previously converted into the Conversion Shares or repaid or redeemed pursuant to the terms and conditions of the Convertible Note.

Further details of the Convertible Note are set out in a circular of the Company dated 10 October 2002.

30. OTHER LONG TERM LIABILITY

The amount at 31 December 2002 represented the outstanding balance of the Deferred Consideration as further detailed in notes 34(b)(iii) and 34(c) to the financial statements.

The Deferred Consideration is unsecured and interest-free.

Further details of the Deferred Consideration are set out in a circular of the Company dated 10 October 2002.

31. SHARE CAPITAL

	2002	2001
	HK$'000	*HK$'000*
Authorised:		
160,000,000,000 (2001: 1,600,000,000) ordinary shares of HK$0.01 (2001: HK$0.10) each	**1,600,000**	160,000
Issued and fully paid:		
1,657,143,083 (2001: 1,255,003,083) ordinary shares of HK$0.01 (2001: HK$0.10) each	**16,571**	125,500

31. SHARE CAPITAL *(Continued)*

During the year, the movements in share capital of the Company were as follows:

(a) Pursuant to a placing agreement dated 20 March 2002 entered into between the Company and an independent placing agent, 251,000,000 new ordinary shares of the Company of HK$0.01 each were allotted and issued, credited as fully paid at HK$0.11 per share, to independent third parties on 28 May 2002. Further details of the placing agreement are also set out in an announcement of the Company dated 20 March 2002.

(b) Pursuant to certain special and ordinary resolutions passed in a special general meeting of the Company held on 2 May 2002, a capital reorganisation of the Company (the "Capital Reorganisation") involving, inter alia, the following was implemented:

(i) a reduction of the nominal value of each issued ordinary share of the Company before the completion of the Capital Reorganisation from HK$0.10 to HK$0.01 each by the cancellation of HK$0.09 paid-up capital on each issued share (the "Capital Reduction"), and a transfer of the credit arising from the Capital Reduction of approximately HK$112,950,000 to the contributed surplus account of the Company (note 33); and

(ii) a subdivision of every authorised but unissued ordinary share of the Company of HK$0.10 before the completion of the Capital Reorganisation into 10 ordinary shares of the Company of HK$0.01 each (the "Share Subdivision") and the authorised capital of the Company will remain as HK$160,000,000.

In addition, pursuant to an ordinary resolution of the Company passed on 2 May 2002, the authorised share capital of the Company was increased from HK$160,000,000 to HK$1,600,000,000 by the creation of 144,000,000,000 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.

Further details of the Capital Reorganisation are also set out in a circular of the Company dated 9 April 2002.

(c) The subscription rights attaching to 1,140,000 (2001: 77,000,000) share options of the Company were exercised at a subscription price of HK$0.13120 (2001: HK$0.19616 to HK$0.22800) per share (note 32), resulting in the issue of 1,140,000 (2001: 77,000,000) new ordinary shares of the Company of HK$0.01 each for a total cash consideration, before expenses, of HK$149,000 (2001: HK$16,458,000).

(d) On 25 October 2002, 150,000,000 new ordinary shares of the Company of HK$0.01 each, allotted and issued at a fair value of HK$0.122 per share, as the Share Consideration (notes 17 and 34(b)(iii)).

31. SHARE CAPITAL *(Continued)*

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2001		1,178,003,083	117,800	55,142	172,942
Share options exercised	(c)	77,000,000	7,700	8,758	16,458
At 31 December 2001 and 1 January 2002		1,255,003,083	125,500	63,900	189,400
Capital Reduction	(b)(i)	–	(112,950)	–	(112,950)
Shares issued under a placement	(a)	251,000,000	2,510	25,100	27,610
Shares options exercised	(c)	1,140,000	11	138	149
Shares issued as the Share Consideration	(d)	150,000,000	1,500	16,800	18,300
		402,140,000	4,021	42,038	46,059
Share issue expenses		–	–	(430)	(430)
At 31 December 2002		**1,657,143,083**	**16,571**	**105,508**	**122,079**

32. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of Directors, as their disclosure is also a requirement of the Listing Rules.

32. SHARE OPTION SCHEMES *(Continued)*

In order to comply with the latest requirement of the Listing Rules, the Company adopted a new share option scheme (the "New Scheme") to replace its original share option scheme adopted on 8 June 1998 (the "Old Scheme") for the purpose of recognising the significant contributions of eligible participants to the growth of the Group and to further motivate and encourage the eligible participants to contribute and improve their performance and efficiency. Eligible Participants of the New Scheme include the Company's directors, including independent non-executive directors, other directors/employees of the Group or its investees, suppliers of goods or services to the Group or its investees, customers of the Group or its investees, persons/entities that provide research, development or other technological support, shareholders of any member of the Group or its investees or such other persons from time to time as determined by the directors. The New Scheme was approved and adopted on 21 June 2002 (the "Adoption Date") and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Old Scheme was terminated immediately upon the adoption of the New Scheme. During the year and up to the date of the termination of the Old Scheme, there were no outstanding share options granted under the Old Scheme.

The total number of shares in respect of which options may be granted under the New Scheme (excluding options lapsed) is not permitted to exceed 10% of the shares of the Company in issue as at the Adoption Date, without a prior approval from the Company's shareholders.

At 31 December 2002, the number of shares issuable under share options granted under the New Scheme was 130,080,000, which represented approximately 7.8% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the New Scheme 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.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by all the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted on or before the close of business on the date specified in the offer document. The exercise period of the share options granted is determinable by the directors, and commences on the first business date from the date of the offer of the share options and ends on the close of business on the last day of such period as determined by the directors, but no later than ten years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares published on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. SHARE OPTION SCHEMES *(Continued)*

The following share options were outstanding under the New Scheme during the year:

Name or category of participant	At 1 January 2002	Granted during the year	Exercised during the year	Cancelled during the year	At 31 December 2002	Date of grant of share options*	Exercise period of share options (both dates inclusive)	Exercise price of share options** HK$	Price of Company's shares*** At grant date of options HK$	Price of Company's shares*** At exercise date of options HK$
Directors										
Dr. Hong Fong Ming, Perry	–	900,000	–	–	900,000	26-06-02	26-06-02 to 20-06-12	0.1312	0.1350	–
	–	8,000,000	–	–	8,000,000	30-07-02	30-07-02 to 20-06-12	0.2360	0.2230	–
	–	8,900,000	–	–	8,900,000					
Dr. Qian Keming	–	864,000	–	–	864,000	26-06-02	26-06-02 to 20-06-12	0.1312	0.1350	–
Mr. Zhang Jiebin	–	900,000	–	–	900,000	26-06-02	26-06-02 to 20-06-12	0.1312	0.1350	–
Mr. Ke Yinbin	–	900,000	–	–	900,000	26-06-02	26-06-02 to 20-06-12	0.1312	0.1350	–
Mr. Shang Qingling	–	864,000	–	–	864,000	26-06-02	26-06-02 to 20-06-12	0.1312	0.1350	–
Mr. Yu Enguang	–	864,000	–	–	864,000	26-06-02	26-06-02 to 20-06-12	0.1312	0.1350	–
Prof. Lang Hsien Ping	–	1,000,000	–	–	1,000,000	30-07-02	30-07-02 to 20-06-12	0.2360	0.2230	–
Prof. Ma Qingguo	–	864,000	–	–	864,000	26-06-02	26-06-02 to 20-06-12	0.1312	0.1350	–
	–	15,156,000	–	–	15,156,000					
Other employees										
In aggregate	–	13,064,000	(1,140,000)	(450,000)	11,474,000	26-06-02	26-06-02 to 20-06-12	0.1312	0.1350	0.2390
Suppliers of goods or services										
In aggregate	–	48,680,000	–	–	48,680,000	26-06-02	26-06-02 to 20-06-12	0.1312	0.1350	–
	–	500,000	–	–	500,000	30-07-02	30-07-02 to 20-06-12	0.2360	0.2230	–
	–	49,180,000	–	–	49,180,000					
Others										
In aggregate	–	55,460,000	–	(1,190,000)	54,270,000	26-06-02	26-06-02 to 20-06-12	0.1312	0.1350	–
	–	132,860,000	(1,140,000)	(1,640,0000)	130,080,000					

32. SHARE OPTION SCHEMES *(Continued)*

* *The vesting period of the share options is from the date of the grant until the commencement of the exercise period.*

** *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

*** *The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.*

The 1,140,000 share options exercised during the year resulted in the issue of 1,140,000 ordinary shares of the Company and new share capital of HK$11,000 and share premium of HK$138,000 (before issue expenses), as detailed in note 31 to the financial statements.

At the balance sheet date, the Company had 130,080,000 share options outstanding under the New Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 130,080,000 additional ordinary shares of the Company and additional share capital of approximately HK$1,301,000 and share premium of approximately HK$16,761,000 (before issue expenses).

33. RESERVES

Group

	Note	Share premium account HK$'000	Fixed assets revaluation reserve HK$'000	Statutory reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2001		55,142	5,781	10,367	13,933	195	126,748	212,166
Issue of shares		8,758	–	–	–	–	–	8,758
Surplus on revaluation		–	404	–	–	–	–	404
Net loss for the year		–	–	–	–	–	(54,432)	(54,432)
Transfer to statutory reserve		–	–	107	–	–	(107)	–
At 31 December 2001 and 1 January 2002		63,900	6,185	10,474	13,933	195	72,209	166,896
Issue of shares	31	42,038	–	–	–	–	–	42,038
Share issue expenses	31	(430)	–	–	–	–	–	(430)
Release on disposal of discontinued operations		–	(5,713)	(10,192)	–	(195)	15,905	(195)
Capital Reduction	31	–	–	–	112,950	–	–	112,950
Net loss for the year		–	–	–	–	–	(94,756)	(94,756)
Transfer to statutory reserve		–	–	40	–	–	(40)	–
At 31 December 2002		**105,508**	**472**	**322**	**126,883**	**-**	**(6,682)**	**226,503**
Reserves retained by/ (accumulated in):								
Company and subsidiaries at 31 December 2002		**105,508**	**472**	**322**	**126,883**	**-**	**(6,682)**	**226,503**
Company and subsidiaries		63,900	6,185	10,474	13,933	195	74,090	168,777
Associates		–	–	–	–	–	(1,881)	(1,881)
At 31 December 2001		63,900	6,185	10,474	13,933	195	72,209	166,896

33. RESERVES *(Continued)*

Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2001		55,142	40,569	5,330	101,041
Issue of shares		8,758	–	–	8,758
Net loss for the year		–	–	(10,305)	(10,305)
At 31 December 2001 and 1 January 2002		63,900	40,569	(4,975)	99,494
Issue of shares	31	42,038	–	–	42,038
Share issue expenses	31	(430)	–	–	(430)
Capital Reduction	31	–	112,950	–	112,950
Net loss for the year		–	–	(101,245)	(101,245)
At 31 December 2002		**105,508**	**153,519**	**(106,220)**	**152,807**

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

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 June 1998; (ii) the debt of approximately HK$17,039,000 (the "Debt") due by the then shareholders, Mr. Kwok Man Yu and his wife, Ms. Lam Yuk Ang, to Corasia BVI, 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; and (iii) the credit arising from the Capital Reduction of approximately HK$112,950,000 (note 31).

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; and the credit arising from the Capital Reduction of approximately HK$112,950,000 (note 31).

In accordance with the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus in certain circumstances.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: consolidated cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that interest paid and taxes paid are now included in cash flows from operating activities and interest received are now included in cash flows from investing activities. The presentation of the 2001 comparative consolidated cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year. Previously, the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. There is no material change to the comparative cash flows from operating activities, investing activities and financing activities.

Also, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 3 to the financial statements. This has resulted in trust receipt loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 December 2001 has been adjusted to remove trust receipt loans amounting to HK$11,601,000, previously included at that date. The year's movement in trust receipt loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Major non-cash transactions

During the year, the Group had the following major non-cash transactions:

(i) During the year, the Group disposed of all of its associates to an independent third party for a total consideration of HK$41 million. The consideration was satisfied by the purchaser by way of issuing certain promissory notes to the Group amounting to HK$41 million. Part of such promissory notes receivable totalling HK$11 million was transferred to the Vendor as partial settlement of the Consideration Payable (note 17). The balance of the promissory notes receivable amounting to HK$30 million is repayable on 30 June 2003 and 31 October 2003 (note 19).

(ii) During the year, the Group disposed of certain eel feeds subsidiaries for a total consideration of HK$38 million. The consideration for the disposal was satisfied by the purchaser by way of issuing certain promissory notes to the Company amounting to HK$38 million. Part of such promissory notes receivable totalling HK$19 million was transferred to the Vendor as partial settlement of the Consideration Payable (note 17). The balance of the promissory notes receivable amounting to HK$19 million was fully settled in cash during the year.

(iii) As further detailed in note 17 to the financial statements, the Consideration for the Acquisition was satisfied by the Share Consideration (note 31(d)), the Convertible Note (note 29), the Consideration Payable and the Deferred Consideration (note 30). The Consideration Payable was settled during the year by transferring certain promissory notes receivable totalling HK$30 million to the Vendor as further detailed in notes (i) and (ii) above.

(iv) As further detailed in notes 6 and 19 to the financial statements, the consideration for the Corasia BVI Disposal was satisfied by the purchaser by way of issuing a promissory note to the Group amounting to HK$120 million, which is repayable in four equal tranches of HK$30 million each on 31 May 2003, 30 September 2003, 31 January 2004 and 31 May 2004, respectively.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of subsidiaries

As further detailed in note 17 to the financial statements, the Group acquired North Asia and its subsidiaries pursuant to the Acquisition Agreement.

	Notes	**2002** **HK$'000**	2001 HK$'000
Net assets acquired:			
Fixed assets	14	**63,505**	–
Inventories		**1,246**	–
Accounts receivable		**21,096**	–
Prepayments, deposits and other receivables		**16,694**	–
Cash and bank balances		**484**	–
Accounts payable		**(4,726)**	–
Other payables and accrued liabilities		**(8,493)**	–
Minority interests		**(26,942)**	–
		62,864	–
Goodwill on acquisition	16	**45,436**	–
		108,300	–
Satisfied by:			
Share Consideration	17	**18,300**	–
Convertible Note	17	**30,000**	–
Consideration Payable	17	**30,000**	–
Deferred Consideration	17	**30,000**	–
		108,300	–

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of subsidiaries *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2002	2001
	HK$'000	*HK$'000*
Cash consideration	**–**	–
Cash and bank balances acquired	**484**	–
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**484**	–

As further detailed in note (b)(iii) above, the Consideration Payable was fully settled during the year by the transfer of certain promissory notes receivable totalling HK$30 million to the Vendor.

The subsidiaries acquired in the current year contributed HK$460,000 to the Group's turnover and accounted for HK$1,000,000 of the consolidated loss after tax and before minority interests for the year ended 31 December 2002.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Disposal of subsidiaries (discontinued operations)

	Notes	2002 HK$'000	2001 HK$'000
Net assets disposed of:			
Fixed assets	14	38,180	–
Inventories		1,311	–
Accounts receivable		94,170	–
Prepayments, deposits and other receivables		2,432	–
Cash and bank balances		39,027	–
Accounts payable		(1,161)	–
Other payables and accrued liabilities		(9,679)	–
Tax payable		(7,217)	–
Due to related companies		(1,799)	–
Interest-bearing bank borrowings		(15,639)	–
		139,625	–
Incidental costs of disposal		357	–
Release of exchange fluctuation reserve on disposal	33	(195)	–
Gain on disposal of discontinued operations recognised in the consolidated profit and loss account*	7	8,327	–
Gain on disposal of discontinued operations deferred*	26	9,886	–
		158,000	–
Satisfied by:			
Promissory notes receivable**		158,000	–

* There was no tax arising from the disposal.

** HK$38 million of the disposal consideration was received/settled during the year and the remaining balance of HK$120 million will be received in 2003/2004 (note 34(b)(iv)).

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Disposal of subsidiaries (discontinued operations) *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of discontinued operations is as follows:

	2002	2001
	HK$'000	*HK$'000*
Incidental costs of disposal	**(357)**	–
Cash and bank balances disposed of	**(39,027)**	–
Bank overdrafts disposed of	**231**	–
Net outflow of cash and cash equivalents in respect of the disposal of discontinued operations	**(39,153)**	–

The subsidiaries disposed of during the year contributed HK$40,739,000 to the Group's turnover and reduced the consolidated loss after tax and before minority interests for the year ended 31 December 2002 by HK$3,524,000.

The subsidiaries disposed of during the year contributed HK$110,957,000 to the Group's turnover and accounted for HK$27,976,000 of the consolidated loss after tax and before minority interests for the year ended 31 December 2001.

35. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		**Company**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Corporate guarantees given to banks in connection with facilities granted to a subsidiary	**–**	–	**–**	65,400

As part of the Corasia BVI Disposal, the Group disposed of Corasia International Limited ("Corasia HK"), a wholly-owned subsidiary of the Group prior to the Corasia BVI Disposal, during the year. The Company has provided corporate guarantees (the "Corporate Guarantees") to the bankers of Corasia HK to secure certain bank facilities granted to Corasia HK.

35. CONTINGENT LIABILITIES *(Continued)*

As at 31 December 2002, the banking facilities granted to Corasia HK subject to the Corporate Guarantees were utilised to the extent of approximately HK$15,409,000 (2001: HK$29,359,000) (the "Guaranteed Amount"). Subject to the release of the Corporate Guarantees by the relevant banks, the Company is obliged to continue to provide the Corporate Guarantees after the completion of the Corasia BVI Disposal (the "Completion") and accordingly, the Guaranteed Amount was a contingent liability of the Company and of the Group as at 31 December 2002.

The purchaser of Corasia BVI (the "Purchaser") has undertaken to the Company, inter alia, that:

(a) it shall use its best endeavour to procure the discharge and the release of the Corporate Guarantees within twelve months from the Completion; and

(b) it shall use its best endeavour to procure Corasia HK and the directors of Corasia HK:

- not to increase new bank borrowings under the relevant banking facilities;
- to repay the bank borrowings under the relevant banking facilities within twelve months from the Completion; and
- to cause the discharge and release of the Corporate Guarantees within twelve months from the Completion.

The Purchaser has unconditionally and irrevocably covenanted and undertaken to the Company that it will fully indemnify the Company all costs and other losses and expenses which the Purchaser and/or the Company may suffer or incur in connection with the Corporate Guarantees.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its land and buildings (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**–**	396
In the second to fifth years, inclusive	**–**	396
	–	792

(b) As lessee

The Group leases certain of its office premises under operating lease arrangement. Lease for office premises is negotiated for a term of one year.

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**228**	234
In the second to fifth years, inclusive	**–**	810
After five years	**–**	1,006
	228	2,050

The Company did not have any significant operating lease arrangement at 31 December 2002 (2001: Nil).

37. CAPITAL COMMITMENTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Capital commitments for investments in subsidiaries contracted, but not provided for	**13,762**	11,153

The Company did not have any significant capital commitment at 31 December 2002 (2001: Nil).

38. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group and the Company had the following transactions with certain related parties during the year:

		Group		Company	
	Notes	**2002**	2001	**2002**	2001
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of finished goods to a related company	*(i)*	**–**	6,602	**–**	–
Purchases of raw materials from related companies	*(i)*	**–**	103	**–**	–
Purchases of fixed assets from a related company	*(ii)*	**–**	800	**–**	800
Purchase of land use rights from a minority shareholder of a subsidiary	*(iii)*	**11,454**	–	**–**	–

38. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) Mr. Kwok Man Yu ("Mr. Kwok"), an ex-director of the Company, is a director and beneficial shareholder of the related companies. The sales of finished goods to and the purchases of raw materials from the related companies were according to prices and terms similar to other unrelated customers of the Group or customers of the related companies.

(ii) Dr. Hon Fong Ming, a director of the Company, is a director and beneficial shareholder of the related company. The purchases of fixed assets were based on mutually agreed terms.

(iii) The purchase of the land use rights was based on mutually agreed terms.

(b) At 31 December 2001, certain banking facilities available to the Group amounted to HK$750,000 were secured by a personal guarantee granted by Mr. Kwok (note 28).

(c) In May 2002, Mr. Kwok entered into a deed of guarantee to indemnify certain of the Group's subsidiaries from any losses arising from certain accounts receivable and other receivables totalling HK$49,157,000 as at 31 December 2001. The indemnity covered the period from May 2002 to December 2002.

39. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 April 2003.