NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice No. 2.125, "Interim Financial Reporting", except that the comparative figures of the condensed consolidated cash flow statement have not been presented as the Company has taken advantage of the transitional provisions set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2000.

2. Segment information

The Group's turnover and contribution to profit/(loss) from operating activities by principal activity in respect of the Group's operations, which are principally conducted in the People's Republic of China (the "PRC") market, are analysed as follows:

	Turnover For the six months ended 30 June		**Contribution to profit/(loss) from operating activities For the six months ended 30 June**	
	2001	2000	**2001**	2000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of feeds under the Group's "Juhua" brand name in the PRC:				
Sales of eel feeds	**53,595**	104,227	**(1,701)**	27,082
Sales of shrimp feeds	**10,918**	17,191	**642**	550
	64,513	121,418	**(1,059)**	27,632

3. Other revenue

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**230**	468
Other interest income	**1,476**	–
Net rental income	**198**	–
Others	**93**	225
	1,997	693

4. Finance costs

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans, overdrafts and other loans wholly repayable within five years	**1,066**	286
Bank loans wholly repayable after five years	**396**	156
Finance leases	**6**	125
	1,468	567

5. Tax

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current period provision – overseas	**463**	137

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the period ended 30 June 2001 (2000: 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, the tax holiday of Fuqing Juhua and Jianou Juhua expired in 2001. For the period ended 30 June 2001, the effective tax rates of Fuqing Juhua and Jianou Juhua were therefore 24% (2000: 12%) and 27% (2000: 12%), respectively.

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 period ended 30 June 2001, the effective tax rates of Zhangzhou Juhua and Guilin Juhua were therefore 12% (2000: 12%) and 16.5% (2000: 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 period ended 30 June 2001, the effective tax rate of Fujian Juhua was therefore 12% (2000: 12%).

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. For the period ended 30 June 2001, the effective tax rate of Qionghai Juhua was therefore 7.5% (2000: Nil).

The tax holiday of Juhua Feed Co. Ltd, Putian County ("Putian Juhua") expired in 1997. For the period ended 30 June 2001, the effective tax rate of Putian Juhua was 27% (2000: 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.

6. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: Nil).

7. Earnings/(Loss) per share

2001

The calculation of basic loss per share for the six months ended 30 June 2001 is based on the net loss from ordinary activities attributable to shareholders for the period of HK$3,990,000 and the weighted average of 1,184,201,978 shares in issue during the period.

No diluted loss per share has been presented for the six months ended 30 June 2001 as the exercise of share options during the period would have an anti-dilutive effect on the basic loss per share.

2000

The calculation of basic earnings per share for the six months ended 30 June 2000 is based on the net profit from ordinary activities attributable to shareholders for the period of HK$31,650,000 and the weighted average of 950,246,286 shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2000 is based on the net profit from ordinary activities attributable to shareholders of HK$31,650,000 and 966,977,604 shares, which is the weighted average of the shares in issue during the period plus the weighted average of 16,731,318 shares deemed to be issued at no consideration if all of the outstanding share options had been exercised since their respective dates of issue.

8. 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:

	30 June 2001 (Unaudited) ***HK$'000***	31 December 2000 (Audited) *HK$'000*
Outstanding balances with ages:		
90 days or less	**59,557**	88,952
91 days to 180 days	**25,567**	31,187
181 days to 365 days	**40,133**	16,865
Over 365 days	**5,269**	2,140
	130,526	139,144
Provision for doubtful debts	**(10,209)**	(8,606)
	120,317	130,538

9. Accounts payable

The ages of the accounts payable are analysed as follows:

	30 June 2001 (Unaudited) ***HK$'000***	31 December 2000 (Audited) *HK$'000*
Outstanding balances with ages:		
90 days or less	**138**	35
181 days to 365 days	**–**	32
Over 365 days	**1,246**	1,142
	1,384	1,209

10. Share capital

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

	Number of shares issued	**Par value** *HK$'000*
At 1 January 2001 (audited)	1,178,003,083	117,800
Shares issued on exercise of share options	77,000,000	7,700
At 30 June 2001 (unaudited)	1,255,003,083	125,500

11. 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*
At 1 January 2001 (audited)	55,142	5,781	10,367	13,933	195	(54,452)	129,471	160,437
Issue of shares	8,757	–	–	–	–	–	–	8,757
Net loss for the period	–	–	–	–	–	–	(3,990)	(3,990)
At 30 June 2001 (unaudited)	63,899	5,781	10,367	13,933	195	(54,452)	125,481	165,204

12. Contingent liabilities

As at 30 June 2001, the Company provided corporate guarantees of HK$96,677,000 for banking facilities granted to certain of its subsidiaries which were utilised to the extent of HK$42,453,000 as at that date.

13. Related party transactions

The Group had the following transactions with related parties, which also constitute connected transactions as defined under the Listing Rules, during the period:

(a) On-going transactions

Name of related party	Nature of transactions	Notes	For the six months ended 30 June 2001 (Unaudited) HK$'000	2000 (Unaudited) HK$'000
Fujian Province Xiangjiang (Group) Co., Ltd. ("FPX")	Sales of finished goods	1	**6,602**	530
Ningxia Xiangji Starch Co., Ltd. ("NXS")	Purchases of raw materials	2	**103**	379

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.

(b) Other transactions

Name of related party	Nature of transactions	Notes	For the six months ended 30 June **2001** **(Unaudited)** ***HK$'000***	2000 (Unaudited) *HK$'000*
FPX	Transportation charges	*1*	–	1,553
	Rental income	*2*	**198**	198

Notes:

1. The Directors consider that the payment of transportation charges to FPX was carried out in the ordinary and usual course of business of the Group and was 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry and Business Review

For the period ended 30 June 2001, turnover of the Group was approximately HK$64,513,000 (the corresponding period of 2000: HK$121,418,000).

The Group has continued to engage in the manufacturing and marketing of eel feeds and shrimp feeds under its own brand name "Juhua" (聚華) in the PRC. With the solid foundation laid in the industry, the Group has established a firm cooperation relationship with various eel and shrimp breeding farms in the PRC. Feeds sold under the Group's brand name "Juhua" (聚華) are able to secure stable operating revenue for the Group. In addition, the business of processed eels of the Group's associate has brought new source of revenue to the Group. During the period under review, the

Group succeeded in the implementation of a direct marketing sales strategy which targeted at the ultimate users of the Group's products. This can further broaden the market foundation and effectively control the cost of sales and reduce the handling charges. This helped constrict the loss of the Group caused by the drop of the Group's turnover. The Group's shrimp feeds production plant in Hainan has commenced full operation and contributed promising earnings to the Group.

Since the PRC was bruised by several typhoons in the second half of 2000, a number of eel breeding farms were suffered therefrom. The number of eels in ponds decreased and the sales of eel feeds during the first half of the year were affected correspondingly. In particular, typhoon "飛燕" blew over Fujian directly in the first half of this year and brought about disasters to the coastal regions. The Group's feeds production plants in Zhangzhou, Putian, Fuqing and Jianou were all suffered to different extents. Meanwhile, the sales operation of the Group was also affected by the disastrous condition of eel breeding farms.

Future Prospects

The Directors believe that the Group is engaged in a conventional manufacturing industry and there will be long term market demand for products of the Group. With the continuous development of the economy, steady progress in the society and the stable improvement in the living standard, demand for high-end products will be greater, thereby creating ample room for the future development of the Group.

In order to attain a diversified product mix, the Group put much effort on product research and development. In addition to the establishment of an internal science research center, the Group also works together with the Chinese Academy of Fisheries Sciences. At present, the Group prepares to introduce multifunctional and anti-bacterial feeds products newly developed with biochemical technologies and successful results have been recorded. For example, Ha Bing Xiao, shrimp feeds newly developed by the Group, is proved to be anti-bacterial after trial breeding. Ha Bing Xiao is well received by shrimp breeders because it is able to increase the production of shrimps and shorten the production cycle.

The PRC is a market with immense potential and is also the focus of the Group's operation. With the exploration of the western part of the PRC, the economy will grow continuously and the living standard of people in the PRC, especially those in the western part, will be improved greatly. Their purchasing power and willingness to spend will be strengthened significantly, generating greater demand for foodstuff with high protein ingredients, particularly fisheries products. At the same time, the Group will make every endeavor to penetrate into oversea markets. In addition to Japan, products of the Group's associated companies have been successfully marketed in the US, Canada, Southeast Asia etc. The Group believes that the market share will be expanded with its effort. As a result, the Directors are optimistic on the prospects of the Group.

Liquidity, Capital Structure and Financial Resources

The Group's operation is mainly financed by the internal financial resources and bank borrowings. As at 30 June 2001, the Group's net current asset, total assets and cash and cash equivalents were HK$180,388,000, HK$290,704,000 and HK$59,254,000 respectively. The cash and cash equivalents are mainly denominated in Renminbi. The Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business under the relevant regulations of the PRC Law. As at 30 June 2001, the Group's bank borrowings was HK$42,453,000, including trust receipt loans for the purchase of raw material in the PRC by the Group, which are denominated in Hong Kong dollars and secured by properties and corporate guarantee by the Group. As at 30 June 2001, the gearing ratio and quick ratio of the Group were 14.6% and 3.9% respectively.

As at 30 June 2001, the Group had a capital commitment of HK$11,153,000 in respect of an investment in subsidiaries operating in the PRC.

Pledge of Assets

As at 30 June 2001, the Group's banking facilities were secured by the followings:

(i) legal charges over certain fixed assets of the Group with an aggregate net book value of approximately HK$4,320,000;

(ii) the pledge of the Group's fixed deposits amounting to approximately HK$9,095,000; and

(iii) corporate guarantees executed by the Company to the extent of HK$96,677,000.

Employee

As at 30 June 2001, the Group had approximately 283 employees in Hong Kong and the PRC. The Group's employees in the PRC have been provided with fringe benefits and remunerated pursuant to labour ordinances. In Hong Kong, the Group has established a mandatory provident fund retirement scheme for its employees.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2001, the interests of the Directors and their associates in the share capital of the Company, as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	**Type of interest**	**Number of shares held**
Mr. Kwok Man Yu ("Mr. Kwok")	Corporate *(Note)*	415,450,000
	Personal	40,000,000

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the terms of a share option scheme adopted by the Company on 8 June 1998, the Directors may, at their absolute discretion, grant options to employees and Directors of the Company or any of its subsidiaries to subscribe for shares in the Company. As at 30 June 2001, no options have been granted to any Directors of the Company under the share option scheme.

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

SUBSTANTIAL SHAREHOLDER

At 30 June 2001, the following interest of 10% or more in the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of holding
Freemantle International Limited *(Note)*	415,450,000	33.10%

Note: The above interest in the name of Freemantle International Limited was also disclosed as the interest of Mr. Kwok Man Yu in the above section headed "DIRECTORS' INTERESTS IN SHARES".

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2001.

AUDIT COMMITTEE

The audit committee of the Company presently comprises two independent non-executive directors of the Company, namely Mr. Wang Cheng Ming and Mr. Lam Ming Yung. The audit committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2001 and discussed with the Directors the internal control and financial reporting matters.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period for the six months ended 30 June 2001, except that the non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws. In addition, the Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice except that it was established from 1 September 2001 and accordingly was not established for the whole of the accounting period covered by this interim report.

On behalf of the Board
Kwok Man Yu
Chairman

Hong Kong, 25 September 2001