1. CORPORATE INFORMATION

During the year, the Company's principal activity was investment holding. The principal activities of the Group have not changed during the year and consisted of the manufacturing and sale of eel feeds and shrimp feeds primarily in the People's Republic of China (the "PRC").

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 Argo-Strategy Holdings Ltd. effective from 28 January 2002.

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

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related interpretations ("Interpretations") are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised) : "Events after the balance sheet date"
- SSAP 14 (Revised) : "Leases"
- SSAP 18 (Revised) : "Revenue"
- SSAP 26 : "Segment reporting"
- SSAP 28 : "Provisions, contingent liabilities and contingent assets"
- SSAP 29 : "Intangible assets"
- SSAP 30 : "Business combinations"
- SSAP 31 : "Impairment of assets"
- SSAP 32 : "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12 : "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13 : "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

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 those SSAPs and Interpretations which have had a significant effect on the financial statements are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 26 and 31 to the financial statements.

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

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation, whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in note 3 to the financial statements. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 17 and 28 to the financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10 : "Accounting for investments in associates"
- SSAP 17 : "Property, plant and equipment"

The only significant effect of these revisions is that SSAP 10 requires that goodwill or negative goodwill arising on the acquisition of an associate to be accounted for in accordance with SSAP 30, except that goodwill or negative goodwill arising on the acquisition of associates is included as part of the Group's interests in associates rather than separately presented on the face of the consolidated balance sheet.

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 measurement 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 2001. 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.

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 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.

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the goodwill previously eliminated against consolidated reserves for all acquisitions has been retrospectively restated as if the new accounting policy above had always been applied. This restatement has given rise to a prior year adjustment, further details of which are included in notes 17 and 28 to the financial statements. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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.

Negative goodwill

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

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item 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 negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fixed assets and depreciation

Fixed assets 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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 shorter
Plant, machinery and equipment	10% to 20%
Furniture and fixtures	18% to 20%
Motor vehicles	18% 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. On disposal or retirement, the attributable revaluation surplus realised is transferred directly to retained profits as a movement in reserves.

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.

Leased assets

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash equivalents

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

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 unless its realisation is assured beyond reasonable doubt.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

Retirement benefits scheme

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

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Related parties

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

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. 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 other business segments. Summary details of the business segments are as follows:

(a) the eel feeds segment engages in the manufacturing and sale of eel feeds; and

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

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 transactions are transacted at mutually agreed terms.

4. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group	Eel feeds		Shrimp feeds		Consolidated	
	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000 (Restated)
Segment revenue	110,957	248,729	28,384	36,373	139,341	285,102
Segment results	(29,468)	45,342	(8,268)	6,063	(37,736)	51,405
Interest income and unallocated revenue/gains					7,447	1,996
Unallocated expenses					(10,163)	(10,923)
Profit/(loss) from operating activities					(40,452)	42,478
Finance costs					(2,610)	(1,630)
Share of profits and losses of associates					(3,752)	6,993
Amortisation of goodwill on acquisition of associates					(3,630)	(2,723)
					(7,382)	4,270
Profit/(loss) before tax					(50,444)	45,118
Tax					(3,988)	(5,917)
Net profit/(loss) from ordinary activities attributable to shareholders					(54,432)	39,201
Segment assets	110,217	138,056	50,785	53,935	161,002	191,991
Unallocated assets					118,373	115,252
Interests in associates					63,710	73,348
Total assets					343,085	380,591
Segment liabilities	5,537	6,844	3,326	1,974	8,863	8,818
Unallocated liabilities					41,826	41,807
Total liabilities					50,689	50,625

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Eel feeds		Shrimp feeds		Consolidated	
	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000
Other segment information:						
Depreciation and amortisation	1,735	1,759	3,747	906	5,482	2,665
Unallocated amounts					1,011	990
					6,493	3,655
Capital expenditure	–	57	–	266	–	323
Unallocated amounts					817	485
					817	808
Provision for doubtful debts and bad debts written off	31,955	6,050	8,029	–	39,984	6,050
Write-off of scrap raw materials	5,246	–	–	–	5,246	–

(b) Geographical segments

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

5. TURNOVER

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:

	2001 HK$'000	2000 HK$'000
Sales of eel feeds	110,957	248,729
Sales of shrimp feeds	28,384	36,373
	139,341	285,102

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2001 HK$'000	2000 HK$'000
Cost of inventories sold	**123,475**	220,097
Staff costs (excluding directors' remuneration (note 8)):		
Salaries, wages and allowances	**2,089**	2,953
Retirement benefits scheme contributions	**27**	3
	2,116	2,956
Amortisation of an intangible asset*	**2,850**	–
Auditors' remuneration	**1,080**	1,380
Bad debts written off	**3,955**	–
Deficit on revaluation of leasehold land and buildings (note 13)	**634**	972
Depreciation	**3,643**	3,655
Minimum lease payments under an operating lease in respect of land and buildings	**153**	163
Provision for doubtful debts	**36,029**	6,050
Write-off of scrap raw materials	**5,246**	–
Exchange losses/(gains), net	**(90)**	603
Interest income	**(6,933)**	(1,590)
Net rental income	**(396)**	(396)

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

At 31 December 2001, the Group had no material forfeited contributions available to reduce its contributions to its retirement benefits scheme in future years (2000: Nil).

7. FINANCE COSTS

	Group 2001 HK$'000	Group 2000 HK$'000
Interest on bank loans, overdrafts and other loans:		
Wholly repayable within five years	**2,353**	1,107
Wholly repayable after five years	**251**	333
Interest on finance leases	**6**	190
	2,610	1,630

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group 2001 HK$'000	Group 2000 HK$'000
Fees	**77**	80
Other emoluments:		
Salaries, allowances and benefits in kind	**2,057**	1,437
Retirement benefits scheme contributions	**25**	2
	2,082	1,439
	2,159	1,519

Fees include HK$77,000 (2000: HK$80,000) paid to the independent non-executive directors of the Company. There were no other emoluments paid or payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of each of the 13 directors fell within the band of nil to HK$1,000,000 for both years.

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

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2000: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2000: three) non-director, highest paid individuals are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**330**	1,151
Retirement benefits scheme contributions	**9**	3
	339	1,154

The remuneration of the non-director, highest paid individuals fell within the band of nil to HK$1,000,000 for both years.

10. TAX

	2001	2000
	HK$'000	HK$'000
Group:		
Current year provision – outside Hong Kong	**348**	4,435
Share of tax attributable to associates	**3,640**	1,482
Tax charge for the year	**3,988**	5,917

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

There was no significant unprovided deferred tax charge in respect of the year (2000: 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.

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is HK$10,305,000 (2000: net profit of HK$4,729,000).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK$54,432,000 (2000: net profit of HK$39,201,000 (as restated)), and the weighted average of 1,220,252,398 (2000: 1,034,630,312) ordinary shares in issue during the year.

No diluted loss per share amount is presented for the year ended 31 December 2001, as the potential ordinary shares outstanding during the year had an anti-dilative effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 December 2000 is based on the net profit attributable to shareholders of HK$39,201,000 (as restated) and 1,055,646,168 shares, which represents the weighted average of the shares in issue during the year plus the weighted average of 21,015,856 shares deemed to be issued at no consideration if all of the outstanding share options had been exercised since their respective dates of issue.

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

13. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At beginning of year	35,939	958	21,020	544	3,551	62,012
Additions	–	454	110	253	–	817
Deficit on revaluation	(1,639)	–	–	–	–	(1,639)
At 31 December 2001	**34,300**	**1,412**	**21,130**	**797**	**3,551**	**61,190**
Accumulated depreciation:						
At beginning of year	–	280	4,818	118	2,120	7,336
Provided during the year	1,409	94	1,453	83	604	3,643
Reversal of accumulated depreciation upon revaluation	(1,409)	–	–	–	–	(1,409)
At 31 December 2001	**–**	**374**	**6,271**	**201**	**2,724**	**9,570**
Net book value:						
At 31 December 2001	**34,300**	**1,038**	**14,859**	**596**	**827**	**51,620**
At 31 December 2000	35,939	678	16,202	426	1,431	54,676
Analysis of cost or valuation as at **31 December 2001:**						
At cost	**–**	**1,412**	**21,130**	**797**	**3,551**	**26,890**
At valuation	**34,300**	**–**	**–**	**–**	**–**	**34,300**
	34,300	**1,412**	**21,130**	**797**	**3,551**	**61,190**

13. FIXED ASSETS (continued)

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

	2001 HK$'000	2000 HK$'000
Held under medium term leases in Hong Kong	3,600	4,320
Held under medium term leases in the PRC	30,700	31,619
	34,300	35,939

The medium term leasehold land and buildings situated in Hong Kong were revalued by B.I. Appraisals Limited ("B.I. Appraisals"), an independent firm of professional valuers, at 31 December 2001 at HK$3,600,000 on an open market, existing use basis. The medium term leasehold land and buildings situated in the PRC were revalued by B.I. Appraisals at 31 December 2001 at HK$30,700,000 on a depreciated replacement cost basis.

A total revaluation surplus of HK$404,000 arising therefrom, representing a surplus of the revalued amounts over the then carrying values of certain of the revalued assets, on an individual asset basis, has been credited to the fixed assets revaluation reserve (note 28). In addition, a total revaluation deficit of HK$634,000 arising from the revaluation, representing a shortfall of the revalued amounts under the then carrying values of certain of the revalued assets, on an individual asset basis, has been charged to the profit and loss account (note 6).

Had the Group's leasehold land and buildings been stated at cost less accumulated depreciation, their carrying amounts as at 31 December 2001 would have been approximately HK$32,834,000 (2000: HK$34,007,000).

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 (2000: HK$4,320,000) were pledged to secure general banking facilities granted to the Group (note 25).

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

13. FIXED ASSETS (continued)

Company

	Leasehold improvement HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Furniture and fixture HK$'000	Total HK$'000
Cost:					
At beginning of year	–	6,305	289	–	6,594
Additions	454	93	–	253	800
Transferred to a subsidiary	–	(6,305)	–	–	(6,305)
At 31 December 2001	**454**	**93**	**289**	**253**	**1,089**
Accumulated depreciation:					
At beginning of year	–	867	87	–	954
Provided during the year	–	–	55	–	55
Transferred to a subsidiary	–	(867)	–	–	(867)
At 31 December 2001	**–**	**–**	**142**	**–**	**142**
Net book value:					
At 31 December 2001	**454**	**93**	**147**	**253**	**947**
At 31 December 2000	–	5,438	202	–	5,640

14. PREPAYMENTS FOR LAND AND BUILDINGS

In the prior year, the Group entered into an agreement (the "Property Agreement") with an independent third party in respect of the purchase of a parcel of land situated in the PRC together with the buildings erected thereon (the "Properties") for the Group's own use. The consideration of HK$11,858,000 had been fully paid as at 31 December 2000. At 31 December 2000, the Properties were not yet put into commercial use and the Group was in the process of obtaining the land use right certificate and building ownership certificates (the "Certificates").

During the year, due to certain delays in the process of obtaining the Certificates, both parties mutually agreed to cancel the transaction. Pursuant to a cancellation agreement dated 25 October 2001, part of the consideration of HK$4,613,000 was refunded to the Group during the year. The remaining part of the consideration of HK$7,245,000, which was included in "Prepayments, deposits and other receivables" of the consolidated balance sheet as at 31 December 2001, was refunded to the Group subsequent to the balance sheet date.

15. INTANGIBLE ASSET

	Group
	HK$'000
Cost:	
At beginning of year and at 31 December 2001	**28,500**
Accumulated amortisation:	
At beginning of year	–
Provided during the year	2,850
At 31 December 2001	**2,850**
Net book value:	
At 31 December 2001	**25,650**
At 31 December 2000	28,500

16. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	HK$'000
Unlisted investments, at cost	**90,303**	90,303
Due from subsidiaries	**159,876**	122,558
Due to subsidiaries	**(935)**	(6,372)
	249,244	206,489
Provision for impairment	**(23,046)**	(16,425)
	226,198	190,064

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

16. INTERESTS IN SUBSIDIARIES (continued)

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 2001	Equity attributable to the Company 2000	Principal activities
Directly held:					
Corasia International (BVI) Limited	British Virgin Islands	US$6,714,000	**100%**	100%	Investment holding
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
Indirectly held:					
Corasia International Limited	Hong Kong	HK$10,000	**100%**	100%	Provision of handling services
Free Gain Ventures Limited	British Virgin Islands/ PRC	US$10,000	**100%**	100%	Provision of consultancy services
Corasia Bio-Technology Limited	British Virgin Islands	US$10,000	**100%**	100%	Holding of an intangible asset
Juhua Feed Co., Ltd. Putian County	PRC	US$2,000,000	**100%**	100%	Manufacture and sale of eel feed products

16. 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 2001	Equity attributable to the Company 2000	Principal activities
Indirectly held: (continued)					
Fuqing Juhua Feed Fill Co., Ltd.	PRC	RMB5,000,000	100%	100%	Manufacture and sale of eel feed products
Jianou Juhua Feed Co., Ltd.	PRC	US$1,000,000	100%	100%	Manufacture and sale of eel feed products
Guilin Juhua Forage Co., Ltd.	PRC	US$1,600,000	100%	100%	Manufacture and sale of eel feed products
Zhangzhou Juhua Feed Co., Ltd.	PRC	US$1,500,000	100%	100%	Manufacture and sale of eel feed products
Fujian Juhua Feed Co., Ltd.	PRC	HK$13,528,284	100%	100%	Provision of management services

17. INTERESTS IN ASSOCIATES

	Group 2001 HK$'000	Group 2000 HK$'000 (Restated)
Share of net assets	14,227	21,619
Goodwill on acquisition	48,099	51,729
	62,326	73,348
Due from associates	1,384	–
	63,710	73,348

In the prior year, the Group acquired an aggregate of 49% equity interest in Fishtail Investment Limited at a consideration of HK$70,560,000 from companies of which Mr. Kwok Man Yu, a director of the Company, is also a controlling shareholder and a director. Further details of the acquisition are set out in a circular of the Company dated 14 February 2000.

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

17. INTERESTS IN ASSOCIATES (continued)

SSAP 30 was adopted during the year as detailed in note 2 to the financial statements. The amount of goodwill included in interests in associates arising on the acquisition of associates in the prior year is as follows:

Group

	Goodwill
	HK$'000
Cost:	
At beginning of year:	
As previously reported	–
Prior year adjustment	54,452
As restated and at 31 December 2001	**54,452**
Accumulated amortisation:	
At beginning of year:	
As previously reported	–
Prior year adjustment	2,723
As restated	2,723
Amortisation provided during the year	3,630
At 31 December 2001	**6,353**
Net book value:	
At 31 December 2001	**48,099**
At 31 December 2000 (as restated)	51,729

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions of associates which occurred prior to 1 January 2001, to be restated and included in the carrying amount of the interests in associates, in accordance with the new accounting policy.

The prior year adjustment so arising has resulted in goodwill previously eliminated against consolidated reserves of HK$54,452,000 as at 1 January 2001, being restated and included in the interests in associates, as at that date. The cumulative amount of goodwill that would have been amortised to the consolidated profit and loss account under the new accounting policy, of HK$2,723,000 as at 1 January 2001, has been restated as the balance of accumulated amortisation included in the carrying amount of the interests in associates as at that date.

17. INTERESTS IN ASSOCIATES (continued)

The effect of this change in accounting policy on the consolidated profit and loss account for the current year was to increase the amortisation of goodwill on acquisition of associates by HK$3,630,000.

The amount of amortisation of goodwill on acquisition of associates, of HK$2,723,000 as at 1 January 2001, has been adjusted to the balance of retained profits as at that date, as detailed in note 28 to the financial statements.

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Ownership interest attributable to the Group 2001	2000	Principal activities
Indirectly held:					
Fishtail Investments Limited ("Fishtail")	Corporate	British Virgin Islands	**49%**	49%	Investment holding
Great Billion Profits Limited	Corporate	Western Samoa/ PRC	**49%**	49%	Provision of procurement services
Putian Rixiang Food Industry Co., Ltd.	Corporate	PRC	**49%**	49%	Manufacture and sale of processed eels

17. INTERESTS IN ASSOCIATES (continued)

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

	Year ended 31 December 2001 HK$'000	Period from 16 March 2000 (date of acquisition by the Group) to 31 December 2000 HK$'000
Consolidated results:		
Turnover	112,949	126,073
Other revenue and gains	1,026	1,123
Profit/(loss) before tax	(7,657)	14,273
Net profit/(loss) for the year	(15,086)	11,247
Net profit/(loss) attributable to the Group	(7,392)	5,511

	31 December 2001 HK$'000	31 December 2000 HK$'000
Consolidated financial position:		
Non-current assets	21,472	24,543
Current assets	41,591	81,138
Current liabilities	(34,029)	(61,561)
Net assets	29,034	44,120

The Fishtail Group did not have any contingent liabilities as at 31 December 2001 (2000: Nil).

18. INVENTORIES

	Group 2001 HK$'000	2000 HK$'000
Raw materials	10,181	6,544
Finished goods	374	1,243
	10,555	7,787

No inventories of the Group were carried at net realisable value at 31 December 2001 (2000: Nil).

19. 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, and net of provisions, is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
90 days or less	**56,798**	88,952
91 days to 180 days	**30,737**	31,187
181 days to 365 days	**38,430**	16,865
Over 365 days	**20,336**	2,140
	146,301	139,144
Provision for doubtful debts	**(44,249)**	(8,606)
	102,052	130,538

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the prepayments, deposits and other receivables of the Group at 31 December 2001 is an amount of HK$32,800,000 (2000: HK$32,800,000) advanced to a shareholder of Fishtail, an associate of the Group, under the following terms:

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

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

(c) the principal and interest to be repaid on or before 29 December 2002 (2000: 20 December 2001).

21. DUE FROM/(TO) RELATED COMPANIES

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

Group

Name of related company	At 31 December 2001 HK$'000	Maximum balance outstanding during the year HK$'000	At 1 January 2001 HK$'000
Fujian Province Xiangjiang (Group) Co. Ltd. ("FPX")	**2,462**	2,462	–

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

The balances with related companies of the Group and of the Company were arose from trading activities or purchases of fixed assets (note 33) and are unsecured, interest-free and have no fixed terms of repayment.

22. PLEDGED BANK DEPOSITS

As at 31 December 2001, bank deposits of the Group in the amount of approximately HK$7,135,000 (2000: HK$2,845,000) were pledged as security for bank overdrafts, trust receipt loans and certain undrawn banking facilities granted to the Group (note 25).

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Cash and bank balances	**38,659**	16,756	**–**	82
Time deposits	**–**	10,592	**–**	–
	38,659	27,348	**–**	82

24. ACCOUNTS PAYABLE

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

	Group	
	2001	2000
	HK$'000	HK$'000
90 days or less	**–**	35
91 days to 180 days	**–**	–
181 days to 365 days	**32**	32
Over 365 days	**1,142**	1,142
	1,174	1,209

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2001	2000
	HK$'000	HK$'000
Bank overdrafts, secured	**1,667**	2,538
Bank loans, secured	**16,823**	5,665
Trust receipt loans, secured	**11,601**	19,291
Other loans, unsecured	**–**	41
	30,091	27,535
Portion classified as current liabilities	**(26,596)**	(23,702)
Non-current portion	**3,495**	3,833
The bank and other borrowings are repayable:		
Within one year or on demand	**26,596**	23,702
In the second year	**332**	268
In the third to fifth years, inclusive	**768**	861
Beyond five years	**2,395**	2,704
	30,091	27,535

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

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 (2000: HK$4,320,000) at the balance sheet date (note 13);

(b) corporate guarantees executed by the Company for the banking facilities of HK$65,400,000 (2000: HK$95,208,000) granted to certain of its subsidiaries, of which HK$29,359,000 (2000: HK$27,494,000) has been utilised at the balance sheet date;

(c) pledged bank deposits of the Group in the amount of HK$7,135,000 (2000: HK$2,845,000) (note 22); and

(d) a personal guarantee executed by Mr. Kwok Man Yu, a director of the Company, of which HK$750,000 (2000: Nil) has been utilised at the balance sheet date (note 33).

The Group's other loans at 31 December 2000 bore interest at 1% per month and were repaid during the year.

26. FINANCE LEASE PAYABLES

The Group leased certain of its plant and machinery for its shrimp feed business. Such leases, which were classified as finance leases, expired during the year.

Details of the total future minimum lease payments under finance leases and their present values were as follows:

Group and Company

	Minimum lease payments 2001 HK$'000	Minimum lease payments 2000 HK$'000	**Present value of minimum lease payments 2001 HK$'000**	Present value of minimum lease payments 2000 HK$'000
Amounts payable within one year and total minimum finance lease payments	–	427	–	421
Future finance charges	–	(6)		
Total net finance lease payables	–	421		
Portion classified as current liabilities	–	(421)		
Long term portion	–	–		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

27. SHARE CAPITAL

	2001 HK$'000	2000 HK$'000
Shares		
Authorised:		
1,600,000,000 ordinary shares of HK$0.10 each	160,000	160,000
Issued and fully paid:		
1,255,003,083 (2000: 1,178,003,083) ordinary shares of HK$0.10 each	125,500	117,800

During the year, the subscription rights attaching to 77,000,000 share options of the Company were exercised, resulting in the issue of 77,000,000 ordinary shares of the Company of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$16,458,000.

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

	Number of shares in issue	Share capital HK$'000
At beginning of year	1,178,003,083	117,800
Shares options exercised	77,000,000	7,700
At 31 December 2001	**1,255,003,083**	**125,500**

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

27. SHARE CAPITAL (continued)

Share options (continued)

The movements in share options granted by the Company to employees of the Company and its subsidiaries during the year were as follows:

	11 March 2000 to 7 June 2008	16 March 2000 to 7 June 2008	12 June 2001 to 7 June 2008	Total
	Number of shares under the share options			
Balance at beginning of year	30,800,000	46,200,000	–	77,000,000
Granted during the year	–	–	10,000,000	10,000,000
Exercised during the year	(20,800,000)	(46,200,000)	(10,000,000)	(77,000,000)
Cancelled during the year	(10,000,000)	–	–	(10,000,000)
Balance at end of year	–	–	–	–
Exercise price per share (HK$)	0.19616	0.21856	0.228	

During the year, the Company granted a total of 10,000,000 share options under the Scheme for a nominal consideration of HK$10 in total per grant.

Warrants

All the outstanding subscription rights of the warrants of the Company were expired on 30 June 2001.

28. RESERVES

Group

	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/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2000	37,227	4,911	8,010	13,933	195	–	89,904	154,180
Issue of shares	20,000	–	–	–	–	–	–	20,000
Share issue expenses	(2,085)	–	–	–	–	–	–	(2,085)
Surplus on revaluation	–	870	–	–	–	–	–	870
Net profit for the year (as restated)	–	–	–	–	–	–	39,201	39,201
Transfer to statutory reserve	–	–	2,357	–	–	–	(2,357)	–
At 31 December 2000	55,142	5,781	10,367	13,933	195	–	126,748	212,166
At 1 January 2001:								
As previously reported	55,142	5,781	10,367	13,933	195	(54,452)	129,471	160,437
Prior year adjustment:								
SSAP 30 – restatement to interests in associates of goodwill on acquisition of associates (notes 2 and 17)	–	–	–	–	–	54,452	(2,723)	51,729
As restated	55,142	5,781	10,367	13,933	195	–	126,748	212,166
Issue of shares	8,758	–	–	–	–	–	–	8,758
Surplus on revaluation (note 13)	–	404	–	–	–	–	–	404
Net loss for the year	–	–	–	–	–	–	(54,432)	(54,432)
Transfer to statutory reserve	–	–	107	–	–	–	(107)	–
At 31 December 2001	**63,900**	**6,185**	**10,474**	**13,933**	**195**	**–**	**72,209**	**166,896**
Reserves retained by/(accumulated in):								
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**
Reserves retained by:								
Company and subsidiaries (as restated)	55,142	5,781	10,367	13,933	195	–	121,237	206,655
Associates	–	–	–	–	–	–	5,511	5,511
At 31 December 2000	55,142	5,781	10,367	13,933	195	–	126,748	212,166

28. RESERVES (continued)

Company

	Share premium account HK$'000	Contributed surplus# HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2000	37,227	40,569	601	78,397
Issue of shares	20,000	–	–	20,000
Share issue expenses	(2,085)	–	–	(2,085)
Net profit for the year	–	–	4,729	4,729
At 31 December 2000 and 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	**63,900**	**40,569**	**(4,975)**	**99,494**

* In accordance with the relevant PRC regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve 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; and (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 International (BVI) Limited, the former holding company of the Group, and assumed by the Company by virtue of the same Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

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

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

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK$'000	2000 HK$'000
Profit/(loss) from operating activities	**(40,452)**	42,478
Interest income	**(6,933)**	(1,590)
Depreciation and amortisation expenses	**6,493**	3,655
Deficit on revaluation of leasehold land and buildings	**634**	972
Bad debts written off	**3,955**	–
Provision for doubtful debts	**36,029**	6,050
Decrease/(increase) in inventories	**(2,768)**	4,420
Decrease in accounts receivable	**(11,498)**	(50,399)
Decrease in prepayments, deposits and other receivables	**9,681**	8,974
Decrease/(increase) in amount due from an associate	**13**	(13)
Decrease/(increase) in amount due from a related company	**(2,462)**	8,649
Decrease in accounts payable	**(35)**	(1,333)
Increase in other payables and accrued liabilities	**1,510**	1,944
Decrease in amounts due to related companies	**(781)**	(622)
Net cash inflow/(outflow) from operating activities	**(6,614)**	23,185

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium)	Interest-bearing bank and other borrowings	Finance lease obligations
	HK$'000	HK$'000	HK$'000
At 1 January 2000	98,827	8,728	2,795
Cash inflow/(outflow) from financing activities, net	74,115	(3,022)	(2,374)
At 31 December 2000 and beginning of year	172,942	5,706	421
Cash inflow/(outflow) from financing activities, net	16,458	11,117	(421)
At 31 December 2001	**189,400**	**16,823**	**–**

(c) Major non-cash transactions

(i) As further detailed in note 14 to the financial statements, the Group cancelled the Property Agreement during the year and, accordingly, is entitled to a refund of the consideration paid in the prior year under the Purchase Agreement, which was classified as "Prepayments for land and buildings" as at 31 December 2000. As at 31 December 2001, part of the consideration of HK$7,245,000 had not yet been refunded, and the amount was included in "Prepayments, deposits and other receivables" at that date.

(ii) During the year, the Group acquired certain fixed assets from a related company of the Company amounting to HK$800,000 (note 33). The consideration had not yet been settled as at 31 December 2001 and was recorded as an amount due to a related company.

30. CONTINGENT LIABILITIES

As at 31 December 2001, the Company provided corporate guarantees amounting to HK$65,400,000 (2000: HK$95,208,000) for banking facilities granted to certain of its subsidiaries which were utilised to the extent of HK$29,359,000 (2000: HK$27,494,000) at that date.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its land and buildings (note 13) 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	
	2001	2000
	HK$'000	HK$'000
Within one year	**396**	396
In the second to fifth years, inclusive	**396**	792
	792	1,188

(b) As lessee

The Group leases certain of its leasehold land and buildings under operating lease arrangements. Leases for properties are negotiated for terms ranging from 10 to 15 years and rentals are normally fixed in accordance with the respective tenancy agreements and no arrangements have been entered into for contingent rental payments.

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

	Group	
	2001	2000
	HK$'000	HK$'000
		(Restated)
Within one year	**234**	232
In the second to fifth years, inclusive	**810**	978
After five years	**1,006**	1,138
	2,050	2,348

31. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee (continued)

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

32. CAPITAL COMMITMENTS

	Group	
	2001 HK$'000	2000 HK$'000
Capital commitments for the investments in subsidiaries contracted, but not provided for	**11,153**	11,153

The Company did not have any significant capital commitments at the balance sheet (2000: Nil).

33. 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 material transactions with certain related parties during the year:

		Group		Company	
	Notes	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Sales of finished goods to a related company	(i)	**6,602**	530	**–**	–
Purchases of raw materials from related companies	(i)	**103**	3,123	**–**	–
Transportation charges paid to a related company	(i)	**–**	3,311	**–**	–
Purchases of fixed assets from a related company	(ii)	**800**	–	**800**	–

Notes:

(i) Mr. Kwok Man Yu ("Mr. Kwok"), a director of the Company, is a director and beneficial shareholder of the related companies. The sales of finished goods to, the purchases of raw materials from and the payment of transportation charges to the related companies were according to prices and terms similar to other unrelated suppliers 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.

33. RELATED PARTY TRANSACTIONS (continued)

(b) As at 31 December 2001, certain banking facilities available to the Group amounted to HK$750,000 (2000: Nil) were secured by a personal guarantee granted by Mr. Kwok (note 25).

(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 covers the period from May 2002 to December 2002.

34. POST BALANCE SHEET EVENTS

In addition to the post balance sheet events disclosed elsewhere in the financial statements, the Group had the following material post balance sheet events:

(a) On 20 March 2002, the Company entered into a placing agreement with an independent third party (the "Placing Agent"), pursuant to which the Company will place through the Placing Agent a total of 251,000,000 ordinary shares of the Company of HK$0.10 each to independent investor(s) at a price of HK$0.11 per placing share (the "Placing"). The net proceeds receivable by the Company under the Placing, after deduction of expenses and agent's fee, are estimated to be approximately HK$27.1 million. It is intended that such net proceeds will be used to fund the possible acquisition of future investment opportunities and pending such acquisitions as general working capital of the Company. The Placing is expected to be completed on or before 27 May 2002 or such other date as the Company and the Placing Agent may agree.

(b) On 25 March 2002, the Company announced a proposed capital reduction (the "Capital Reduction") and subdivision of share capital (the "Subdivision") involving, inter alia, (i) the reduction of the nominal value of each of the issued shares in the capital of the Company from HK$0.10 each to HK$0.01 each; and (ii) a subdivision of each of the unissued shares of HK$0.10 each in the authorised share capital of the Company into 10 shares of HK$0.01 each. The credit arising from the Capital Reduction of approximately HK$113.0 million will be transferred to the Company's contributed surplus account which may be applied by the Company in any manner permitted by Bermuda law and the bye-laws of the Company. The Company has no present intended use of the credit arising from the Capital Reduction.

The directors also proposed to increase the authorised share capital of the Company from HK$160,000,000 to HK$1,600,000,000 by the creation of 144,000,000,000 ordinary shares of HK$0.01 each of the Company following the completion of the Capital Reduction and Subdivision.

Further details of the above events are set out in a circular of the Company dated 9 April 2002.

The Capital Reduction and Subdivision were duly approved by the shareholders of the Company at a special general meeting held on 2 May 2002, all other conditions have been fulfilled in respect thereof. The Capital Reduction and Subdivision became effective on the same date.

34. POST BALANCE SHEET EVENTS (continued)

(c) On 12 April 2002, the Group entered into a co-operation agreement (the "Co-operation Agreement") with an independent third party for the establishment of an equity joint venture company (the "JV Co") and a centre of bio-agriculture of Tsinghua University (the "Centre") in Shenzhen, the PRC, to be funded by the JV Co.

The total investment in the JV Co is to be RMB70 million (approximately HK$65.5 million) and the total registered capital of the JV Co is RMB21 million (approximately HK$19.7 million) (inclusive of funds to be injected into the Centre). Pursuant to the Co-operation Agreement, the Group would have a 70% equity interest in the JV Co and responsible for contributing 70% of the total registered capital, being RMB14.7 million (approximately HK$13.8 million), in cash.

Further details of the Co-operation Agreement are set out in a circular of the Company dated 2 May 2002.

(d) On 13 May 2002, the Group entered into two disposal agreements (the "Disposal Agreements") with an independent third party (the "Acquirer") in relation to the disposals of the entire equity interest in two of the subsidiaries of the Group in the PRC, which are mainly engaged in the manufacturing and sale of eel feeds, namely Fuqing Juhua Feed Fill Co., Ltd. ("Fuqing Juhua") and Guilin Juhua Forage Co., Ltd. ("Guilin Juhua") (collectively as the "Disposal Subsidiaries"), for a total cash consideration of HK$38 million. The consideration are settled by two promissory notes issued by the Acquirer, which are repayable by two instalments in August 2002 and November 2002.

As at the date of approval of these financial statements, the Group is unable to estimate the gain or loss on the disposals of the Disposal Subsidiaries.

35. 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, a prior year adjustment has been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 May 2002.