30 April 2002

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 27 July 1999 under the Companies Act 1981 of Bermuda (as amended).

The principal activities of the Group have not changed during the year and consisted of the manufacture and trading of processed eels and eel feed products. In the opinion of the directors, the ultimate holding company of the Company is Wealth Success Limited, a company incorporated in the British Virgin Islands ("BVI").

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 are effective for the first time in the preparation of 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. Except for SSAP 14 (Revised) and SSAP 26, these SSAPs and Interpretations have no major impact on these financial statements. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of SSAP 14 (Revised) and SSAP 26, 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. The principal impact of this revised SSAP on the preparation of these financial statements is that the total future minimum lease payments under non-cancellable operating leases are now disclosed, which are further detailed in note 24 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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 revaluation of certain fixed assets, 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 30 April 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.

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.

Associate

An associate is a company, not being a subsidiary or a joint-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 its associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in the associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

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 or 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 year 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.

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 over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the remaining lease terms
Buildings	4.5% – 4.75%
Leasehold improvements	20%
Plant and machinery	9% – 9.5%
Furniture, fixtures and equipment	18% – 25%
Motor vehicles	18% – 19%

Changes in the values of fixed assets are dealt with as movements in the asset 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.

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 of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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 lessee, rentals payables under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance with effect from December 2000. Contributions to the MPF Scheme are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme (continued)

The employees of the Group's subsidiaries operated in the People's Republic of China (the "PRC") are members of the Central Pension Scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme. The only obligation for the subsidiaries with respect to the Central Pension Scheme is to meet to required contributions under the Central Pension Scheme.

Inventories

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

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products from three to five years, commencing from the date when the products are put into commercial production.

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.

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 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) royalty income, on a contract term basis; and

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

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 for inclusion in the Group's financial statements at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are dealt with in the exchange fluctuation reserve.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 bank balances represent assets, which are not restricted as to use.

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 processed eels segment engages in the manufacture and sale of processed eels; and

(b) the eel feeds segment engages in the manufacture and sale of eel 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.

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4. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group	Processed eels		Eel feeds		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**339,402**	390,685	**31,131**	79,013	**370,533**	469,698
Other revenue	**1,901**	90	**21**	–	**1,922**	90
	341,303	390,775	**31,152**	79,013	**372,455**	469,788
Segment results	**(10,347)**	(31,107)	**(1,170)**	9,769	**(11,517)**	(21,338)
Interest income and unallocated revenue/gains					**1,030**	5,390
Loss on disposal of an associate	**–**	–	**(27,471)**	–	**(27,471)**	–
Unallocated expenses					**(6,464)**	(5,961)
Loss from operating activities					**(44,422)**	(21,909)
Finance costs					**(2,473)**	(1,792)
Share of profit/(loss) of an associate	**–**	–	**(6,391)**	3,762	**(6,391)**	3,762
Loss before tax					**(53,286)**	(19,939)
Tax					**(199)**	(2,422)
Loss before minority interests					**(53,485)**	(22,361)
Minority interests					**176**	5,115
Net loss from ordinary activities attributable to shareholders					**(53,309)**	(17,246)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Processed eels		Eel feeds		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**138,769**	133,229	**21,681**	26,030	**160,450**	159,259
Interest in an associate	**–**	–	**–**	53,896	**–**	53,896
Unallocated assets					**34,666**	5,743
Total assets					**195,116**	218,898
Segment liabilities	**29,234**	27,984	**4,197**	2,322	**33,431**	30,306
Unallocated liabilities					**66,111**	66,693
Total liabilities					**99,542**	96,999
Other segment information:						
Depreciation						
– segment	**4,182**	3,982	**129**	220	**4,311**	4,202
– corporate					**46**	35
					4,357	4,237
Capital expenditure						
– segment	**2,201**	4,549	**5**	6	**2,206**	4,555
– corporate					**54**	12
					2,260	4,567
Loss on disposal of fixed assets						
– segment	**5**	81	**190**	392	**195**	473
– corporate					**7**	–
					202	473
Provision against and write-off of accounts receivable	**–**	–	**5,224**	13,720	**5,224**	13,720
Provision against other receivables	**–**	27,279	**4,235**	–	**4,235**	27,279
Provision/(write-back of provision) against inventories	**(1,195)**	3,362	**–**	–	**(1,195)**	3,362

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue, results and certain asset and expenditure information for the Group's geographical segments.

Group	Japan		PRC		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**338,853**	381,422	**31,680**	88,276	**370,533**	469,698
Segment results	**(10,896)**	(40,370)	**(621)**	19,032	**(11,517)**	(21,338)

	PRC		Hong Kong		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Segment assets	**160,450**	213,155	**34,666**	5,743	**195,116**	218,898
Capital expenditure	**2,206**	4,555	**54**	12	**2,260**	4,567

5. TURNOVER

Turnover represents the invoiced value of goods sold and royalty fees earned, net of discounts and returns. All significant intra-Group transactions have been eliminated on consolidation.

6. LOSS FROM OPERATING ACTIVITIES

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

	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	**358,731**	436,672
Depreciation	**4,357**	4,237
Minimum lease payments under operating leases in respect of land and buildings	**1,231**	1,456
Auditors' remuneration	**871**	1,220
Staff costs (excluding directors' remuneration – note 8):		
Wages and salaries	**11,781**	11,367
Pension contributions	**281**	8
	12,062	11,375
Loss on disposal of fixed assets	**202**	473
Provision/(write-back of provision) against inventories	**(1,195)**	3,362
Royalty income	**(3,923)**	(5,300)
Items included in other revenue or other operating expenses:		
Provision against and write-off of accounts receivable	**5,224**	13,720
Provision against other receivables	**4,235**	27,279
Research and development costs	**–**	3,294
Share issue expenses	**700**	–
Exchange gains, net	**(916)**	(5,006)
Interest income	**(114)**	(385)

The cost of inventories sold includes approximately HK$12,835,000 (2001: HK$16,155,000) relating to staff costs, rental expenses, provision/(write-back of provision) against inventories and depreciation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on bank borrowings	**2,473**	1,792

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Executive directors:		
Fees	**1,143**	1,602
Salaries and allowances	**–**	–
Pension contributions	**11**	4
	1,154	1,606
Independent non-executive directors:		
Fees	**61**	154
	1,215	1,760

The remuneration of each director fell within the nil – HK$1,000,000 band for both years.

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

During the year, no share options were granted to the directors in respect of their services to the Group.

The five highest paid employees during the year included four (2001: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one non-director (2001: one), highest paid employee are set out below:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Salaries and allowances	**342**	416
Pension contributions	**6**	4
	348	420

The remuneration of the above non-director, highest paid employee fell within the nil – HK$1,000,000 band.

9. TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
Group:		
The PRC (excluding Hong Kong)	**199**	2,300
Associate	**–**	122
Tax charge for the year	**199**	2,422

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the year (2001: Nil). Provisions for tax on the profits of subsidiaries operating elsewhere in the PRC have been calculated at the rates applicable, based on existing legislation, interpretations and practices, during the year.

In accordance with the applicable enterprise income tax law of the PRC, Fuqing Qixiang Food Co., Ltd. ("Fuqing Qixiang") is exempt from the enterprise income tax for its first two profitable years of operation and is entitled to a 50% relief from the enterprise income tax that would otherwise be charged for the succeeding three years. Fuqing Qixiang began its first profitable year in the year ended 30 April 1997. The tax concession for Fuqing Qixiang expired on 30 April 2001 and it is now subject to the income tax at the rate of 15% per annum for the year ended 30 April 2002.

Fu Qing Sanhua Co., Ltd. ("Fu Qing Sanhua"), Fuzhou Development Zone Sanhua Feed Co., Ltd. ("Fuzhou Sanhua"), Sanhua Feed Co., Ltd. Longyan ("Longyan Sanhua"), Guilin Sanhua Forage Co., Ltd. ("Guilin Sanhua") and Jiangxi Shangrao Sanhua Forage Co., Ltd. ("Jiangxi Sanhua") (collectively refer to as the "eel feed companies"), details of which are set out in notes 13 and 14 to the financial statements, are exempt from the enterprise income tax for their first two profitable years of operation from 1 January 1999 and are entitled to a 50% relief from the enterprise income tax that would otherwise be charged for the succeeding three years. In accordance with the applicable tax rates in the locations of registration of the eel feed companies, the enterprise income tax rate applicable to Fu Qing Sanhua is 15%, while the enterprise income tax rate applicable to Fuzhou Sanhua and Longyan Sanhua is 24% and the enterprise income tax rate applicable to Guilin Sanhua and Jiangxi Sanhua is 33%.

9. TAX (continued)

No provision for enterprise income tax has been made for Fu Qing Sanhua, Guilin Sanhua and Jiangxi Sanhua as they did not generate any assessable profits arising in the PRC during the current year. Except for the foregoing, a provision for enterprise income tax has been made for the other eel feed companies in respect of profits generated for the year ended 30 April 2002. In the prior year, a provision for enterprise income tax was made for eel feed companies in respect of profits generated during the period from 1 January 2001 to 30 April 2001.

Deferred tax has not been provided as there were no significant timing differences at the balance sheet date (2001: Nil).

The revaluation of the Group's leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year is HK$54,325,000 (2001: HK$45,388,000).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$53,309,000 (2001: HK$17,246,000) and the weighted average of 1,414,577,343 (2001: 1,400,000,548) ordinary shares in issue during the year.

The diluted loss per share amount for the year ended 30 April 2002 have not been disclosed, as the warrants outstanding during the year had an anti-dilutive effect on the basic loss per share for the year. The calculation of diluted loss per share for the year ended 30 April 2001 was based on the net loss attributable to shareholders for that year of HK$17,246,000 and the weighted average of 1,401,222,476 ordinary shares in issue during that year, which had been adjusted after the weighted average number of 1,221,928 shares assumed being issued at no consideration on the deemed exercise of all warrants outstanding during that year.

12. FIXED ASSETS

Group

	Medium term leasehold land and buildings in the PRC	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:						
At beginning of year	15,625	1,840	24,576	2,106	3,652	47,799
Additions	11	1,038	283	393	535	2,260
Disposals	–	–	(226)	(50)	–	(276)
Revaluation	(76)	–	–	–	–	(76)
At 30 April 2002	15,560	2,878	24,633	2,449	4,187	49,707
Accumulated depreciation:						
At beginning of year	–	362	10,253	1,100	1,247	12,962
Provided during the year	663	455	2,200	332	707	4,357
Disposals	–	–	(54)	(20)	–	(74)
Write-back on revaluation	(663)	–	–	–	–	(663)
At 30 April 2002	–	817	12,399	1,412	1,954	16,582
Net book value:						
At 30 April 2002	15,560	2,061	12,234	1,037	2,233	33,125
At 30 April 2001	15,625	1,478	14,323	1,006	2,405	34,837

12. FIXED ASSETS (continued)

Company

	Office equipment
	HK$'000
Cost:	
At beginning of year	10
Additions	40
Disposal	(10)
At 30 April 2002	40
Accumulated depreciation:	
At beginning of year	3
Provided during the year	10
Disposal	(3)
At 30 April 2002	10
Net book value:	
At 30 April 2002	30
At 30 April 2001	7

12. FIXED ASSETS (continued)

The Group's leasehold land and buildings were revalued at 30 April 2002 by Castores Magi Surveyors Limited, an independent firm of professional valuers, on a depreciated replacement cost basis at HK$15,560,000. A surplus of HK$587,000 was credited to the asset revaluation reserve. All of the other fixed assets are stated at cost less accumulated depreciation.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$10,715,000 (2001: HK$11,348,000).

At 30 April 2002, the Group's leasehold land and buildings held under medium term leases in the PRC have been pledged to secure the Group's bank loans in the amount of approximately HK$5,289,000 (2001: HK$5,469,000) (note 19).

13. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**69,863**	69,863
Due from subsidiaries	**91,107**	95,320
	160,970	165,183
Less: Provisions for impairment	**(91,204)**	(41,780)
	69,766	123,403

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

13. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and principal operations	Nominal value of issued/ registered paid-up capital	Attributable equity interests to the Company	Principal activities
Directly held				
Qixiang International Limited	BVI	US$2,491,446	100%	Investment holding
Indirectly held				
Sanhua Consultants Limited	Incorporated in BVI and operated in PRC	US$1,000	100%	Provision of consultancy services
Fuqing Qixiang Food Co., Ltd.	PRC	US$2,100,000	70%	Manufacture and sale of processed eels
Fuzhou Development Zone Sanhua Feed Co., Ltd.	PRC	RMB1,000,000	100%	Manufacture and sale of eel feed products
Sanhua Feed Co., Ltd. Longyan	PRC	RMB1,000,000	100%	Manufacture and sale of eel feed products

13. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and principal operations	Nominal value of issued/ registered paid-up capital	Attributable equity interests to the Company	Principal activities
Indirectly held (continued)				
Guilin Sanhua Forage Co., Ltd.	PRC	US$120,400	100%	Manufacture and sale of eel feed products
Jiangxi Shangrao Sanhua Forage Co., Ltd.	PRC	RMB1,000,000	100%	Dormant
Qixiang (Hong Kong) Limited	Hong Kong	HK$10,000	100%	Provision of marketing and management services
Qixiang Food Limited	BVI	US$100	100%	Dormant

14. INTEREST IN AN ASSOCIATE

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share of net assets	**–**	14,693	**–**	–
Due from/(to) an associate	**–**	39,203	**–**	(225)
	–	53,896	**–**	(225)

The balance with the associate as at 30 April 2001 was unsecured, interest-free and had no fixed terms of repayment.

As at 30 April 2002, the Group's 49% equity interest in Fu Qing Sanhua was disposed to the controlling equity holder, who held the remaining 51% equity interest in Fu Qing Sanhua.

15. SECURITY DEPOSIT UNDER RENTAL AGREEMENT

The amount represents a security deposit paid to a landlord, who is an independent third party, under an agreement for leasing certain factory buildings and plant and machinery for the production of processed eels in the PRC. According to the leasing agreement, this security deposit will be refunded upon the expiry of the leasing agreement on 31 December 2004.

16. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**6,674**	6,491
Finished goods	**53,808**	69,918
	60,482	76,409

The carrying amount of inventories carried at net realisable value included in the above is HK$22,412,000 (2001: HK$15,895,000).

17. ACCOUNTS AND BILLS RECEIVABLE

The aged analysis of the Group's accounts and bills receivable is as follows:

	2002	2001
	HK$'000	*HK$'000*
Current to three months	**11,872**	10,897
Four to six months	**3,571**	6,966
Seven to twelve months	**5,470**	1,785
Over one year	**1,142**	–
	22,055	19,648

The credit terms granted by the Group to customers are normally less than 90 days. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

18. ACCOUNTS AND BILLS PAYABLE

All of the Group's accounts and bills payable were aged within three months as at the current and prior year's balance sheet dates.

19. SHORT TERM BANK LOANS

A bank loan of JP¥87,000,000 (2001: JP¥87,000,000) (equivalent to approximately HK$5,289,000 (2001: HK$5,469,000)) was secured by the Group's leasehold land and buildings (note 12). A bank loan of RMB8,000,000 (2001: RMB8,000,000) (equivalent to approximately HK$7,528,000 (2001: HK$7,528,000)) was secured by the leasehold land and buildings of an associate. The remaining bank loans of HK$44,509,000 (2001: HK$45,544,000) were secured by guarantees executed by a related company.

20. SHARE CAPITAL

	2002	2001
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
1,680,002,000 (2001: 1,400,002,000) ordinary shares of HK$0.10 each	**168,000**	140,000

Pursuant to a placing agreement dated 26 March 2002, a total of 280,000,000 ordinary shares of HK$0.10 each of the Company were issued to independent investors at an issue price of HK$0.10 per share for total cash proceeds, before related expenses, of approximately HK$28,000,000. The subscription was completed on 12 April 2002.

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

	Number of shares in issue	**Issued share capital**
	'000	*HK$'000*
At beginning of year	1,400,002	140,000
Subscription of shares	280,000	28,000
At 30 April 2002	1,680,002	168,000

20. SHARE CAPITAL (continued)

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.

No share options were granted during the year or were outstanding under the Scheme up to the date of approval of these financial statements.

Warrants

Pursuant to an ordinary resolution passed on 30 October 2000, 56,000,000 bonus warrants were issued on the basis of one warrant for every five shares then held by shareholders whose names appeared on the register of members of the Company as at 30 October 2000. Each bonus warrant entitles the registered holder to subscribe in cash for a new ordinary share of the Company of HK$0.10 each at an initial subscription price of HK$0.13 per share, subject to adjustment, at any time on or before 16 December 2002.

At the balance sheet date, the Company had 55,998,000 warrants outstanding with an aggregate subscription value of HK$7,279,740, entitling the registered holders to subscribe in cash for 55,998,000 ordinary shares of the Company of HK$0.10 each at an initial subscription price of HK$0.13 per share, subject to adjustment, at any time on or before 16 December 2002. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 55,998,000 additional ordinary shares and cash proceeds, before issue expenses, of HK$7,279,740.

No warrants were issued and exercised during the year.

21. RESERVES

Group

	Share premium	Contributed surplus	Statutory reserve	Asset revaluation reserve	Exchange fluctuation reserve	Capital reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2000	25,754	19,084	229	2,223	(2,659)	34	64,316	108,981
Bonus issue of shares	(25,754)	(19,084)	–	–	–	–	(67,162)	(112,000)
Surplus on revaluation of leasehold land and buildings	–	–	–	1,987	–	–	–	1,987
Share of associate's reserves	–	–	–	773	–	–	–	773
Share by minority interests	–	–	–	(596)	–	–	–	(596)
Net loss for the year	–	–	–	–	–	–	(17,246)	(17,246)
At 30 April 2001 and at beginning of year	–	–	229	4,387	(2,659)	34	(20,092)	(18,101)
Surplus on revaluation of leasehold land and buildings	–	–	–	587	–	–	–	587
Share of associate's reserves	–	–	–	256	–	–	–	256
Realisation on disposal of an associate	–	–	(229)	(1,649)	(34)	–	229	(1,683)
Share by minority interests	–	–	–	(176)	–	–	–	(176)
Net loss for the year	–	–	–	–	–	–	(53,309)	(53,309)
At 30 April 2002	–	–	–	3,405	(2,693)	34	(73,172)	(72,426)
Retained by:								
Company and subsidiaries	–	–	–	3,405	(2,693)	34	(73,172)	(72,426)
Associate	–	–	–	–	–	–	–	–
At 30 April 2002	–	–	–	3,405	(2,693)	34	(73,172)	(72,426)

21. RESERVES (continued)

Company

	Share premium	Contributed surplus	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2000	25,754	69,662	43,871	139,287
Bonus issue of shares	(25,754)	(69,662)	(16,584)	(112,000)
Net loss for the year	–	–	(45,388)	(45,388)
At 30 April 2001 and at beginning of year	–	–	(18,101)	(18,101)
Net loss for the year	–	–	(54,325)	(54,325)
At 30 April 2002	–	–	(72,426)	(72,426)

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2002	2001
	HK$'000	HK$'000
Loss from operating activities	**(44,422)**	(21,909)
Interest income	**(114)**	(385)
Depreciation	**4,357**	4,237
Loss on disposal of fixed assets	**202**	473
Provision/(write-back of provision) against inventories	**(1,195)**	3,362
Provision against and write-off of accounts receivable	**5,224**	13,720
Provision against other receivables	**4,235**	27,279
Share issue expenses	**700**	–
Loss on disposal of an associate	**27,471**	–
Decrease in inventories	**17,122**	12,185
Increase in accounts and bills receivable	**(7,631)**	(16,508)
Decrease/(increase) in prepayments, deposits and other receivables	**(3,535)**	7,141
Decrease in amounts due from directors	**–**	661
Increase in accounts and bills payable	**78**	5,078
Increase/(decrease) in accrued liabilities and other payables	**3,481**	(658)
Net cash inflow from operating activities	**5,973**	34,676

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

(b) Analysis of changes in financing during the year

	Issued share capital and share premium	Bank loans	Minority interests
	HK$'000	*HK$'000*	*HK$'000*
At 1 May 2000	53,754	50,946	11,119
Net cash inflow from financing activities	–	7,595	–
Bonus issue of shares	86,246	–	–
Dividends	–	–	(6,600)
Share of asset revaluation surplus	–	–	596
Share of loss for the year	–	–	(5,115)
At 30 April 2001 and at beginning of year	140,000	58,541	–
Net cash inflow/(outflow) from financing activities	28,000	(1,215)	–
Share of asset revaluation surplus	–	–	176
Share of loss for the year	–	–	(176)
At 30 April 2002	168,000	57,326	–

23. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had the following significant related party transactions during the year:

Name of related party	**Nature of transaction**	*Notes*	**2002**	2001
			HK$'000	*HK$'000*
Fu Qing Sanhua	Purchases of raw materials and finished goods	(i)	**125**	27,756
	Royalty income received	(ii)	**3,923**	5,300

Notes:

(i) The directors consider that the purchases were made at cost to Fu Qing Sanhua.

(ii) According to an agreement between Fu Qing Sanhua and Sanhua Consultants Limited ("Sanhua Consultants"), the royalty fee relates to the use of Sanhua Consultants' eel feed formulae by Fu Qing Sanhua and is based on 10% of the gross sales amount of Fu Qing Sanhua attributable to the use of the eel feed formulae, except those related to sales to companies within the Group.

23. RELATED PARTY AND CONNECTED TRANSACTIONS (continued)

As at 30 April 2002, a bank loan of the Group amounting to RMB8,000,000 (equivalent to approximately HK$7,528,000) was secured by the leasehold land and buildings of Fu Qing Sanhua.

The transactions between the Group and Fu Qing Sanhua were connected transactions under the Listing Rules.

24. OPERATING LEASE COMMITMENTS

The Group leases certain of its factory and office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from 2 to 5 years.

At 30 April 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**575**	641
In the second to fifth years, inclusive	**2,037**	3,426
	2,612	4,067

SSAP 14 (Revised), which was adopted during the year, 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 previously required. Accordingly, the prior year comparative amounts for operating leases have been restated to accord with the current year's presentation.

25. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 24 above, the Group had a commitment at 30 April 2002 in respect of its capital contributions to a subsidiary registered in the PRC in the amount of HK$14,820,000 (2001: HK$14,820,000). Pursuant to a directors' resolution on 3 June 2002 of the Company, the Group gave up its right to increase the capital of this subsidiary.

The Company had no significant commitments at the balance sheet date (2001: Nil).

26. POST BALANCE SHEET EVENTS

(a) On 5 June 2002, Oriental Target Limited, a wholly-owned subsidiary of the Company incorporated on 6 May 2002, entered into a co-operation agreement (the "Co-operation Agreement") with an independent third party to establish a joint venture company in the PRC (the "PRC Company"), which was set up for distribution of snack foods in the PRC.

The total investment in the PRC Company is HK$50 million. Pursuant to the Co-operation Agreement, Oriental Target Limited would have a 42% equity interest in the PRC Company and is responsible for contributing 42% of the total registered capital, being HK$21 million, in cash, which was fully paid in June 2002.

(b) On 14 June 2002, the Company entered into a placing agreement with an independent third party, for the placing of a total of 240,000,000 ordinary shares of HK$0.10 each of the Company at an issue price of HK$0.10 per share. The subscription was completed on 28 June 2002 and raised approximately HK$24,000,000, before share issue expenses, and the net proceeds of the subscription will be used for the working capital of the Group.

(c) On 12 July 2002, Oriental Mate Limited, a wholly-owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement") with an independent third party to establish a BVI company, namely Australia Environmental Protection Technology Holdings Limited ("AEPT"), which was set up for investing in environmental protection businesses in the PRC.

The total investment in AEPT is HK$22 million. Pursuant to the Investment Agreement, Oriental Mate Limited would have a 60% equity interest in AEPT and is responsible for contributing 60% of the total share capital, being HK$13.2 million, in cash, which was fully paid in July 2002.

27. 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 and presented to comply with the new requirements. Accordingly, certain comparative amounts have been revised to conform with the current year's presentation.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 August 2002.