

■ NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Ltd., including compliance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The financial information relating to the financial year ended 31 December 2001 included in the interim financial report does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2001 are available from the Company’s principal place of business in Hong Kong. The Company’s auditors have expressed an unqualified opinion on those accounts in their report dated 22 May 2002.

The same accounting policies adopted in the 2001 annual accounts have been applied to the interim financial report, except for the following new or revised SSAPs issued by the HKSA which have been adopted for the first time in the preparation of the interim financial report and are effective for accounting periods beginning on or after 1 January 2002:

SSAP 11 (revised)	:	“Foreign currency translation”
SSAP 15 (revised)	:	“Cash flow statements”
SSAP 25 (revised)	:	“Interim financial reporting”
SSAP 33	:	“Discontinuing operations”
SSAP 34	:	“Employee benefits”

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2001 annual accounts.

2. TURNOVER

For the six months ended 30 June 2002 and 2001, the Group continued to engage in the manufacturing and sale of aquatic feeds. Turnover represents the sales value of goods supplied to customers.

Over 90% of the Group’s revenue, results, assets and capital expenditure are attributable to this segment and located in the People’s Republic of China (the “PRC”). Accordingly, the analyses by business segment and geographical segment are not presented.

3. PROFIT ON DISPOSAL OF OPERATING SUBSIDIARIES

During the period, the Group sold its investments in subsidiaries, Fuqing Juhua Feed Fill Co., Ltd., Guilin Juhua Forage Co., Ltd., Corasia International Limited and Free Gain Ventures Limited, to various independent third parties. These transactions gave rise to a profit of HK\$15,846,000.

4. PROFIT ON PARTIAL DISPOSAL OF ASSOCIATES

During the period, the Group sold its 20% shareholdings in associates, Fishtail Investments Limited, Great Billion Profits Limited and Putian Rixiang Food Industry Co., Ltd., to an independent third party. This transaction gave rise to a profit of HK\$2,027,000.

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Cost of inventories sold	38,375	52,794
Interest on borrowings	913	1,468
Amortisation of goodwill included in share of profits and loss of associates	1,815	1,815
Amortisation of an intangible asset	1,425	-
Depreciation	920	1,687
	<u> </u>	<u> </u>

6. TAX

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Overseas tax	56	463
	<u> </u>	<u> </u>

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

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.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

8. EARNINGS/(LOSS) PER SHARE**(a) Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders for the period of HK\$10,545,000 (2001: loss of HK\$5,805,000 (as restated)), and the weighted average of 1,302,152,254 (2001: 1,184,201,978) shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$10,545,000 and 1,305,559,989 shares, which represents the weighted average number of the shares in issue during the period after adjusting for the effects of all dilutive potential shares.

No diluted loss per share amount is presented for the six months ended 30 June 2001, as the potential shares outstanding during the period had an anti-dilutive effect on the basic loss per share.

9. INTERESTS IN ASSOCIATES

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
Share of net assets	8,819	14,227
Goodwill on acquisition	27,393	48,099
	36,212	62,326
Amounts due from associates	1,636	1,384
	37,848	63,710

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

10. INVENTORIES

No inventories of the Group were carried at net realizable value at 30 June 2002 (at 31 December 2001: Nil).

11. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. In General, 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 may be 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:

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
90 days or less	20,215	56,798
91 days to 180 days	18,739	30,737
181 days to 365 days	50,992	38,430
Over 365 days	34,013	20,336
	123,959	146,301
Provision for doubtful debts	(41,649)	(44,249)
	82,310	102,052

12. CASH AND CASH EQUIVALENTS

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
Cash and bank balances	28,459	38,659

13. ACCOUNTS PAYABLE

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

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
90 days or less	81	-
91 days to 180 days	-	-
181 days to 365 days	-	32
Over 365 days	760	1,142
	841	1,174

14. SHARE CAPITAL

Shares

	Number of shares	Par value HK\$'000
Issued and fully paid:		
At 1 January 2002	1,255,003,083	125,500
Issue and fully paid (<i>Note (i)</i>)	251,000,000	2,510
Capital reduction and subdivision (<i>Note (ii)</i>)	–	(112,950)
At 30 June 2002	<u>1,506,003,083</u>	<u>15,060</u>

Notes:

- (i) On 20 March 2002, the Company entered into a placing agreement with an independent third party (the "Placing Agent"), pursuant to which the Company placed through the Placing Agent a total of 251,000,000 shares of the Company of HK\$0.01 each to independent investors at a price of HK\$0.11 per share (the "Placing"). The Placing was completed on 28 May 2002.
- (ii) On 25 March 2002, the Company announced a capital reduction (the "Capital Reduction") and subdivision of share capital (the "Subdivision") proposal 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 was transferred to the Company's contributed surplus account which may be applied by the Company in any manner permitted by the Bermuda law and the bye-laws of the Company. The Company has no present intended use of the credit arising from the Capital Reduction.

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 of the Company 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.

On 2 May 2002, the authorised share capital of the Company was increased from HK\$160,000,000 to HK\$1,600,000,000 by the creation of 144,000,000,000 shares of HK\$0.01 each of the Company following the completion of the Capital Reduction and Subdivision.

Share options

On 27 May 2002, the Company proposed to terminate the existing share option scheme (the "Existing Share Option Scheme") and adopt a new share option scheme. The termination of the Existing Share Option Scheme and the adoption of the new share option scheme (the "New Share Option Scheme") were respectively duly approved by the shareholders of the Company at the Company's annual general meeting held on 21 June 2002. According to the record, no share option was outstanding under the Existing Share Option Scheme upon termination.

The movements in share options granted by the Company pursuant to the New Share Option Scheme during the period were as follows:

Exercise period	21 June 2002 to 20 June 2012
	Number of shares to be issued upon exercise of the share options
Balance at beginning of period	–
Granted during the period	123,360,000
Exercised during the period	–
Lapsed or cancelled during the period	–
Balance at end of period	<u>123,360,000</u>
Exercise price per share (HK\$)	<u>0.1312</u>

Nil considerations were paid by the grantees to the Company in acceptance of their options.

15. RESERVES

	Share premium account HK\$'000	Fixed assets revaluation reserve HK\$'000	Statutory reserve* HK\$'000	Contributed surplus# HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2002	63,900	6,185	10,474	13,933	195	72,209	166,896
Issue of shares and share issue expenses (note 14(ii))	24,670	-	-	-	-	-	24,670
Capital reduction and subdivision (note 14(iii))	-	-	-	112,950	-	-	112,950
Exchange differences	-	-	-	-	(32)	-	(32)
Net profit for the period	-	-	-	-	-	10,545	10,545
Release of statutory reserve	-	-	(2,711)	-	-	2,711	-
At 30 June 2002	<u>88,570</u>	<u>6,185</u>	<u>7,763</u>	<u>126,883</u>	<u>163</u>	<u>85,465</u>	<u>315,029</u>

* 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 their respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves might be used to offset against the respective accumulated losses of the Company's subsidiaries, if any.

The contributed surplus of the Group represents:

- (a) the difference between the aggregate of the nominal value of (i) the share capital of the subsidiaries acquired pursuant to the Group's reorganisation completed on 5 June 1998; and (ii) the debt of approximately HK\$17,039,000 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's reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor; and
- (b) the credit arising from 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.

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.

16. CONTINGENT LIABILITIES

As at 30 June 2002, the Company provided corporate guarantees amounting to HK\$65,400,000 (at 31 December 2001: HK\$65,400,000) for banking facilities granted to a former subsidiary which were utilised to the extent of HK\$17,737,000 (at 31 December 2001: HK\$29,359,000) at that date.

17. CAPITAL COMMITMENTS

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
Capital commitments contracted, but not provided for:		
Investments in subsidiaries	18,000	11,153
Other investments	6,472	–
	24,472	11,153

18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in this interim financial report, the Group had entered into the following transactions with certain related parties which are regarded as material during the period:

		Six months ended 30 June 2002 HK\$'000	2001 HK\$'000
	<i>Note</i>		
Purchases of raw materials from a related company	(i)	–	103
Sales of finished goods to a related company	(i)	–	6,602
Leasing of fixed assets from related companies	(ii)	348	–

- (i) Mr Kwok Man Yu (“Mr. Kwok”), the former director of the Company (resigned on 10 July 2002), is a director and beneficial shareholder of the related company. The purchases of raw materials from and the sales of finished goods to the related company were made in accordance with prices and terms similar to other unrelated suppliers of the Group and other customers of the related company, respectively.
- (ii) Dr. Hon Fong Ming (“Dr. Hong”) and Mr. Zhang Jiebin, both directors of the Company, are directors of the related companies. Dr. Hon is also a beneficial shareholder of these related companies. The leasing of fixed assets were based on mutually agreed terms with reference to market comparable terms.
- (b) In May 2002, Mr Kwok entered into an agreement with certain subsidiaries of the Group to indemnify those 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.

19. COMPARATIVE AMOUNTS

Due to the adoption of certain new and revised SSAPs during the current period and the prior year, the accounting treatment and presentation of certain items and balances in the interim financial report have been revised to comply with the new requirements. Accordingly, a prior period adjustment has been made and certain comparative amounts have been reclassified to conform with the current period's presentation.

20. APPROVAL OF THE INTERIM REPORT

The interim financial report was approved and authorised for issue by the Board on 9 September 2002.

MANAGEMENT DISCUSSION AND ANALYSIS**Business Review**

During the six months ended 30 June 2002, the Group recorded a total turnover from the sale of aquatics feeds of HK\$41,594,000 (the corresponding period of 2001: HK\$64,513,000), representing a decrease of 36% as compared to the corresponding period of 2001. The profit attributable to shareholders was HK\$10,545,000 (the corresponding period of 2001: loss of HK\$5,805,000 (as restated)).

The decline in sales of aquatics feeds during the financial period was primarily attributable to the intense competition in the domestic markets and the disposal of certain subsidiaries during the period.

The Group's aim is to diversify into high-tech, large-scale and industrialised agriculture business in the PRC in the future. With a view to better identifying the change of the Group's business strategies and the change of the Group's management, the Board proposed the change of the Company's name from Corasia Group Limited to First Dragoncom Agro-Strategy Holdings Ltd., which has become effective from 28 January 2002.

Currently, the Group is actively negotiating certain agricultural co-operation opportunities with external parties, including a project in respect of plantation and sales of high-quality seedlings that are resistant to Northern China's dry weather and dust storms.

Looking forward, the Group will identify acquisitions or investment opportunities in agriculture projects and form joint ventures with third parties with the purposes to strengthen the Group's agricultural business and provide new force of profit growth in order to maximise the returns for shareholders. In the long run, the Group would like to become a leading hi-tech agricultural conglomerate in the PRC.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2002, the Group's net current assets, total assets and cash and cash equivalents were HK\$223,069,000, HK\$345,141,000 and HK\$28,459,000 respectively. The cash and cash equivalents were mainly denominated in Renminbi. The Group is permitted to exchange Renminbi for foreign currencies through the authorisation of the bank to conduct foreign exchange business under the relevant regulations of the PRC laws. Apart from proceeds from shares placing, the Group's main recurring source of funds for business expansion and operations was generated from its existing operations and banking facilities such as trust receipt loans and overdraft.

The Group's sales are mainly transacted in Renminbi. Since the exchange rate fluctuation between Hong Kong Dollar and Renminbi is not significant, the Board considers that the exchange risk exposure is very low.

As at 30 June 2002, the Group's gearing ratio was nil, which is expressed as a percentage of the long-term loan over the shareholders' equity at the balance sheet date. Additionally, the Group's liquidity ratio was 15.82 as at 30 June 2002, reflecting the presence of sufficient financial resources. The calculation of liquidity ratio is based on the current assets of HK\$238,121,000 and the current liabilities of HK\$15,052,000 as at the balance sheet date.

The Company raised funds of approximately HK\$27 million by way of shares placing and subscription in May 2002. The proceeds were used for funding acquisition of investment opportunities and as general working capital of the Company.

On 2 May 2002, the resolutions for a capital reduction and subdivision of the Company's shares were duly approved by shareholders at the special general meeting, pursuant to which the nominal value of the shares of the Company was reduced from HK\$0.10 each to HK\$0.01 each. The credit arising from this transaction of approximately HK\$113 million was transferred to the Company's contributed surplus accounts.

As at 30 June 2002, the Group has outstanding contracted capital commitments amounting to HK\$24,472,000 in respect of investments in subsidiaries and other investments.

■ PLEDGE OF ASSETS

As at 30 June 2002, the Company provided corporate guarantees for the banking facilities of HK\$65,400,000 granted to a former subsidiary, of which HK\$17,737,000 has been utilised at the balance sheet date.

■ DIRECTORS' INTERESTS IN SHARES

At 30 June 2002, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies, were as follows:

Name	Type of interest	Number of shares held
Dr. Hon Fong Ming, Perry ("Dr. Hon")	Corporate (Note)	363,950,000

Note: Dragon Delta Limited, a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Dr. Hon through Dragoncom China Investment Ltd. and Dragoncom (Hong Kong) Limited, owned 363,950,000 shares of the Company.

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