30 April 2003

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 been shifted from the business of manufacture and trading of processed eels and eel feed products into property investments and environmental protection business. 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 ("SSAP")

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA") which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

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

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 18 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the income statement of subsidiaries and associates operating in PRC and overseas are now translated to Hong Kong dollars at the weighted average exchange rate for the year whereas previously they were translated at the exchange rate at the balance sheet date. The effect on the results of the current year is not significant. Further details of this change are included in the accounting policy for "Translation of foreign currencies" in note 3 to the financial statements.

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

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of the SSAP is that the consolidated cash flow statement now presents cash flow under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. The presentation of 2002 comparative cash flow statement has been changed to accord with the new layout. In addition, cash flows from subsidiaries and associates operating in PRC and overseas are now translated to Hong Kong dollars at the weighted average exchange rates for the year whereas previously they were translated at the exchange rate at the balance sheet date. Further details of these changes are included in the accounting policy for "Translation of foreign currencies" in note 3 to the financial statements.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines discontinuing operations and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group's discontinuing operations are now included in note 6 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has had no material effect on the financial statements. Additional disclosures are now required in respect of the Group's share option schemes, as detailed in note 26 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the adoption of the SSAP 34.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA"), the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention except for the revaluation of certain fixed assets. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 April 2003. 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 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 income statement 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.

Joint ventures

A joint ventures is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interest in jointly controlled entities is recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entries is included in the consolidated income statement.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Investment in securities

Investments other than held-to maturity debt securities are classified as investment securities and other investments.

(a) Investment securities

Investment securities are stated at cost less any impairment loss that is other than temporary. The carrying amounts of individual investments are reviewed at each balance sheet to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities should be reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

(b) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealized gains and losses arising from the changes in fair value of other investments are recognised in the income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

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 income statement 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 income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Licence fee

Licence fee is stated in the balance sheet at cost less accumulated amortisation and impairment loss. Licence fee is amortised on a straight line basis over its estimated useful life of 20 years.

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 income statement 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.

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 income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement 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 income statement on the straight-line basis over the lease terms.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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 income statement 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.

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 income statement 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. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognized 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.

Translation of foreign currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, jointly-controlled entity and associates operating in the PRC and overseas are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries, jointly-controlled entity and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Related parties

Two 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.

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 are subject to an insignificant risk of change in value. For the purpose of balance sheet classification, cash and bank balances represent assets, which are not restricted as to use.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote; A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4. SEGMENT INFORMATION

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

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

(a) Continuing operations

(i) The eel feeds segment engages in the manufacture and sale of eel feeds;

(ii) The property holding segment engages in the property holding investment in PRC; and

(iii) The environmental protection segment engages in the development of technology in the environmental protection industry.

(b) Discontinuing operation

(i) The processed eels segment engaged in the manufacture and sale of processed eels. This segment was discontinued upon the completion of the Disposal set out in note 6 to the financial statements.

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

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

	Continuing operations						Discontinuing operation			
	Eel feeds		Property holding		Environmental protection		Processed eels		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**14,615**	31,131	**–**	–	**–**	–	**274,673**	339,402	**289,288**	370,533
Other revenue	**3**	21	**–**	–	**–**	–	**2,757**	1,901	**2,760**	1,922
Total	**14,618**	31,152	**–**	–	**–**	–	**277,430**	341,303	**292,048**	372,455
Segment results	**(4,301)**	(1,170)	**(12)**	–	**(2,159)**		**(19,568)**	(10,347)	**(26,040)**	(11,517)
Interest income and unallocated revenue/gains										
– segment	**–**	–	**–**	–	**–**	–	**1,874**	1,024	**1,874**	1,024
– corporate									**154**	6
Loss on disposal of an associate	**–**	(27,471)	**–**	–	**–**	–	**–**	–	**–**	(27,471)
Provision for impairment of a former subsidiary									**(33,000)**	–
Unallocated expenses									**(10,180)**	(6,464)
Loss from operating activities									**(67,192)**	(44,422)
Finance costs	**–**	–	**–**	–	**–**	–	**(3,079)**	(2,473)	**(3,079)**	(2,473)
Share of loss of an associate	**–**	(6,391)	**–**	–	**–**	–	**–**	–	**–**	(6,391)
Share of profit of a joint venture									**5,200**	–
Gain on disposal of interest in a subsidiary company									**60,101**	–
Loss before tax									**(4,970)**	(53,286)
Tax									**–**	(199)
Loss before minority interests									**(4,970)**	(53,485)
Minority interests									**3**	176
Net loss from ordinary activities attributable to shareholders									**(4,967)**	(53,309)

4. SEGMENT INFORMATION (continued)

(a) Business segments (Continued)

Group

	Continuing operations						Discontinuing operation			
	Eel feeds		Property holding		Environmental protection		Processed eels		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**18,700**	21,681	**31,200**	–	**21,037**	–	**–**	138,769	**70,937**	160,450
Unallocated assets									**64,425**	34,666
Total assets									**135,362**	195,116
Segment liabilities	**6,773**	4,197	**6**	–	**9,994**	–	**–**	29,234	**16,773**	33,431
Unallocated liabilities									**4,696**	66,111
Total liabilities									**21,469**	99,542
Other segment information										
Depreciation and amortisation										
– segment	**56**	129	**–**	–	**963**	–	**4,226**	4,182	**5,245**	4,311
– corporate									**53**	46
									5,298	4,357
Capital expenditure										
– segment	**–**	5	**–**	–	**22,000**	–	**1,630**	2,201	**23,630**	2,206
– corporate									**45**	54
									23,675	2,260
(Gain)/loss on disposal of fixed assets										
– segment	**–**	190	**–**	–	**–**	–	**(68)**	5	**(68)**	195
– corporate									**–**	7
									(68)	202
Provision against and write-off of accounts receivable	**4,510**	5,224	**–**	–	**–**	–	**43**	–	**4,553**	5,224
Provision against other receivables										
– segment	**–**	4,235	**–**	–	**–**	–	**–**	–	**–**	4,235
– corporate									**33,000**	–
Write-back of provision against inventories	**–**	–	**–**	–	**–**	–	**–**	1,195	**–**	1,195

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		Hong Kong		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**271,436**	338,853	**16,714**	31,680	**1,138**	–	**289,288**	370,533
Segment results	**(19,336)**	(10,896)	**(6,623)**	(621)	**(81)**	–	**(26,040)**	(11,517)

	PRC		Hong Kong		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Segment assets	**70,937**	160,450	**64,425**	34,666	**135,362**	195,116
Capital expenditure	**23,630**	2,206	**45**	54	**23,675**	2,260

5. TURNOVER AND REVENUE

Turnover and revenue consisted of:

	2003	2002
	HK$'000	*HK$'000*
Sales of processed eels	**274,673**	339,402
Sales of eels feeds	**14,615**	31,131
Total turnover	**289,288**	370,533
Interest income	**234**	114
Sundry income	**2,692**	1,922
Exchange gain, net	**1,794**	916
Gain on disposal of fixed assets	**68**	–
Total other revenue	**4,788**	2,952
Total revenue	**294,076**	373,485

6. DISCONTINUING OPERATION

On 23 April 2003, the Group entered into an agreement to dispose of its entire 70% equity interest in a subsidiary, Fuqing Qixiang Food Co., Ltd ("Fuqing Qixiang"), which is engaged in the operation of processed eels in the PRC, for a total consideration of USD1,470,000 (equivalent to approximately HK$11,466,000) ("the Disposal"). The Disposal was completed on 28 April 2003, on which date, control of Fuqing Qixiang passed to the acquirer.

The financial information of the discontinuing operation is as follows:

	2003	2002
	HK$'000	*HK$'000*
Total assets	**161,563**	138,769
Total liabilities	**209,482**	165,915
Turnover	**274,673**	339,402
Cost of sales	**(286,716)**	(337,290)
Gross (loss)/ profit	**(12,043)**	2,112
Other revenue	**4,631**	2,925
Selling and distribution costs	**(3,731)**	(5,647)
Administrative expenses	**(6,508)**	(8,713)
Other operating expenses	**(43)**	–
Loss from operating activities	**(17,694)**	(9,323)
Finance costs	**(3,079)**	(2,473)
Loss before tax	**(20,773)**	(11,796)
Tax	**–**	–
Loss after tax	**(20,773)**	(11,796)

Upon completion of the Disposal, the Group recorded a gain of approximately HK$60,101,000.

7. LOSS FROM OPERATING ACTIVITIES

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

	2003	2002
	HK$'000	*HK$'000*
Cost of inventories sold	**300,227**	358,731
Depreciation	**4,335**	4,357
Minimum lease payments under operating leases in respect of land and buildings	**2,388**	1,231
Auditors' remuneration	**562**	871
Staff costs (excluding directors' remuneration – note 9):		
Wages and salaries	**12,853**	11,781
Pension contributions	**81**	281
	12,934	12,062
(Gain)/loss on disposal of fixed assets	**(68)**	202
Royalty income	**–**	(3,923)
Write-back of provision against inventories	**–**	(1,195)
Gain on disposal of interest in a subsidiary company	**(60,101)**	–
Items included in other revenue or other operating expenses:		
Provision against accounts receivable	**4,553**	5,224
Provision against other receivables	**33,000**	4,235
Provision for investment in securities	**1,300**	–
Amortisation of licence fee	**963**	–
Share issue expenses	**157**	700
Exchange gains, net	**(1,794)**	(916)
Interest income	**(234)**	(114)

The cost of inventories sold includes approximately HK$13,305,000 (2002: HK12,835,000) relating to staff costs, rental expenses, 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.

8. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Interest on bank borrowings	**3,079**	2,473

9. 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	
	2003	2002
	HK$'000	*HK$'000*
Executive directors:		
Fees	**–**	1,143
Salaries and allowances	**–**	–
Pension contributions	**–**	11
	–	1,154
Independent non-executive directors:		
Fees	**90**	61
	90	1,215

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 (2002: Nil).

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

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

No director (2002: four) was included in the five highest paid employees during the year, details of whose remuneration are set out above. Details of the remuneration of the remaining five non-director (2002: one), highest paid employee are set out below:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Salaries and allowances	**1,461**	342
Pension contributions	**63**	6
	1,524	348

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

10. TAX

	Group	
	2003	2002
	HK$'000	*HK$'000*
Group:		
The PRC (excluding Hong Kong)	**–**	199
Associate	**–**	–
Tax charge for the year	**–**	199

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the year (2002: 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 exempted 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 2003.

10. TAX (continued)

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 referred to as the "eel feed companies"), details of which are set out in note 15 to the financial statements, are exempted 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 Fuzhou Sanhua and Longyan Sanhua is 24%, while the enterprise income tax rate applicable to Guilin Sanhua and Jiangxi Sanhua is 33%.

No provision for enterprise income tax has been made for Fuzhou Sanhua, Longyan Sanhua, Guilin Sanhua and Jiangxi Sanhua as they did not generate any assessable profits arising in the PRC during the current year. In the prior year, a provision for enterprise income tax was made for eel feed companies in respect of profit generated for the year ended 30 April 2002.

Deferred tax has not been provided as there were no significant timing differences at the balance sheet date (2002: 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.

11. 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$8,896,000 (2002: HK$54,325,000).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$4,967,000 (2002: HK$53,309,000) and the weighted average of 1,881,872,137 (2002: 1,414,577,343) ordinary shares in issue during the year.

There was no dilution effect on the basic loss per share for the years ended 30 April 2003 and 2002 as there were no dilutive shares outstanding during the years ended 30 April 2003 and 2002.

13. INTANGIBLE ASSETS

	Licence fee
	HK$'000
Cost:	
Additions and as at 30 April 2003	22,000
Amortisation:	
Provided for the year and as at 30 April 2003	963
Net book value:	
At 30 April 2003	21,037
At 30 April 2002	–

Licence fee is amortised over its estimated useful life of 20 years.

The Group has entered into an agency agreement with an independent third party for exclusive rights to represent and establish technology agreements for its technology and methodology to be used in PRC for a period of 30 years at a consideration of HK$22,000,000.

14. FIXED ASSETS

Group

	Medium term leasehold land and buildings in the PRC HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At 1 May 2002	15,560	2,878	24,633	2,449	4,187	49,707
Additions	–	–	158	1,059	458	1,675
Disposals	–	–	–	–	(685)	(685)
On disposal of a subsidiary	(15,560)	(2,878)	(24,138)	(3,190)	(3,542)	(49,308)
At 30 April 2003	–	–	653	318	418	1,389
Accumulated depreciation:						
At 1 May 2002	–	817	12,399	1,412	1,954	16,582
Provided during the year	654	340	2,217	329	795	4,335
Disposals	–	–	–	–	(466)	(466)
On disposal of a subsidiary	(654)	(1,157)	(14,160)	(1,500)	(1,906)	(19,377)
At 30 April 2003	–	–	456	241	377	1,074
Net book value:						
At 30 April 2003	–	–	197	77	41	315
At 30 April 2002	15,560	2,061	12,234	1,037	2,233	33,125

14. FIXED ASSETS (continued)

Company

	Office equipment
	HK$'000
Cost:	
At 1 May 2002	40
Additions	41
At 30 April 2003	81
Accumulated depreciation:	
At 1 May 2002	10
Provided during the year	20
At 30 April 2003	30
Net book value:	
At 30 April 2003	51
At 30 April 2002	30

At 30 April 2003, all fixed assets are stated at cost less accumulated depreciation.

At 30 April 2002, the Group's leasehold land and buildings were revalued 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.

At 30 April 2002, the Group's leasehold land and buildings held under medium term leases in the PRC was pledged to secure the Group's bank loans in the amount of approximately HK$5,289,000 (note 24).

15. INTEREST IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**70,018**	69,863
Due from subsidiaries	**130,019**	91,107
	200,037	160,970
Less: Provisions for impairment	**(91,204)**	(91,204)
	108,833	69,766

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

Particulars of the subsidiaries are as follows:

Name	**Place of incorporation/ registration and 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
Oriental Target Limited	BVI	US$10,000	100%	Investment holding
Oriental Merit Limited	BVI	US$1	100%	Investment holding
Sincere Vantage Limited	BVI	US$1	100%	Investment holding
Oriental Mate Limited	BVI	US$10,000	100%	Investment holding

15. INTEREST 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				
Sanhua Consultants Limited	Incorporated in BVI and operated in PRC	US$1,000	100%	Provision of consultancy services
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
Guilin Sanhua Forage Co., Ltd.	PRC	US$120,400	100%	Dormant
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
Wealth Vantage Limited	BVI	US$1	100%	Property holding
Oriental Talent Limited	Hong Kong	HK$2	100%	Not yet commence business

15. INTEREST 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)				
Australian Environmental Protection Technology Holdings Ltd.	BVI	US$1,000	60%	Investment holding engaged in environmental protection business
Australian Environmental Protection Technology Pty Ltd.	Australia	AUD$100	60%	Environmental protection business
Australia Environmental Protection Technology (China) Pty Limited	Hong Kong	HK$100	60%	Investment holding
AEPT Kunshan Holdings Company Limited	BVI	US$50,000	60%	Not yet commence business

16. INVESTMENT IN SECURITIES – INVESTMENT SECURITIES

	Group and Company	
	2003	2002
	HK$'000	*HK$'000*
Listed shares in Hong Kong, at cost	**2,000**	–
Less: Provision for impairment	**(1,300)**	–
Market value of listed investments	**700**	–

17. DEPOSIT ON PROPERTY UNDER DEVELOPMENT

The amount represents a deposit paid to the vendor for purchase of property under development located in Guangzhou, Guangdong Province, the PRC, and held under a land use rights for a period of 40 years up to August 2035 (2002: Nil).

18. SECURITY DEPOSIT UNDER RENTAL AGREEMENT

At 30 April 2002, the amount represents a security deposit paid by a subsidiary of the Group 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. On 28 April 2003, the Group disposed of its interest in the subsidiary, which including the security deposit under rental agreement (note 28(d)).

19. INVENTORIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Raw materials	**784**	6,674
Finished goods	**231**	53,808
	1,015	60,482

The carrying amount of inventories carried at net realisable value included in the above is HK$nil (2002: HK$22,412,000).

20. ACCOUNTS AND BILLS RECEIVABLE

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

	2003 HK$'000	2002 HK$'000
Current to three months	**2,630**	11,872
Four to six months	**3,015**	3,571
Seven to twelve months	**5,140**	5,470
Over one year	**5,069**	1,142
	15,854	22,055

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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 30 April 2003, included in prepayments, deposits and other receivables are net amount due from a former subsidiary of HK$46,172,000 (2002: HK$nil). The amount is unsecured, interest free and has no fixed terms of repayment.

22. ACCOUNTS AND BILLS PAYABLE

The aging analysis of Group's accounts and bills payable is as follows:

	2003 HK$'000	2002 HK$'000
Current to three months	**156**	25,692
Four to six months	**1,662**	–
Seven to twelve months	**1,295**	–
Over one year	**723**	–
	3,836	25,692

23. DUE TO MINORITY INTERESTS OF A SUBSIDIARY

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

24. SHORT TERM BANK LOANS

At 30 April 2003, the Group had no short term bank loans. At 30 April 2002, a bank loan of JP¥87,000,000 (equivalent to approximately HK$5,289,000) was secured by the Group's leasehold land and buildings (note 14). A bank loan of RMB8,000,000 (equivalent to approximately HK$7,528,000) was secured by the leasehold land and buildings of an associate. The remaining bank loans of HK$44,509,000 were secured by guarantees executed by a related company.

25. SHARE CAPITAL

	2003	2002
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
1,920,018,000 (2002: 1,680,002,000) ordinary shares of HK$0.10 each	**192,002**	168,000

Pursuant to a placing agreement dated 14 June 2002, a total of 240,000,000 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$24,000,000. The subscription was completed on 28 June 2002. During the year ended 30 April 2003, 16,000 warrants were exercised by warrant holders at a subscription price of HK$0.13 per share for total cash proceeds of HK$2,080, resulting in the issue of 16,000 new shares of HK$0.1 each.

25. SHARE CAPITAL (continued)

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 1 May 2002	1,680,002	168,000
Subscription of shares	240,000	24,000
Issue of shares through exercise of warrants	16	2
At 30 April 2003	1,920,018	192,002

26. SHARE OPTION SCHEMES AND WARRANTS

Pursuant to an ordinary resolution passed on 31 October 2002, the Company approved the adoption of a new share option scheme (the "New Scheme") and the cancellation of the existing share option scheme (the "Old Scheme") adopted by the Company on 19 October 1999. Further details of which are set out under the heading "Share option schemes" in the report of the directors.

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

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 the expiry date 16 December 2002.

On the date of expiration on 16 December 2002, 55,982,000 warrants outstanding with an aggregate subscription value of HK$7,277,660, entitling the registered holders to subscribe in cash for 55,982,000 ordinary shares of the Company of HK$0.10 each at an initial subscription price of HK$0.13 per share, were expired.

27. RESERVES

Group

	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2001	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 and 1 May 2002	–	3,405	(2,693)	34	(73,172)	(72,426)
Realisation on disposal of a subsidiary	–	(3,405)	2,723	(34)	–	(716)
Net loss for the year	–	–	–	–	(4,967)	(4,967)
At 30 April 2003	–	–	30	–	(78,139)	(78,109)
Retained by:						
Company and subsidiaries	–	–	30	–	(78,139)	(78,109)
Associate	–	–	–	–	–	–
At 30 April 2003	–	–	30	–	(78,139)	(78,109)

27. RESERVES (continued)

Company

	Accumulated losses HK$'000	Total HK$'000
At 1 May 2001	(18,101)	(18,101)
Net loss for the year	(54,325)	(54,325)
At 30 April 2002 and at 1 May 2002	(72,426)	(72,426)
Net loss for the year	(8,896)	(8,896)
At 30 April 2003	(81,322)	(81,322)

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2003	2002
	HK$'000	*HK$'000*
Loss from operating activities	**(67,192)**	(44,422)
Interest income	**(234)**	(114)
Depreciation	**4,335**	4,357
Amortisation of licence fee	**963**	–
(Gain)/loss on disposal of fixed assets	**(68)**	202
Write-back of provision against inventories	**–**	(1,195)
Provision against accounts receivable	**4,553**	5,224
Provision against other receivables	**33,000**	4,235
Provision for investment in securities	**1,300**	–
Share issue expenses	**157**	700
Loss on disposal of an associate	**–**	27,471
Operating loss before working capital changes	**(23,186)**	(3,542)
Decrease in inventories	**2,879**	17,122
Increase in accounts and bills receivable	**(9,937)**	(7,631)
Increase in prepayments, deposits and other receivables	**(40,809)**	(3,535)
(Decrease)/increase in accounts and bills payable	**(3,500)**	78
Increase in accrued liabilities and other payables	**18,617**	3,481
Cash (outflow)/inflow from operations	**(55,936)**	5,973
Interest received	**234**	114
Interest paid	**(3,079)**	(2,473)
Net cash (outflow)/inflow from operating activities	**(58,781)**	3,614

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

(b) Analysis of changes in financing during the year

	Share capital	Bank loans	Minority interests
	HK$'000	*HK$'000*	*HK$'000*
At 1 May 2001	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 and 1 May 2002	168,000	57,326	–
Net cash inflow from financing activities	24,002	30,694	–
Disposal of a subsidiary	–	(88,020)	–
Acquisition of interest in a subsidiary	–	–	3
Minority interest's share of loss	–	–	(3)
At 30 April 2003	192,002	–	–

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

(c) Acquisition of a subsidiary

	2003	2002
	HK$'000	*HK$'000*
Net assets acquired of:		
Intangible assets – licence fee	**22,000**	–
Due to minority interests	**(21,992)**	–
Amount attributable to minority interests	**(3)**	–
Net assets	**5**	–
Consideration satisfied by:		
Cash	**5**	–
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary company		
Cash consideration paid	**5**	–
Less: Cash and bank balances acquired	**–**	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary company	**5**	–

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

(d) Disposal of a subsidiary

	2003	2002
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Fixed assets	29,931	–
Properties under development	1,740	–
Security deposit under rental agreement	14,115	–
Inventories, net of provision of obsolete stocks	56,588	–
Accounts and bills receivable	11,585	–
Prepayment, deposit and other receivables	45,004	–
Pledged bank deposits	642	–
Cash and bank balances	1,958	–
Accounts and bills payable	(18,356)	–
Accrued liabilities and other payables	(24,404)	–
Short term bank loans	(88,020)	–
Tax payable	(1,901)	–
Amount due to group companies	(76,801)	–
Net liabilities	(47,919)	–
Reserve released:		
Exchange fluctuation reserve	2,723	–
Capital reserve	(34)	–
Revaluation reserve	(3,405)	–
	(48,635)	–
Gain on disposal of a subsidiary	60,101	–
Consideration	11,466	–
Satisfied by:		
Consideration receivable	11,466	–

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary company		
Cash consideration received	–	–
Less: Pledged bank deposits disposed of	642	–
Cash and bank balances disposed of	1,958	–
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary company	2,600	–

29. 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	2003 HK$'000	2002 HK$'000
Fu Qing Sanhua	Purchases of raw materials and finished goods	(i)	–	125
	Royalty income received	(ii)	–	3,923

Notes:

(i) The directors consider that the purchases were made at cost to Fu Qing Sanhua Co., Ltd. ("Fu Qing Sanhua"), an associated company of the Group, which had been disposed of during the year ended 30 April 2002.

(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.

30. 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 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Within one year	**689**	575	**570**	–
In the second to fifth years, inclusive	**100**	2,037	**–**	–
	789	2,612	**570**	–

31. CAPITAL COMMITMENTS

At 30 April 2003, the capital commitments of the Group not provided for in the financial statements are analysed as follows:

	2003	2002
	HK$'000	*HK$'000*
Authroised and contracted for		
– purchase of property under development	**9,410**	–
– capital contributions to a subsidiary registered in the PRC (note a, note b)	**16,848**	14,820
– capital contributions to an associate registered in the PRC (note c)	**8,190**	–
	34,448	14,820

Notes:

(a) On 3 September 2002, a subsidiary of the Company entered into a co-operation agreement with an independent third party to establish a PRC company with registered capital amounted to USD4,500,000 (equivalent to approximately HK$35,100,000), in which USD2,160,000 (equivalent to approximately HK$16,848,000) would be taken up by the Group.

(b) Pursuant to a directors' resolution on 3 June 2002 of the Company, the Group gave up its right to increase the capital of a subsidiary with amount of HK$14,820,000 relating to 2002 capital commitments.

(c) On 30 September 2002, a subsidiary of the Company entered into a joint venture agreement with a related company to establish a PRC company with registered capital amounted to USD2,100,000 (equivalent to approximately HK$16,380,000), in which USD1,050,000 (equivalent to approximately HK$8,190,000) would be taken up by the Group. Mr. Zhu Yi Cai, being the controlling shareholder of the related company, is an executive director and substantial shareholder of the Company.

The Company had no significant commitments at the balance sheet date (2002: Nil).

32. BANKING FACILITIES

At 30 April 2003, the Company had banking facilities of HK$500,000 (2002: HK$nil) which was secured by pledges of the Company's bank deposits of HK$500,000.

33. 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.

34. APPROVAL OF THE FINANCIAL STATEMENTS

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