1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. During the year, the Group was involved in the following principal activities:

Continuing operations

- Nurturing, selling and trading of tree seedlings and seeds

Discontinuing operations

- Manufacturing and sale of shrimp feeds (the details of the discontinuance is set out in note 7(a) to the financial statements)

In the prior year, the Group discontinued its manufacturing and sale of eel feeds operations (the discontinuance was completed on 30 December 2002, as further detailed in note 7(b) to the financial statements).

2. BASIS OF PRESENTATION

The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, due to the significant staff and management turnover of Qionghai Juhua Feed Co., Ltd. ("Qionghai Juhua"), a wholly-owned subsidiary of the Company, whose operations principally comprise the shrimp feeds business of the Group ("Shrimp Feeds Business"), during the year, certain underlying books and records of Qionghai Juhua were either lost, or could not be located, and accordingly, have not been properly updated, particularly for the period subsequent to 30 June 2003, and also during the period from 1 January 2003 to 30 June 2003. Most of the original staff and management of Qionghai Juhua left that entity during the second half of 2003. Consequently, the directors cannot satisfactorily substantiate or otherwise support certain transactions undertaken by Qionghai Juhua and the directors cannot ensure the nature, timing, completeness, appropriateness, classification and disclosures in respect of the transactions undertaken by Qionghai Juhua and the related balances as included in these financial statements or whether any additional disclosures are required. As further detailed in note 7 to the financial statements, the directors resolved in the second half of 2003 to substantially scale down and to discontinue the operations of Qionghai Juhua.

Due to the lack of updated underlying books and records of Qionghai Juhua, no consolidation was undertaken for the period from 1 July 2003 to 31 December 2003. In the opinion of the directors, to reflect the transactions of Qionghai Juhua for the period from 1 July 2003 to 31 December 2003 in the financial statements of the Group for the year ended 31 December 2003 would involve expense and delay out of proportion to the value to the members of the Company. Consequently, the financial statements of the Group for the year ended 31 December 2003 have consolidated the results and cash flows of Qionghai Juhua from 1 January 2003 to 30 June 2003, based on the unaudited management accounts of Qionghai Juhua for the six months ended 30 June 2003, and have deconsolidated Qionghai Juhua with effect from 1 July 2003. The directors however believe that had the subsidiary's results and cash flows been consolidated for the period from 1 July 2003 to 31 December 2003, the impact would not have been material to the Group.

2. BASIS OF PRESENTATION *(Continued)*

The turnover and the net loss of Qionghai Juhua for the six months ended 30 June 2003 consolidated in the financial statements of the Group for the year ended 31 December 2003 amounted to approximately HK$5.5 million and HK$1.8 million, respectively. The Group's interest in Qionghai Juhua at the date of deconsolidation was stated at its carrying value at that date. However, as the directors are uncertain as to the amount and when the Group could recover its interest in Qionghai Juhua and as the directors have decided to discontinue the Shrimp Feeds Business in the near future, the carrying amount of the Group's interest in Qionghai Juhua of HK$14.9 million was fully impaired and recognised for the year in the consolidated profit and loss account and directly in equity amounting to HK$14.4 million and HK$0.5 million, respectively.

In view of the above, no representations as to the completeness of the books and records of Qionghai Juhua for the year ended 31 December 2003 can be given by the directors although care has been taken by the directors, in all material respects, in the preparation of the financial statements to mitigate the overall negative effects of the incomplete records. The directors are unable to represent that all transactions entered into in the name of Qionghai Juhua have been included or disclosed in the financial statements. Notwithstanding the foregoing, the directors have taken such steps as they consider practicable, in all material respects, to improve the accuracy of the account balances based on the information which they consider to be reliable and have made provisions as they consider appropriate in the preparation of the financial statements.

3. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The revised SSAP 12 "Income taxes" is effective for the first time for the preparation of the current year's financial statements.

This SSAP prescribes new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting the revised SSAP 12 are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

SSAP 12 has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required. These are detailed in note 12 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of leasehold land and buildings as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 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. The results of a subsidiary deconsolidated during the year is consolidated to its date of deconsolidation. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Unconsolidated subsidiary

The Group's interest in an unconsolidated subsidiary is stated at its carrying value at the date of deconsolidation less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint venture companies *(Continued)*

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets/liabilities at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the fixed assets revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the period of the land use rights or lease terms
Buildings	2% to 5%
Leasehold improvements	10% or over the lease terms, whichever is higher
Plant, machinery and equipment	10% to 20%
Furniture and fixtures	10% to 20%
Motor vehicles	10% to 20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset

The intangible asset represents the cost of acquiring the rights to produce, use and sell an immunological additive for shrimp feeds, so as to improve the disease resistance of shrimps and to increase their survival rate. The intangible asset is amortised on the straight-line basis over its estimated useful life of 10 years commencing from the date when it is put into commercial production. The intangible asset is stated at cost less accumulated amortisation and any impairment losses.

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 lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

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

Cash and cash equivalents/cash and bank balances

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity, if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4. 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 the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

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

Employee benefits

Retirement benefits scheme

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

The employees of the Group's subsidiaries which operates in the mainland of the People's Republic of China ("Mainland China") are required to participate in a pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates 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 are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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.

5. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues 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. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

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 the other business segments. Summary details of the business segments are as follows:

Continuing operations

(a) the tree seedlings and seeds segment engages in the nurturing, selling and trading of tree seedlings and seeds;

Discontinuing operations

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

Discontinued operations

(c) the eel feeds segment engaged in the manufacturing and sale of eel feeds.

Further details of the discontinuing and discontinued operations under the shrimp feeds segment and the eel feeds segment, respectively, are set out in note 7 to the financial statements.

There were no significant intersegment sales and transfers during the current and the prior year.

5. SEGMENT INFORMATION *(Continued)*

Business segments

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

Group

	Continuing operations: Tree seedlings and seeds		Discontinuing operations: Shrimp feeds		Discontinued operations: Eel feeds		Consolidated	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Segment revenue	**74,630**	460	**5,463**	13,569	**–**	40,739	**80,093**	54,768
Segment results	**27,097**	(1,000)	**(24,203)**	(26,775)	**–**	(4,351)	**2,894**	(32,126)
Gain on disposal of discontinued operations							**4,943**	8,327
Interest income and other unallocated revenue/gains							**4**	4,245
Unallocated expenses							**(9,636)**	(69,046)
Loss from operating activities							**(1,795)**	(88,600)
Finance costs							**–**	(2,366)
Share of profits less losses of associates							**–**	(760)
Amortisation of goodwill on acquisition of associates							**–**	(2,889)
							–	(3,649)
Loss before tax							**(1,795)**	(94,615)
Tax							**–**	(334)
Loss before minority interests							**(1,795)**	(94,949)
Minority interests							**(8,811)**	193
Net loss from ordinary activities attributable to shareholders							**(10,606)**	(94,756)
Segment assets	**166,745**	142,273	**–**	25,338	**–**	–	**166,745**	167,611
Unallocated assets							**188,995**	190,962
Total assets							**355,740**	358,573
Segment liabilities	**5,293**	8,054	**–**	665	**–**	–	**5,293**	8,719
Unallocated liabilities							**52,779**	80,031
Total liabilities							**58,072**	88,750

5. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Group

	Continuing operations		Discontinuing operations		Discontinued operations			
	Tree seedlings and seeds		Shrimp feeds		Eel feeds		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*
Other segment information:								
Depreciation and amortisation	**5,322**	883	**953**	3,742	**–**	1,464	**6,275**	6,089
Unallocated depreciation							**349**	1,506
							6,624	7,595
Amortisation of goodwill on acquisition of associates							**–**	2,889
Impairment loss recognised in the profit and loss account	**–**	–	**21,920**	14,820	**–**	–	**21,920**	14,820
Impairment loss recognised directly in equity	**–**	–	**472**	–	**–**	–	**472**	–
							22,392	14,820
Provision for doubtful debts and bad debts written off	**–**	–	**1,447**	8,764	**–**	3,628	**1,447**	12,392
Unallocated provision for doubtful debts							**–**	32,800
							1,447	45,192
Capital expenditure	**38**	15,000	**–**	–	**–**	–	**38**	15,000
Unallocated capital expenditure							**21**	807
							59	15,807

6. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for trade discounts and returns.

Revenue from the following activities has been included in turnover:

	2003	2002
	HK$'000	*HK$'000*
Continuing operations:		
Sale of tree seedlings and seeds	**74,630**	460
Discontinuing operations:		
Sale of shrimp feeds	**5,463**	13,569
Discontinued operations:		
Sale of eel feeds	**–**	40,739
	80,093	54,768

7. DISCONTINUING/DISCONTINUED OPERATIONS

(a) Discontinuing operations

In view of the poor performance of Qionghai Juhua, whose operations principally comprise the Group's Shrimp Feeds Business, the Group announced the decision of the relevant board of directors to discontinue the operations of the Shrimp Feeds Business, which is reported in the Group's shrimp feeds segment, during the second half of 2003. This is in line with the Group's strategy to concentrate on its profitable business.

In line with the above, the directors resolved not to provide further financing to Qionghai Juhua and to substantially scale down Qionghai Juhua's operations from the second half of 2003.

7. DISCONTINUING/DISCONTINUED OPERATIONS *(Continued)*

(a) Discontinuing operations *(Continued)*

The turnover, expenses, loss before tax from ordinary activities and tax attributable to the discontinuing operations for the years ended 31 December 2003 and 2002 are as follows:

	2003	2002
	HK$'000	*HK$'000*
Turnover	**5,463**	13,569
Changes in inventories of finished goods	**209**	(449)
Raw materials and consumables used	**(4,431)**	(10,286)
Staff costs	**(151)**	(305)
Depreciation	**(454)**	(892)
Amortisation of an intangible asset*	**(499)**	(2,850)
Impairment of an intangible asset *(note 16)**	**(7,481)**	(14,820)
Provision for impairment of the interest in an unconsolidated subsidiary *(note 19)**	**(14,439)**	–
Other operating expenses	**(2,420)**	(10,742)
Loss before tax	**(24,203)**	(26,775)
Tax	**–**	–
Loss after tax	**(24,203)**	(26,775)

* *Excluding these items, the loss after tax of the Shrimp Feeds Business amounting to HK$1,784,000 represented the results of Qionghai Juhua for the period from 1 January 2003 to 30 June 2003 consolidated in the financial statements of the Group for the year ended 31 December 2003 (year ended 31 December 2002: HK$9,105,000). Further details of the deconsolidation of Qionghai Juhua are set out in note 2 to the financial statements.*

The carrying amounts of the total assets and liabilities of the discontinuing operations at the balance sheet date are as follows:

	2003	2002
	HK$'000	*HK$'000*
Total assets	**–**	25,338
Total liabilities	**–**	(665)
Net assets	**–**	24,673

7. DISCONTINUING/DISCONTINUED OPERATIONS *(Continued)*

(b) Discontinued operations

In view of the Group's strategy to diversify into high-tech, large-scale and industrialised agricultural businesses in Mainland China and to concentrate its resources on the development of such businesses, the Group discontinued its eel feeds business, which was engaged primarily in the manufacture and sale of eel feed products in Mainland China, in the prior year through the disposal of the related subsidiaries/operations (the "Discontinuance").

On 30 December 2002, the Group entered into a sale and purchase agreement with an independent third party for the disposal of substantially all of the then existing assets attributable to the eel feeds business. This was effected through the disposal of the entire issued share capital of Corasia International (BVI) Limited ("Corasia BVI"), an investment holding company, which holds the remaining eel feeds business of the Group, for a consideration of HK$120 million (the "Corasia BVI Disposal"). The Corasia BVI Disposal, together with other disposals during that year, had effectively resulted in the completion of the Discontinuance on 30 December 2002. The consideration for the Corasia BVI Disposal was satisfied by the purchaser by way of issuing a promissory note to the Group amounting to HK$120 million. Further details of the Corasia BVI Disposal are set out in notes 20 and 33(a)(iv) to the financial statements and also in a circular of the Company dated 16 January 2003.

The eel feeds operations are principally reported under the "eel feeds" business segment, except for certain of its auxiliary and administrative functions, which are not separately reported, but are included in unallocated items for segment reporting purposes.

Further details of the discontinued operations are set out in notes 33(a) and (c) to the financial statements.

7. DISCONTINUING/DISCONTINUED OPERATIONS *(Continued)*

(b) Discontinued operations *(Continued)*

The turnover, other revenue and gains, expenses, profit before tax from ordinary activities and tax attributable to the discontinued operations are as follows:

	2003	2002
	HK$'000	*HK$'000*
Turnover	**–**	40,739
Other revenue and gains	**–**	3,762
Changes in inventories of finished goods and raw materials and consumables used	**–**	(36,989)
Staff costs	**–**	(1,293)
Depreciation and amortisation	**–**	(2,450)
Other operating expenses	**–**	(6,160)
Gain on disposal of discontinued operations	**4,943**	8,327
Profit from operating activities	**4,943**	5,936
Finance costs	**–**	(2,358)
Profit before tax	**4,943**	3,578
Tax	**–**	(54)
Profit after tax	**4,943**	3,524

8. 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	**49,707**	51,443
Staff costs, excluding directors' remuneration *(note 10)*:		
Salaries, wages and allowances	**2,562**	3,744
Retirement benefits scheme contributions	**89**	81
	2,651	3,825
Amortisation of goodwill on acquisition of subsidiaries*	**2,272**	379
Amortisation of an intangible asset*	**499**	2,850
Auditors' remuneration	**1,080**	1,000
Bad debts written off	**–**	3,628
Depreciation*	**3,853**	4,366
Provision for impairment of an intangible asset**	**7,481**	14,820
Provision for impairment of the interest in an unconsolidated subsidiary**	**14,439**	–
Loss on disposal of associates	**–**	19,031
Loss on disposal of fixed assets	**–**	147
Minimum lease payments under an operating lease in respect of land and buildings	**552**	915
Provision for doubtful debts**	**1,447**	41,564
Exchange gains, net	**–**	(463)
Gain on disposal of discontinued operations	**(4,943)**	(8,327)
Interest income	**(3)**	(3,271)
Net rental income	**–**	(396)

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

** *Included in "Other operating expenses" on the face of the consolidated profit and loss account.*

At 31 December 2003, the Group had no material forfeited contributions available to reduce its contributions to its retirement benefits scheme in future years (2002: Nil).

9. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts:		
Wholly repayable within five years	**–**	2,183
Wholly repayable after five years	**–**	183
	–	2,366

10. DIRECTORS' REMUNERATION

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

	Group	
	2003	2002
	HK$'000	*HK$'000*
Fees	**214**	125
Other emoluments:		
Salaries, allowances and benefits in kind	**1,141**	1,632
Retirement benefits scheme contributions	**–**	38
	1,141	1,670
	1,355	1,795

Fees include HK$214,000 (2002: HK$47,000) paid to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2002: Nil).

The remuneration of each of the twelve (2002: twelve) directors fell within the band of nil to HK$1,000,000 for each of the years ended 31 December 2003 and 2002.

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 (2002: 15,156,000) were granted to the directors in respect of their services to the Group. No value in respect of the share options granted in the prior year was charged to the profit and loss account, or otherwise included in the above directors' remuneration disclosures.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2002: two) director, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining four (2002: three) non-director, highest paid employees for the year are as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,385**	1,861
Retirement benefits scheme contributions	**34**	35
	1,419	1,896

The remuneration of the four (2002: three) non-director, highest paid employees fell within the band of nil to HK$1,000,000 for each of the years ended 31 December 2003 and 2002.

No share options were granted to the four (2002: three) non-director, highest paid employees for the year in respect of their services to the Group (2002: Nil).

12. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2003	2002
	HK$'000	*HK$'000*
Group:		
Current – Elsewhere other than Hong Kong		
Charge for the year	**–**	54
Share of tax attributable to associates	**–**	280
Total tax charge for the year	**–**	334

12. TAX *(Continued)*

A reconciliation of the tax expense/credit applicable to profit/loss before tax using the statutory rates for the countries in which the Company and its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2003

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax	**(4,689)**		**2,894**		**(1,795)**	
Tax/(tax credit) at the applicable tax rate	**(821)**	**(17.5)**	**955**	**33.0**	**134**	**7.5**
Lower tax rate for specific provinces or local authority	**–**	**–**	**(61)**	**(2.1)**	**(61)**	**(3.4)**
Income not subject to tax	**(865)**	**(18.4)**	**(9,986)**	**(345.1)**	**(10,851)**	**(604.5)**
Expenses not deductible for tax	**61**	**1.3**	**8,781**	**303.5**	**8,842**	**492.6**
Tax losses for the year not recognised	**1,625**	**34.6**	**311**	**10.7**	**1,936**	**107.8**
Tax charge at the Group's effective rate	**–**	**–**	**–**	**–**	**–**	**–**

Group – 2002

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before tax	(59,740)		(34,875)		(94,615)	
Tax credit at the applicable tax rate	(9,559)	(16.0)	(11,509)	(33.0)	(21,068)	(22.3)
Lower tax rate for specific provinces or local authority	–	–	5,577	16.0	5,577	5.9
Income not subject to tax	–	–	(1,053)	(3.0)	(1,053)	(1.1)
Expenses not deductible for tax	5,355	9.0	6,318	18.1	11,673	12.3
Tax losses for the year not recognised	4,204	7.0	1,001	2.9	5,205	5.5
Tax charge at the Group's effective rate	–	–	334	1.0	334	0.3

12. TAX *(Continued)*

The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable for the whole of the year ended 31 December 2003.

The Group did not have any significant unprovided deferred tax in respect of the year (2002: Nil).

Under the current PRC tax law, the subsidiary of the Group which engages in the nurturing, selling and trading of tree seedlings and seeds is exempted from PRC corporate income tax.

The Group has tax losses arising in Hong Kong of HK$10,871,000 (2002: HK$6,470,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company or its subsidiaries that have been loss-making for some time.

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was a net profit of HK$14,995,000 (2002: net loss HK$101,245,000) (note 32).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$10,606,000 (2002: HK$94,756,000), and the weighted average of 1,743,800,617 (2002: 1,433,373,083) ordinary shares in issue during the year.

Diluted loss per share amount for the year ended 31 December 2003 has not been disclosed, as the share options outstanding during the year had no dilutive effect on the basic loss per share for the year. Diluted loss per share amount for the year ended 31 December 2002 has not been disclosed, as the potential ordinary shares outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

15. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At beginning of year	79,013	457	9,868	328	1,518	91,184
Additions	–	–	59	–	–	59
Deconsolidation of a subsidiary	(4,630)	–	(7,044)	(36)	–	(11,710)
Exchange realignment	213	–	52	–	2	267
At 31 December 2003	74,596	457	2,935	292	1,520	79,800
Accumulated depreciation:						
At beginning of year	733	342	2,261	64	107	3,507
Provided during the year	2,740	115	624	69	305	3,853
Deconsolidation of a subsidiary	(385)	–	(2,540)	(8)	–	(2,933)
Exchange realignment	(5)	–	(6)	–	–	(11)
At 31 December 2003	3,083	457	339	125	412	4,416
Net book value:						
At 31 December 2003	71,513	–	2,596	167	1,108	75,384
At 31 December 2002	78,280	115	7,607	264	1,411	87,677

The Group's leasehold land and buildings at the balance sheet date are held under the following terms:

	2003 ***HK$'000***	2002 *HK$'000*
Held under medium term leases in Mainland China:		
At cost	**74,596**	74,413
At valuation	**–**	4,600
	74,596	79,013

15. FIXED ASSETS *(Continued)*

At 31 December 2002, the Group's leasehold land and buildings carried at valuation were revalued individually at 31 December 2001 by B.I. Appraisals Limited, independent professionally qualified valuers, based on their existing use and using the depreciated replacement cost method. In the opinion of the directors, the fair values of the Group's leasehold land and buildings at 31 December 2002 would not be significantly different from their respective carrying values. Accordingly, these leasehold land and buildings continue to be stated at their valuation as at 31 December 2001 less accumulated depreciation. Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts as at 31 December 2002 would have been approximately HK$3,855,000.

Company

	Leasehold improvements	**Plant, machinery and equipment**	**Furniture and fixtures**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At beginning of year	457	135	262	854
Additions	–	21	–	21
At 31 December 2003	457	156	262	875
Accumulated depreciation:				
At beginning of year	343	19	59	421
Provided during the year	114	24	60	198
At 31 December 2003	457	43	119	619
Net book value:				
At 31 December 2003	–	113	143	256
At 31 December 2002	114	116	203	433

16. INTANGIBLE ASSET

Group

	HK$'000
Cost:	
At beginning of year and at 31 December 2003	28,500
Accumulated amortisation and impairment:	
At beginning of year	20,520
Amortisation provided during the year	499
Impairment loss during the year recognised in the profit and loss account *(note 7(a))*	7,481
At 31 December 2003	28,500
Net book value:	
At 31 December 2003	–
At 31 December 2002	7,980

Due to the significant scale down of the operations of the Shrimp Feeds Business in Mainland China in the second half of 2003 and the discontinuing of such operations during the year, the directors consider that a provision for impairment is required in respect of the intangible asset based on its value in use. Further details of the discontinuing operations of the Shrimp Feeds Business are set out in note 7(a) to the financial statements.

17. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

Group

	HK$'000
Cost:	
At beginning of year and at 31 December 2003	45,436
Accumulated amortisation:	
At beginning of year	379
Amortisation provided during the year	2,272
At 31 December 2003	2,651
Net book value:	
At 31 December 2003	42,785
At 31 December 2002	45,057

18. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**11,696**	11,696
Due from subsidiaries	**319,462**	287,146
Due to subsidiaries	**(58)**	(59)
	331,100	298,783
Provision for impairment	**(72,450)**	(59,970)
	258,650	238,813

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

Particulars of the principal subsidiaries are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary share/ registered capital**	**Percentage of equity attributable to the Company 2003**	**2002**	**Principal activities**
Directly held:					
Qionghai Juhua #^	PRC/ Mainland China	US$1,500,000	100	100	Manufacture and sale of shrimp feed products
Macro-Invest Ltd.	British Virgin Islands/ Mainland China	US$1	100	100	Investment holding

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2003	2002	Principal activities
Indirectly held:					
Corasia Bio-Technology Limited	British Virgin Islands/ Mainland China	US$10,000	100	100	Holding of an intangible asset
North Asia Forest Development Limited*	British Virgin Islands/ Mainland China	US$1	100	100	Investment holding
Hebei Bashang Plant Seeds Co. Limited*^	PRC/ Mainland China	RMB15,000,000	70	70	Nurturing, selling and trading of tree seedlings and seeds

\# Qionghai Juhua was deconsolidated during the year (notes 2 and 19).

^ Qionghai Juhua is registered as a wholly-foreign owned enterprise under PRC law. Hebei Bashang Plant Seeds Co. Limited is registered as a sino-foreign equity joint venture enterprise under PRC law.

* On 20 September 2002, the Group entered into an agreement (the "Acquisition Agreement") with an independent third party (the "Vendor") for the acquisition (the "Acquisition") of the entire issued share capital of North Asia Forest Development Limited ("North Asia") for a total consideration of HK$108.3 million (the "Consideration"). The acquisition was completed on 25 October 2002. North Asia is an investment holding company, which holds a 70% equity interest in Hebei Bashang Plant Seeds Co. Limited ("Hebei Bashang"), a Sino-foreign equity joint venture enterprise established in the PRC, which is principally engaged in the nurturing, selling and trading of tree seedlings and seeds in Mainland China. The Consideration was satisfied as to (i) HK$18.3 million by the issue and allotment by the Company of 150,000,000 new shares of the Company to the Vendor and/or its nominee(s) (the "Share Consideration"); (ii) HK$30 million by the issue by the Company of a convertible note to the Vendor and/or its nominee(s) (the "Convertible Note"); (iii) HK$30 million in cash payable to the Vendor (the "Consideration Payable"); and (iv) HK$30 million within two months after April 2004 or the date on which the audited results of Hebei Bashang for the year ended 31 December 2003 is available (whichever is later) in cash payable by the Group to the Vendor (the "Deferred Consideration"). During the year, the Convertible Note was fully converted into 150,000,000 new shares of the Company (note 30(e)).

Pursuant to the Acquisition Agreement, the Vendor and a beneficial shareholder of the Vendor (the "Guarantor") have jointly and severally warranted, undertaken and guaranteed to the Group that the audited net profit of Hebei Bashang prepared under the generally accepted accounting principles in the PRC for the year ended 31 December 2003 (the "Audited 2003 Results") will be not less than RMB31,000,000 (the "Guaranteed Profit"). If the Guaranteed Profit cannot be met, the Vendor and the Guarantor have agreed that any shortfall in profit, being 70% of the difference between the Guaranteed Profit and the Audited 2003 Results, will be deducted from the balance of the Deferred Consideration pursuant to the Acquisition Agreement on a dollar-for-dollar basis. Pursuant to the audited financial statements of Hebei Bashang for the year ended 31 December 2003, the Audited 2003 Results were above RMB31,000,000 and, accordingly, no adjustment to the Deferred Consideration is required. Further details of the above are also set out in a circular of the Company dated 10 October 2002.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INTEREST IN AN UNCONSOLIDATED SUBSIDIARY

	Group	
	2003	2002
	HK$'000	*HK$'000*
Interest in Qionghai Juhua, at the carrying value of the Group at the date of deconsolidation	**14,911**	–
Provision for impairment*	**(14,911)**	–
	–	–

* *The provision for impairment was recognised for the year in the consolidated profit and loss account and directly in equity amounting to HK$14,439,000 (note 7(a)) and HK$472,000 (note 32), respectively.*

Further details of the deconsolidation of Qionghai Juhua during the year are set out in note 2 to the financial statements.

As at 31 December 2002, the assets and liabilities of Qionghai Juhua were consolidated in the consolidated balance sheet of the Group.

20. PROMISSORY NOTES RECEIVABLE

		Group		Company	
		2003	2002	**2003**	2002
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Promissory notes receivable:					
Corasia BVI Disposal	*(a)*	**60,000**	120,000	**–**	–
Disposal of associates	*(b)*	**–**	30,000	**–**	30,000
		60,000	150,000	**–**	30,000
Portion classified as current assets		**(60,000)**	(90,000)	**–**	(30,000)
Non-current portion		**–**	60,000	**–**	–

Notes:

(a) The promissory note receivable is repayable in four equal tranches of HK$30 million each on 31 May 2003, 30 September 2003, 31 January 2004 and 31 May 2004, respectively. The promissory note receivable is interest-free and is secured by the first legal charges on (i) the entire issued share capital of Corasia BVI and (ii) the entire issued share capital of Corasia International Limited.

During the year, the first two tranches of HK$30 million each of the promissory note receivable were settled.

(b) The promissory notes receivable were unsecured, interest-free and were settled during the year.

21. INVENTORIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Raw materials	**136**	2,064
Work in progress	**1,102**	3,707
Finished goods	**–**	555
	1,238	6,326

No inventories of the Group were carried at net realisable value at 31 December 2003 (2002: Nil).

22. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period ranging 90 to 180 days, except for certain major/well-established customers, whereby the credit period is extended beyond 180 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, is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within 90 days	**3,191**	7,733
91 days to 180 days	**25,630**	8,180
181 days to 365 days	**17,700**	7,573
Over 365 days	**612**	9,313
	47,133	32,799
Provision for doubtful debts	**–**	(16,793)
	47,133	16,006

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the Group's prepayments, deposits and other receivables are deposits for potential future investments paid to an investment advisor, 洛陽山嶺農林工程技術有限公司, of approximately HK$126 million (2002: Nil).

24. DUE FROM/(TO) RELATED COMPANIES

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment. Certain directors of the Company are directors and/or beneficial shareholders of the related companies.

25. ACCOUNTS PAYABLE

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

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within 90 days	**20**	1,473
91 days to 180 days	**1,404**	2,814
181 days to 365 days	**2,146**	–
Over 365 days	**255**	24
	3,825	4,311

26. DEFERRED GAIN

The amount represents the gain deferred on the Corasia BVI Disposal as further detailed in note 7 to the financial statements.

Such gain will be recognised in the profit and loss account upon the settlement of the disposal consideration.

27. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary was unsecured, interest-free and was settled during the year.

28. CONVERTIBLE NOTE

The amount at 31 December 2002 represented the outstanding principal of the Convertible Note as further detailed in notes 18, 33(a)(iii) and 33(b) to the financial statements. The Convertible Note was unsecured, interest-free and had a maturity date on 30 June 2004.

During the year, the Convertible Note was converted in full into 150,000,000 new ordinary shares of the Company of HK$0.01 each. Details of the conversion are set out in note 30(a) to the financial statements.

Further details of the Convertible Note are set out in a circular of the Company dated 10 October 2002.

29. OTHER LONG TERM LIABILITY

The amount at 31 December 2002 represented the outstanding balance of the Deferred Consideration as further detailed in notes 18, 33(a)(iii) and 33(b) to the financial statements.

The Deferred Consideration is unsecured and interest-free.

As at 31 December 2003, the Deferred Consideration of HK$30,000,000 was included in "Other payables and accrued liabilities" on the face of the consolidated balance sheet, since it is repayable within one year from the balance sheet date.

Further details of the Deferred Consideration are set out in a circular of the Company dated 10 October 2002.

30. SHARE CAPITAL

Shares

	2003	2002
	HK$'000	*HK$'000*
Authorised:		
160,000,000,000 (2002: 160,000,000,000) ordinary shares of HK$0.01 each	**1,600,000**	1,600,000
Issued and fully paid:		
1,807,143,083 (2002: 1,657,143,083) ordinary shares of HK$0.01 each	**18,071**	16,571

During the year, the movements in share capital of the Company were as follows:

(a) During the year, the conversion right attaching to the Convertible Note with a face value of HK$30,000,000 was exercised at a conversion price of HK$0.20 per ordinary share of the Company, resulting in the issue of 150,000,000 new ordinary shares of the Company of HK$0.01 each (note 28).

Further details of the Convertible Note are set out in notes 18 and 28 to the financial statements.

In the prior year, the movements in share capital of the Company were as follows:

(b) Pursuant to a placing agreement dated 20 March 2002 entered into between the Company and an independent placing agent, 251,000,000 new ordinary shares of the Company of HK$0.01 each were allotted and issued, credited as fully paid at HK$0.11 per share, to independent third parties on 28 May 2002, for a total cash consideration, before expenses, of HK$27,610,000.

30. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

(c) Pursuant to certain special and ordinary resolutions passed in a special general meeting of the Company held on 2 May 2002, a capital reorganisation of the Company (the "Capital Reorganisation") involving, inter alia, the following was implemented:

(i) a reduction of the nominal value of each issued ordinary share of the Company before the completion of the Capital Reorganisation from HK$0.10 to HK$0.01 each by the cancellation of HK$0.09 paid-up capital on each issued share (the "Capital Reduction"), and a transfer of the credit arising from the Capital Reduction of approximately HK$112,950,000 to the contributed surplus account of the Company (note 32); and

(ii) a subdivision of every authorised but unissued ordinary share of the Company of HK$0.10 before the completion of the Capital Reorganisation into 10 ordinary shares of the Company of HK$0.01 each (the "Share Subdivision") and the authorised capital of the Company will remain as HK$160,000,000.

In addition, pursuant to an ordinary resolution of the Company passed 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 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.

Further details of the Capital Reorganisation are also set out in a circular of the Company dated 9 April 2002.

(d) In the prior year, the subscription rights attaching to 1,140,000 share options of the Company were exercised at a subscription price of HK$0.13120 per share, resulting in the issue of 1,140,000 new ordinary shares of the Company of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$149,000.

(e) On 25 October 2002, 150,000,000 new ordinary shares of the Company of HK$0.01 each, were allotted and issued at a fair value of HK$0.122 per share, as the Share Consideration (notes 18 and 33(a)(iii)).

30. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2002		1,255,003,083	125,500	63,900	189,400
Capital Reduction	*(c)(i)*	–	(112,950)	–	(112,950)
Shares issued under a placement	*(b)*	251,000,000	2,510	25,100	27,610
Share options exercised	*(d)*	1,140,000	11	138	149
Shares issued as the Share Consideration	*(e)*	150,000,000	1,500	16,800	18,300
		402,140,000	4,021	42,038	46,059
Share issue expenses		–	–	(430)	(430)
At 31 December 2002 and 1 January 2003		1,657,143,083	16,571	105,508	122,079
Convertible Note exercised	*(a)*	150,000,000	1,500	28,500	30,000
At 31 December 2003		1,807,143,083	18,071	134,008	152,079

Pursuant to certain placing agreements dated 24 December 2003, 325,400,000 new ordinary shares of the Company of HK$0.01 each were allotted and issued for cash to certain parties at a price of HK$0.07 per share on 21 January 2004, for a total cash consideration, before expenses, of HK$22,778,000, to provide additional working capital for the Group (the "Placement"). As at 31 December 2003, a deposit of approximately HK$5,250,000 was received in connection with the Placement.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of recognising the significant contributions of eligible participants to the growth of the Group and to further motivate and encourage the eligible participants to contribute and improve their performance and efficiency. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other directors/employees of the Group or its investees, suppliers of goods or services to the Group or its investees, customers of the Group or its investees, persons/entities that provide research, development or other technological support, shareholders of any member of the Group or its investees or such other persons from time to time as determined by the directors. The Scheme was approved and adopted on 21 June 2002 (the "Adoption Date") and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares in respect of which options may be granted under the Scheme (excluding options lapsed) is not permitted to exceed 10% of the shares of the Company in issue as at the Adoption Date, without a prior approval from the Company's shareholders.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by all the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted on or before the close of business on the date specified in the offer document. The exercise period of the share options granted is determinable by the directors, and commences on the first business date from the date of the offer of the share options and ends on the close of business on the last day of such period as determined by the directors, but no later than ten years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares published on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

31. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options: At 1 January 2003	Granted during the year	Exercised during the year	Cancelled during the year	At 31 December 2003	Date of grant of share options*	Exercise period of share options (both dates inclusive)	Exercise price of share options** *HK$*
Directors								
Dr. Hon Fong Ming, Perry	900,000	–	–	–	900,000	26-06-02	26-6-02 to 20-6-12	0.1312
	8,000,000	–	–	–	8,000,000	30-07-02	30-7-02 to 20-6-12	0.2360
	8,900,000	–	–	–	8,900,000			
Dr. Qian Keming	864,000	–	–	–	864,000	26-06-02	26-6-02 to 20-6-12	0.1312
Mr. Zhang Jiebin	900,000	–	–	–	900,000	26-06-02	26-6-02 to 20-6-12	0.1312
Mr. Ke Yinbin	900,000	–	–	–	900,000	26-06-02	26-6-02 to 20-6-12	0.1312
Mr. Shang Qingling	864,000	–	–	–	864,000	26-06-02	26-6-02 to 20-6-12	0.1312
Mr. Yu Enguang	864,000	–	–	–	864,000	26-06-02	26-6-02 to 20-6-12	0.1312
Prof. Lang Hsien Ping	1,000,000	–	–	–	1,000,000	30-07-02	30-7-02 to 20-6-12	0.2360
Prof. Ma Qingguo	864,000	–	–	–	864,000	26-06-02	26-6-02 to 20-6-12	0.1312
	15,156,000	–	–	–	15,156,000			
Employees								
In aggregate	11,474,000	–	–	–	11,474,000	26-06-02	26-6-02 to 20-6-12	0.1312
Suppliers of goods or services								
In aggregate	48,680,000	–	–	–	48,680,000	26-06-02	26-6-02 to 20-6-12	0.1312
	500,000	–	–	–	500,000	30-07-02	30-7-02 to 20-6-12	0.2360
	49,180,000	–	–	–	49,180,000			
Others								
In aggregate	54,270,000	–	–	–	54,270,000	26-06-02	26-6-02 to 20-6-12	0.1312
	130,080,000	–	–	–	130,080,000			

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

31. SHARE OPTION SCHEME *(Continued)*

At the balance sheet date, the Company had 130,080,000 share options outstanding under the Scheme, which represented approximately 7.2% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 130,080,000 additional ordinary shares of the Company and additional share capital of approximately HK$1,301,000 and share premium of approximately HK$16,761,000 (before issue expenses).

32. RESERVES

Group

	Notes	Share premium account	Fixed assets revaluation reserve	Reserve fund*	Contributed surplus	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002		63,900	6,185	10,474	13,933	195	72,209	166,896
Issue of shares	*30*	42,038	–	–	–	–	–	42,038
Share issue expenses	*30*	(430)	–	–	–	–	–	(430)
Release on disposal of discontinued operations	*33(c)*	–	(5,713)	(10,192)	–	(195)	15,905	(195)
Capital Reduction	*30*	–	–	–	112,950	–	–	112,950
Net loss for the year		–	–	–	–	–	(94,756)	(94,756)
Transfer to reserve funds*		–	–	40	–	–	(40)	–
At 31 December 2002 and 1 January 2003		105,508	472	322	126,883	–	(6,682)	226,503
Issue of shares	*30*	28,500	–	–	–	–	–	28,500
Impairment loss recognised directly in equity	*19*	–	(472)	–	–	–	–	(472)
Transfer to reserve funds*		–	–	3,168	–	–	(3,168)	–
Exchange realignment		–	–	–	–	72	–	72
Net loss for the year		–	–	–	–	–	(10,606)	(10,606)
At 31 December 2003		134,008	–	3,490	126,883	72	(20,456)	243,997

All the above reserves are retained by/(accumulated in) the Company and subsidiaries.

* In accordance with the relevant the PRC laws and regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profits after tax, if any, to reserve funds which are restricted as to use.

32. RESERVES *(Continued)*

Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2002		63,900	40,569	(4,975)	99,494
Issue of shares	30	42,038	–	–	42,038
Share issue expenses	30	(430)	–	–	(430)
Capital Reduction	30	–	112,950	–	112,950
Net loss for the year		–	–	(101,245)	(101,245)
At 31 December 2002 and 1 January 2003		105,508	153,519	(106,220)	152,807
Issue of shares	30	28,500	–	–	28,500
Net profit for the year		–	–	14,995	14,995
At 31 December 2003		134,008	153,519	(91,225)	196,302

The contributed surplus of the Group represents the difference between the aggregate of the nominal value of (i) the share capital of the subsidiaries acquired pursuant to the Group reorganisation completed on 5 June 1998; (ii) the debt of approximately HK$17,039,000 (the "Debt") due by the then shareholders, Mr. Kwok Man Yu and his wife, Ms. Lam Yuk Ang, to Corasia BVI, the former holding company of the Group, and assumed by the Company by virtue of the same Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor; and (iii) the credit arising from the Capital Reduction of approximately HK$112,950,000 (note 30).

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, as reduced by the balance of the Debt assumed by the Company by virtue of the Capital Reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor; and the credit arising from the Capital Reduction of approximately HK$112,950,000 (note 30).

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

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

In the current year, the conversion right attaching to the Convertible Note with a face value of HK$30,000,000 was exercised at a conversion price of HK$0.20 per ordinary share of the Company, resulting in the issue of 150,000,000 new ordinary shares of the Company of HK$0.01 each (notes 28 and 30(a)).

In the prior year, the Group had the following major non-cash transactions:

(i) In the prior year, the Group disposed of all of its associates to an independent third party for a total consideration of HK$41 million. The consideration was satisfied by the purchaser by way of issuing certain promissory notes to the Group amounting to HK$41 million. Part of such promissory notes receivable totalling HK$11 million was transferred to the Vendor as partial settlement of the Consideration Payable (note 18). The balance of the promissory notes receivable amounting to HK$30 million was repayable on 30 June 2003 and 31 October 2003 and was settled during the current year (note 20).

(ii) In the prior year, the Group disposed of certain eel feeds subsidiaries for a total consideration of HK$38 million. The consideration for the disposal was satisfied by the purchaser by way of issuing certain promissory notes to the Company amounting to HK$38 million. Part of such promissory notes receivable totalling HK$19 million was transferred to the Vendor as partial settlement of the Consideration Payable (note 18). The balance of the promissory notes receivable amounting to HK$19 million was fully settled by cash during the prior year.

(iii) As further detailed in note 18 to the financial statements, the consideration for the Acquisition was satisfied by the Share Consideration (note 30(e)), the Convertible Note (note 28), the Consideration Payable and the Deferred Consideration (note 29). The Consideration Payable was settled during the prior year by transferring certain promissory notes receivable totalling HK$30 million to the Vendor as further detailed in notes (i) and (ii) above.

(iv) As further detailed in notes 7 and 20 to the financial statements, the consideration for the Corasia BVI Disposal was satisfied by the purchaser by way of issuing a promissory note to the Group amounting to HK$120 million, which is repayable in four equal tranches of HK$30 million each on 31 May 2003, 30 September 2003, 31 January 2004 and 31 May 2004, respectively.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Acquisition of subsidiaries

As further detailed in note 18 to the financial statements, the Group acquired North Asia and its subsidiaries pursuant to the Acquisition Agreement during the year ended 31 December 2002.

	Note	2002 *HK$'000*
Net assets acquired:		
Fixed assets		63,505
Inventories		1,246
Accounts receivable		21,096
Prepayments, deposits and other receivables		16,694
Cash and bank balances		484
Accounts payable		(4,726)
Other payables and accrued liabilities		(8,493)
Minority interests		(26,942)
		62,864
Goodwill on acquisition		45,436
		108,300
Satisfied by:		
Share Consideration	*18*	18,300
Convertible Note	*18*	30,000
Consideration Payable	*18*	30,000
Deferred Consideration	*18*	30,000
		108,300

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries during the year ended 31 December 2002 is as follows:

	HK$'000
Cash consideration	–
Cash and bank balances acquired	484
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	484

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Acquisition of subsidiaries *(Continued)*

As further detailed in note (a)(iii) above, the Consideration Payable was fully settled during the prior year by the transfer of certain promissory notes receivable totalling HK$30 million to the Vendor.

The subsidiaries acquired in the prior year contributed HK$460,000 to the Group's turnover and accounted for HK$1,000,000 of the consolidated loss after tax and before minority interests for the year ended 31 December 2002.

(c) Disposal of subsidiaries (discontinued operations)

	Notes	2002 HK$'000
Net assets disposed of:		
Fixed assets		38,180
Inventories		1,311
Accounts receivable		94,170
Prepayments, deposits and other receivables		2,432
Cash and bank balances		39,027
Accounts payable		(1,161)
Other payables and accrued liabilities		(9,679)
Tax payable		(7,217)
Due to related companies		(1,799)
Interest-bearing bank borrowings		(15,639)
		139,625
Incidental costs of disposal		357
Release of exchange fluctuation reserve on disposal	32	(195)
Gain on disposal of discontinued operations recognised in the consolidated profit and loss account*	8	8,327
Gain on disposal of discontinued operations deferred*	26	9,886
		158,000
Satisfied by:		
Promissory notes receivable**		158,000

* There was no tax arising from the disposal.

** HK$98 million of the disposal consideration was received/settled in the prior year (HK$38 million) and the current year (HK$60 million) and the remaining balance of HK$60 million will be received in 2004 (note 33(a)(iv)).

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Disposal of subsidiaries (discontinued operations) *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of discontinued operations during the year ended 31 December 2002 is as follows:

	HK$'000
Incidental costs of disposal	(357)
Cash and bank balances disposed of	(39,027)
Bank overdrafts disposed of	231
Net outflow of cash and cash equivalents in respect of the disposal of discontinued operations	(39,153)

The subsidiaries disposed of in the prior year contributed HK$40,739,000 to the Group's turnover and reduced the consolidated loss after tax and before minority interests for the year ended 31 December 2002 by HK$3,524,000.

34. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group and Company	
	2003	2002
	HK$'000	*HK$'000*
Corporate guarantees given to banks in connection with facilities granted to a former subsidiary	**12,289**	15,409

As part of the Corasia BVI Disposal, the Group disposed of Corasia International Limited ("Corasia HK"), a wholly-owned subsidiary of the Group prior to the Corasia BVI Disposal, during the prior year. The Company has provided corporate guarantees (the "Corporate Guarantees") to the bankers of Corasia HK to secure certain bank facilities granted to Corasia HK.

As at 31 December 2003, the banking facilities granted to Corasia HK subject to the Corporate Guarantees plus the interest accrued thereon amounted to HK$12,289,000 (2002: HK$15,409,000) (the "Guaranteed Amount"). Subject to the release of the Corporate Guarantees by the relevant banks, the Company is obliged to continue to provide the Corporate Guarantees after the completion of the Corasia BVI Disposal.

34. CONTINGENT LIABILITIES *(Continued)*

The purchaser of Corasia BVI has unconditionally and irrevocably covenanted and undertaken to the Company that it will fully indemnify the Company all costs and other losses and expenses which Purchaser and/or the Company may suffer or incur in connection with the Corporate Guarantees (the "Indemnity").

In the opinion of the directors, as the Group could rely on the Indemnity, it is not probable that an outflow of resources embodying economic benefits in respect of the Guaranteed Amount would occur to the Group and the Company. Accordingly, the Guaranteed Amount has been disclosed as contingent liabilities of the Group and the Company at the balance sheet date.

35. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases its office premises under an operating lease arrangement. The lease for the office premises is negotiated for a term of two years.

At 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due within one year amounting to HK$177,000 (2002: HK$228,000).

The Company did not have any significant operating lease arrangement as at 31 December 2003 (2002: Nil).

36. CAPITAL COMMITMENTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Capital commitments for the investments in subsidiaries contracted, but not provided for	**–**	13,762

The Company did not have any significant capital commitments as at 31 December 2003 (2002: Nil).

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Purchase of land use rights from a minority shareholder of a subsidiary	*(i)*	**–**	11,454
Administrative expenses reimbursed to certain related companies	*(ii)*	**1,643**	–

Notes:

(i) The purchase of land use rights was based on mutually agreed terms.

(ii) The expenses were reimbursed to certain related companies, in which certain directors of the Company are directors and/or beneficial shareholders, based on the actual costs incurred.

38. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events of the Group, not disclosed elsewhere in the financial statements, took place:

(a) In January 2004, an arrangement was made to transfer the receivable under the third tranche of the promissory note receivable amounting to HK$30 million (note 20(a)) to the Vendor as partial settlement of the Deferred Consideration (note 18).

(b) In February 2004, the Group entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party, to acquire 100% equity interest in Harvard Technology Limited ("Harvard"), for a cash consideration of US$10,000. The principal asset of Harvard is a 66.67% equity interest in Zhengzhou Harvard Animal Medicine Limited ("Zhengzhou Harvard"), a Sino-foreign joint venture established in 2003. Zhengzhou Harvard will be principally engaged in the sale and production of pharmaceutical prescriptions for livestock and poultry. Pursuant to the S&P Agreement, after the acquisition of Harvard, the Group is obliged to inject capital amounting to RMB8,000,000 to Zhengzhou Harvard.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 April 2004.