

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 March 2001.

Principal Activities

The Company acts as an investment holding company and provides corporate management services to group companies. Its subsidiaries are principally engaged in global sourcing, processing on shore and international distribution of a variety of frozen seafood products, fuel-trading-at-sea, and the provision of shipping and agency services.

An analysis of the Group's turnover and contribution to operating profit for each of its principal activities and geographical markets is set out in note 3 to the financial statements.

Customers and Suppliers

The five largest customers of the Group together accounted for approximately 48.6% of the Group's turnover, with the largest customer accounting for 17.8%. The five largest suppliers of the Group together accounted for less than 35.1% of the Group's total purchases, with the largest supplier accounting for 9.7%.

At no time during the year did a director, an associate of a director or a shareholder of the Company which, to the knowledge of the directors of the Company owns more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers or suppliers.

Results and Appropriations

The results of the Group for the year ended 31 March 2001 are set out in the consolidated income statement on page 22.

The directors recommend the payment of a final dividend of HK3 cents per share to the shareholders whose names appear on the Register of Members of the Company at the close of business on 11 September 2001 amounting to HK\$19,703,000 and the retention of the remaining profit for the year of HK\$37,000,000.

Share Premium and Reserves

Movements in the share premium and reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

Financial Summary

A financial summary of the Group is set out on page 57.

Property, Plant and Equipment

During the year, the Group spent approximately HK\$6,340,000 on plant and machinery for the purpose of expansion of production capacity for the factories situated in the People's Republic of China ("Mainland China").

Details of these and other movements in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

Investment Properties

The Group has revalued its investment properties at 31 March 2001.

Details of movements in investment properties of the Group are set out in note 14 to the financial statements.

Subsidiaries and Associates

Details of the Company's principal subsidiaries and the Group's associates as at 31 March 2001 are set out in notes 41 and 42 to the financial statements respectively.

Share Capital and Share Options

During the year, the Company repurchased 826,000 of its own shares through The Stock Exchange of Hong Kong Limited and these shares were eventually cancelled. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Details of this and other movements in the share capital and share options of the Company are set out in notes 29 and 30 to the financial statements respectively.

Other than as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws in Bermuda.

Borrowings

Details of bank borrowings and other borrowing of the Group are set out in notes 26 and 27 to the financial statements respectively.

No interest was capitalised by the Group during the year.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ng Joo Siang – *Managing Director*

Teh Hong Eng

Ng Joo Kwee

Ng Joo Puay, Frank

Cheng Nai Ming

Independent non-executive directors:

Lew V Robert

Kwok Lam Kwong, Larry

In accordance with the provisions of the Company's bye-laws, Ng Joo Kwee and Ng Joo Puay, Frank retire and, being eligible, offer themselves for re-election. All remaining directors continue in office.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's bye-laws.

Directors' Service Contracts

Each of Ng Joo Siang, Teh Hong Eng, Ng Joo Kwee, Ng Joo Puay, Frank and Cheng Nai Ming has entered into a service agreement with the Company's subsidiary. These service agreements shall be valid unless terminated for cause or by either party giving at least one year's written notice (other than the service agreement of Cheng Nai Ming which requires at least six months' written notice).

Other than as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executive's Interests in Shares and Options

(i) Shares

At 31 March 2001, the interests of the directors and chief executives and their associates, within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong (the "SDI Ordinance") in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

<i>Name of director</i>	<i>Type of interest</i>	<i>Number of shares</i>
Ng Joo Siang (<i>Note</i>)	family interest	422,000
Cheng Nai Ming	personal interest	1,454,400

Note: These shares are held under the name of the spouse of Ng Joo Siang.

Directors' and Chief Executive's Interests in Shares and Options – *Continued*

(ii) Options

The directors had personal interests in share options to subscribe for shares in the Company as follows:

<i>Name of directors</i>	<i>Exercise price HK\$</i>	<i>Exercisable period (both dates inclusive)</i>	<i>Number of share options at 1.4.2000 and at 31.3.2001</i>
Cheng Nai Ming	0.9440	25.10.1998 to 24.10.2003	2,000,000
	0.3336	21.8.2000 to 20.8.2005	4,000,000
Ng Joo Kwee	0.3336	21.8.2000 to 20.8.2005	10,000,000
Ng Joo Puay, Frank	0.3336	21.8.2000 to 20.8.2005	8,000,000
Ng Joo Siang	0.3336	21.8.2000 to 20.8.2005	16,000,000
Teh Hong Eng	0.3336	21.8.2000 to 20.8.2005	10,000,000

During the year, no share option to subscribe for shares of the Company was exercised or cancelled.

Details of the share option scheme are set out in note 30 to the financial statements.

(iii) Shares in a subsidiary

Each of Ng Joo Siang and Ng Joo Puay, Frank is beneficially interested in 100 non-voting deferred shares of HK\$100 each in the share capital of Pacific Andes Enterprises (Hong Kong) Limited, a subsidiary of the Company.

Other than as disclosed above, none of the directors or chief executives or their respective associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives or their respective spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company or its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interest in Contracts of Significance

Save as disclosed in note 40 to the financial statements, no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial Shareholders

As at 31 March 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed the following shareholders as having an interest of 10% or more in the issued share capital of the Company:

<i>Name</i>	<i>Number of shares</i>
N.S. Hong Investment (BVI) Limited	373,128,665
Ng Swee Hong	373,128,665 (<i>note</i>)

Note: These shares are registered in the name of N.S. Hong Investment (BVI) Limited and Mr. Ng Swee Hong is deemed to be interested in these shares by virtue of the fact that N.S. Hong Investment (BVI) Limited, a corporation, is accustomed to act in accordance with his directions.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital at 31 March 2001.

Connected Transactions

On 13 June 2000, Pelican Food Limited ("Pelican"), a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement (the "Agreement") pursuant to which Pelican agreed to sell the entire issued and paid-up share capital of New Millennium Group Holdings Limited and its interests in three subsidiaries, Pacific Andes Vegetables Inc., Qingdao Pacific Andes Farms Co. Limited and Qingdao New Millennium Food Co. Limited, which are principally engaged in the production and processing of vegetables in Shangdong Province, Mainland China, to Pacific Andes (Holdings) Limited ("PAH"), a subsidiary in which the Group had a 56% attributable interest on the date of the Agreement, for an aggregate consideration of US\$6,920,000 (equivalent to approximately HK\$53,976,000). The consideration was satisfied by the issue of shares by PAH to Clamford Holding Limited ("Clamford"), also a wholly-owned subsidiary of the Company.

The manner in which the consideration of US\$6,920,000 was paid under the Agreement was set out in the supplemental agreement entered into between Pelican and PAH on 1 August 2000.

During the year, consideration of US\$6,720,000 (equivalent to approximately HK\$52,416,000) was satisfied by the issue of shares by PAH to Clamford. The balance of the consideration of US\$200,000 (equivalent to approximately HK\$1,560,000) will be satisfied in the form of shares to be issued in the coming year.

The Group had also entered into the following transactions with National Fish & Seafood Inc. ("NFS") and its subsidiary, in which the Group has a 60% attributable interest, and PAH and its subsidiaries.

	<i>HK\$'000</i>
Interest income received from PAH and its subsidiaries	2,278
Interest income received from NFS and its subsidiary	53
Administrative expense paid to PAH and its subsidiaries	13,741
Sales of frozen seafood to NFS and its subsidiary	8,456
	<u>24,528</u>

Connected Transactions – *Continued*

The interest income was calculated at 8.25% per annum on the outstanding amounts due from PAH and its subsidiaries and NFS and its subsidiary. The administrative expenses were calculated in accordance with the management agreement signed on 3 September 1996 upon the listing of the shares of PAH on Singapore Exchange Securities Trading Limited. Sales of frozen seafood were carried out at market price or, where no market price was available, at cost plus a percentage profit make-up. These transactions were in the ordinary and usual course of business.

During the year, the Company executed guarantees to certain bankers in respect of banking facilities in the amount of US\$16,000,000 (equivalent to approximately HK\$124,800,000) granted to NFS and its subsidiary. The guarantees given by the Company were in the ordinary and usual course of business.

Donations

During the year, the Group made charitable and other donations amounting to HK\$66,000.

Corporate Governance

The Company has complied throughout the year ended 31 March 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code of Best Practice") except that its non-executive directors are not appointed for a specific term. Pursuant to the bye-laws of the Company, the directors, including non-executive directors, of the Company will retire by rotation on an average of every three years and their appointments will be reviewed when they are due for re-election which, in the opinion of the Company, meets the same objective as the guidelines, set out in the Code of Best Practice.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Ng Joo Siang
Managing Director

23 July 2001