

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

1. General

The Company is an exempted company incorporated in Bermuda with limited liability. Its shares were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Its ultimate holding company is N.S. Hong Investment (BVI) Limited ("NSH"), a company incorporated in the British Virgin Islands.

The Company acts as an investment holding company and provides corporate management services to group companies. Details of the principal activities engaged in by the principal subsidiaries and associates are set out in notes 41 and 42 respectively.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and under the historical cost convention, as modified for the revaluation of land and buildings, investment properties and investments in securities. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation, which represents the excess of the purchase consideration over the fair value ascribed to the separable net assets at the date of acquisition of a subsidiary, is written off to the goodwill reserve immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the separable net assets at the date of acquisition over the purchase consideration, is credited to the goodwill reserve.

On disposal of a subsidiary, the attributable amount of goodwill previously eliminated against or credited to the goodwill reserve is included in the determination of the profit or loss on disposal of the subsidiary.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary.

2. Significant Accounting Policies – *continued*

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Shipping and agency service income is recognised upon the completion of the contracts for shipping and agency services.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rentals invoiced in advance from properties held under operating leases, is recognised on a straight line basis over the terms of the relevant leases.

Property, plant and equipment

Property, plant and equipment other than land and buildings and construction in progress are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period 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 asset, the expenditure is capitalised as an additional cost of the asset.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

2. Significant Accounting Policies – *continued*

Property, plant and equipment – *continued*

Any revaluation increase arising on revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is recognised as income to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged as expense to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation increase is transferred to retained profits.

Construction in progress is stated at cost which includes all development expenditure and the direct costs including borrowing costs capitalised attributable to such projects. Construction in progress is not depreciated until the completion of construction. Cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceed and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present value.

Depreciation is provided to write off the cost of property, plant and equipment, over their estimated useful lives, as follows:

	Rates	Method
Freehold land	Nil	–
Leasehold land	Over the term of the lease	straight line
Buildings	4%	straight line
Leasehold improvements	30%	reducing balance
Furniture and fixtures	30%	reducing balance
Office equipment	40%	reducing balance
Motor vehicles	40%	reducing balance
Plant and machinery	20% – 40%	reducing balance
Vessels	20%	straight line

2. Significant Accounting Policies – *continued*

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is recognised as an expense. Where a decrease has previously been recognised as an expense and a revaluation increase subsequently arises, this increase is recognised as income to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

2. Significant Accounting Policies – *continued*

Preliminary set up costs for vessels

Preliminary set up costs for vessels are charged as expenses as and when incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries operated outside Hong Kong are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Operating leases

Rentals under operating leases are charged to the income statement on a straight line basis over the lease terms.

Retirement benefits scheme

The pension costs charged to the income statement represent the amount of contributions payable in respect of the Group's defined contribution scheme and mandatory provident fund scheme.

Cash equivalents

Cash equivalents represent short term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

3. Turnover and Segmental Information

An analysis of the Group's turnover and contribution to profit from operations by principal activity and geographical market is as follows:

	<i>Turnover</i>		<i>Profits from operations</i>	
	<i>2001</i> <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>	<i>2001</i> <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
BY PRINCIPAL ACTIVITY				
Frozen fish	1,565,411	1,021,283	88,626	75,538
Fillets and portions	1,049,042	967,498	74,209	58,637
Shipping services	43,981	98,979	(74)	5,766
Vegetables	12,951	881	(1,127)	(7,353)
Others	-	2,117	-	144
	<u>2,671,385</u>	<u>2,090,758</u>	<u>161,634</u>	<u>132,732</u>
BY GEOGRAPHICAL MARKET				
The People's Republic of China ("Mainland China")	1,371,494	958,974	68,099	80,634
North America	629,790	572,014	46,762	34,258
Western Europe	436,836	285,720	37,158	7,594
Eastern Europe	43,597	45,929	206	1,195
Japan	164,398	169,750	9,372	8,339
Others	25,270	58,371	37	712
	<u>2,671,385</u>	<u>2,090,758</u>	<u>161,634</u>	<u>132,732</u>

4. Other Revenue

Other revenue comprises of:

	<i>2001</i> <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
Agency fee income	17,000	2,634
Commission income	-	4,639
Exchange gain	-	3,513
Interest income	3,712	10,535
Net rental from property	2,521	1,877
Sundry income	1,881	2,945
	<u>25,114</u>	<u>26,143</u>

5. Other Operating (Expenses) Income

	2001 HK\$'000	2000 HK\$'000
Revaluation (decrease) increase arising on revaluation of:		
Land and buildings	(622)	-
Investment properties	-	156
	<u>(622)</u>	<u>156</u>

6. Profit From Operations

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration:		
- current year	2,097	1,900
- underprovision for prior year	73	23
Depreciation	35,174	33,790
Loss on disposal of other property, plant and equipment	-	77
Operating lease rentals in respect of rented premises	3,390	3,244
Retirement benefits scheme contributions, net of forfeited contributions of HK\$91,000 (2000: HK\$110,000)	536	292
Staff costs including directors' remuneration	<u>49,272</u>	<u>49,917</u>

7. Interest Expenses

	2001 HK\$'000	2000 HK\$'000
Interest on bank borrowings:		
- wholly repayable within five years	75,414	64,742
- not wholly repayable within five years	-	2,736
Interest on promissory note	<u>6,328</u>	<u>3,935</u>
	<u>81,742</u>	<u>71,413</u>

8. Directors' Emoluments

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive	–	–
Independent non-executive	480	480
	<u>480</u>	<u>480</u>
Other emoluments – executive directors		
Salaries and other benefits in kind		
– cash	6,348	4,155
– benefits-in-kind	3,739	5,235
Performance related incentive payment	1,840	1,280
	<u>11,927</u>	<u>10,670</u>
	<u><u>12,407</u></u>	<u><u>11,150</u></u>

Benefits-in-kind mainly represent the estimated monetary value of accommodation provided to certain directors of the Company.

Emoluments of the directors were within the following bands:

	2001 No. of Directors	2000 No. of Directors
HK\$ nil to HK\$1,000,000	2	3
HK\$1,500,001 to HK\$2,000,000	2	2
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	2	1
HK\$3,000,001 to HK\$3,500,000	1	–
	<u>7</u>	<u>8</u>

The five highest paid individuals of the Group for the year ended 31 March 2001 and 31 March 2000 are all directors.

9. Taxation

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Profit for the year		
Hong Kong	3,832	2,762
Other jurisdictions	–	1,811
(Over)underprovision in prior years		
Hong Kong	(256)	1,099
Other jurisdictions	–	10
Taxation charge for the year	<u>3,576</u>	<u>5,682</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the year.

Taxation in other jurisdictions are calculated at the rates prevailing in the respective jurisdiction.

As a substantial portion of the Group's profit neither arises in, nor is derived from, Hong Kong and accordingly it is not subject to Hong Kong Profits Tax.

Details of deferred taxation are set out in note 28.

10. Net Profit for the Year

Of the Group's net profit for the year of HK\$56,703,000 (2000: HK\$35,194,000) a net profit of HK\$6,696,000 (2000: HK\$7,085,000) has been dealt with in the financial statements of the Company.

11. Dividend

	2001 HK\$'000	2000 HK\$'000
Final dividend:		
Proposed final dividend of HK 3 cents (2000: nil) per share	<u>19,703</u>	<u>–</u>

The final dividend has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. Earnings Per Share

The calculation of the basic earnings per share for the year ended 31 March 2001 is based on the net profit for the year of HK\$56,703,000 (2000: HK\$35,194,000) and on the weighted average number of 657,211,441 (2000: 657,591,266) ordinary shares in issue during the year.

Diluted earnings per share has not been presented as the exercise prices of the Company's outstanding share options are higher than the average market price per share for both years.

13. Property, Plant and Equipment

	<i>Land and buildings</i> HK\$'000	<i>Leasehold improvements</i> HK\$'000	<i>Furniture and fixtures</i> HK\$'000	<i>Office equipment</i> HK\$'000	<i>Motor vehicles</i> HK\$'000	<i>Plant and machinery</i> HK\$'000	<i>Vessels</i> HK\$'000	<i>Construction in progress</i> HK\$'000	<i>Total</i> HK\$'000
THE GROUP									
COST OR VALUATION									
At 1.4.2000	252,136	11,531	14,714	19,296	16,998	66,739	94,087	18,329	493,830
Additions	24	1,946	266	3,117	3,441	6,340	-	165	15,299
Disposals	-	-	-	(71)	(435)	(168)	-	-	(674)
Reclassification	(4,698)	-	-	(278)	-	13,043	-	(12,067)	(4,000)
Revaluation decrease	(11,028)	-	-	-	-	-	-	-	(11,028)
At 31.3.2001	<u>236,434</u>	<u>13,477</u>	<u>14,980</u>	<u>22,064</u>	<u>20,004</u>	<u>85,954</u>	<u>94,087</u>	<u>6,427</u>	<u>493,427</u>
Comprising:									
At cost	-	13,477	14,980	22,064	20,004	85,954	94,087	6,427	256,933
At valuation - 1999	4,134	-	-	-	-	-	-	-	4,134
At valuation - 2001	<u>232,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,300</u>
Total	<u>236,434</u>	<u>13,477</u>	<u>14,980</u>	<u>22,064</u>	<u>20,004</u>	<u>85,954</u>	<u>94,087</u>	<u>6,427</u>	<u>493,427</u>
DEPRECIATION									
At 1.4.2000	6,178	4,692	9,234	11,130	13,397	20,579	33,462	-	98,672
Provided for the year	6,021	297	1,492	2,774	2,071	8,152	14,367	-	35,174
Eliminated on disposals	-	-	-	-	(403)	(145)	-	-	(548)
Reclassification	-	-	-	(53)	-	53	-	-	-
Adjustment on revaluation	(12,133)	-	-	-	-	-	-	-	(12,133)
At 31.3.2001	<u>66</u>	<u>4,989</u>	<u>10,726</u>	<u>13,851</u>	<u>15,065</u>	<u>28,639</u>	<u>47,829</u>	<u>-</u>	<u>121,165</u>
NET BOOK VALUES									
At 31.3.2001	<u>236,368</u>	<u>8,488</u>	<u>4,254</u>	<u>8,213</u>	<u>4,939</u>	<u>57,315</u>	<u>46,258</u>	<u>6,427</u>	<u>372,262</u>
At 31.3.2000	<u>245,958</u>	<u>6,839</u>	<u>5,480</u>	<u>8,166</u>	<u>3,601</u>	<u>46,160</u>	<u>60,625</u>	<u>18,329</u>	<u>395,158</u>

13. Property, Plant and Equipment – *continued*

The net book value of land and buildings shown above comprises:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Land in Hong Kong held under long leases	180,700	187,368
Land in Mainland China held under long leases	2,500	2,731
Land in Mainland China held under medium-term leases	49,100	51,758
Freehold land in the United States of America ("USA")	4,068	4,101
	<u>236,368</u>	<u>245,958</u>

The leasehold land and buildings of the Group in Hong Kong and Mainland China were revalued at 31 March 2001 on an open market value basis by Messrs. Sallmanns (Far East) Limited, an independent property valuer.

The directors engaged Messrs. D.J. Brown Associates, independent property valuers, to provide a valuation of the land and building situated in the USA on 2 June 1999. The valuation of this land and building is US\$530,000 (approximately HK\$4,134,000). The directors consider that the carrying value of this property at 31 March 2001 is not materially different from its fair value.

If leasehold land and buildings of the Group had not been revalued, they would have been included on a historical cost basis at the following amounts:

	HK\$'000
Cost	241,236
Accumulated depreciation	<u>(27,584)</u>
Net book value at 31 March 2001	<u>213,652</u>
Net book value at 31 March 2000	<u>223,446</u>

14. Investment Properties

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
AT VALUATION		
At beginning of the year	59,400	59,244
Reclassified from land and buildings	4,000	–
Revaluation increase arising on revaluation	–	156
	<u>63,400</u>	<u>59,400</u>

The carrying value of investment properties shown above comprises:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Land in Hong Kong held under long leases	25,500	21,500
Land in Mainland China held under long leases	37,900	37,900
	<u>63,400</u>	<u>59,400</u>

The investment properties are rented out under operating leases.

The investment properties of the Group in Hong Kong and Mainland China were revalued at 31 March 2001 on an open market value basis by Messrs. Sallmanns (Far East) Limited, an independent property valuer.

No revaluation increase or decrease arose on revaluation of investment properties as at 31 March 2001.

15. Interests in Subsidiaries

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares	41,926	41,926
Amounts due from subsidiaries	416,389	410,446
	<u>458,315</u>	<u>452,372</u>

Particulars of the Company's principal subsidiaries at 31 March 2001 are set out in note 41.

The amounts due from subsidiaries are unsecured and will not be repayable within twelve months of the balance sheet date. Except for an amount of HK\$401,885,000 (2000: HK\$394,605,000) which bears interest at 8.25% (2000: 8.73%) per annum, the remaining amounts are interest-free.

16. Interests in Associates

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	60	5

Particulars of the Group's associates as at 31 March 2001 are set out in note 42.

17. Investments in Securities

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
THE GROUP				
Non-current equity securities:				
Listed in Hong Kong	2,891	5,559	-	-
Unlisted	11,213	11,171	5,100	5,100
	<u>14,104</u>	<u>16,730</u>	<u>5,100</u>	<u>5,100</u>
Market value of listed securities	<u>2,891</u>	<u>5,559</u>		

In 1997, the Company issued 12,354,864 shares of the Company to National Fish and Seafood Inc. ("NFS") for the issue of 60% of the enlarged share capital in NFS to the Group. NFS holds the Company's shares as non-current investments.

18. Non-current Receivable

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Consideration receivable from sale of vessel	21,691	33,347
Repayable as follows:		
Within one year	9,528	16,087
More than one year but less than five years	12,163	17,260
	21,691	33,347
Less: Amount due within one year included under trade and other receivables	(9,528)	(16,087)
Amount due after one year	12,163	17,260

The receivable is secured on the vessel and bears interest at 12% (2000: 12%) per annum.

19. Inventories

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Inventories, at cost, consist of the following:		
Frozen fish	212,912	99,323
Fillets and portions	164,897	193,785
Fuel	1,975	6,530
Seeds and vegetables	3,261	1,086
Packing materials	2,413	-
	385,458	300,724

20. Trade and Other Receivables

The Group

Included in trade and other receivables are trade receivables of HK\$574,468,000 (2000: HK\$630,203,000). The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to 90 days to its trade customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	<i>THE GROUP</i>	
	<i>2001</i>	<i>2000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	416,548	254,252
31 – 60 days	80,779	145,416
61 – 90 days	76,159	210,619
Over 90 days	982	19,916
	<u>574,468</u>	<u>630,203</u>

21. Trade Receivables with Insurance Coverage

The Group

Trade receivables with credit insurance coverage have been pledged to certain banks under the receivable discounting facilities. The aged analysis at balance sheet date is as follows:

	<i>THE GROUP</i>	
	<i>2001</i>	<i>2000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	80,711	72,553
31 – 60 days	28,892	13,528
61 – 90 days	32,471	30,736
Over 90 days	538	–
	<u>142,612</u>	<u>116,817</u>

22. Advances to Suppliers

The Group

Included in the Group's advances to suppliers are amounts of HK\$4,160,000 (2000: HK\$12,415,000) which are secured by the vessels of the suppliers and are interest free (2000: bear interest at 18% to 20% per annum). The remaining balances in the previous year are unsecured and interest free.

23. Trade Receivables From Associates

The Group

Trade receivables from associates are secured, interest free and are repayable on demand.

24. Pledged Deposits

The Group

The pledged deposits represented settlement of trade receivables with insurance coverage held by the discounting institutions for repayment of discounting advances.

25. Trade and Other Payables

The Group

Included in trade and other payables are trade payables of HK\$185,660,000 (2000: HK\$269,534,000). The aged analysis of trade payables at the balance sheet date is as follows:

	<i>THE GROUP</i>	
	<i>2001</i>	<i>2000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	124,336	71,318
31 – 60 days	21,453	152,753
61 – 90 days	20,456	45,463
Over 90 days	19,415	–
	<u>185,660</u>	<u>269,534</u>

28. Deferred Taxation

	<i>THE GROUP</i>	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning and end of year	<u>2,995</u>	<u>2,995</u>

The amounts mainly represent the tax effect in respect of timing difference attributable to the excess of depreciation allowances claimed for tax purposes over depreciation in the financial statements.

Deferred taxation has not been provided on the revaluation increase or decrease arising on the valuation of investment properties and land and buildings as profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation increase or decrease does not constitute a timing difference for tax purposes.

There is no significant unprovided deferred taxation of the Group and the Company at 31 March 2001 and 31 March 2000.

29. Share Capital

	<i>Number of shares</i>	<i>Amount HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 1999	800,000,000	80,000
Increase in authorised share capital	<u>1,200,000,000</u>	<u>120,000</u>
At 31 March 2000 and 31 March 2001	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 April 1999 and 31 March 2000	657,591,266	65,759
Repurchase of shares by the Company	<u>(826,000)</u>	<u>(82)</u>
At 31 March 2001	<u>656,765,266</u>	<u>65,677</u>

Pursuant to a special resolution passed at the special general meeting held on 13 August 1999, the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$200,000,000 by the creation of 1,200,000,000 additional ordinary shares of HK\$0.10 each. These new shares rank *pari passu* in all respects with the then existing shares of the Company. There was no change in the authorised share capital of the Company during the year ended 31 March 2001.

29. Share Capital – *continued*

During the year ended 31 March 2001, the Company repurchased 826,000 of its owned shares through the Hong Kong Stock Exchange and subsequently cancelled them. 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 such repurchases are set out as follows:

Month of repurchase	No. of shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
September 2000	652,000	0.220	0.217	144
October 2000	24,000	0.218	0.218	6
January 2001	150,000	0.250	0.250	37

30. Share Option Scheme

Pursuant to the Company's share option scheme adopted on 9 September 1994, the directors of the Company may grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company, at a price not less than 80% of the average closing prices of the Company's share on the five trading days immediately preceding the offer of the options or the nominal value of the shares whichever is the higher. The maximum number of shares in respect of which options may be granted under such share option scheme is such number of shares which, when aggregated with shares subject to similar schemes, represents 10% of the issued share capital of the Company from time to time.

Detail of options granted to directors of the Company and employees of the Group under the share option scheme as at 31 March 2001 are as follows:

Exercisable period	Adjusted option price HK\$	Number of shares option
25 October 1997 – 24 October 2002	0.9440	100,000
25 October 1998 – 24 October 2003	0.9440	5,750,000
11 July 1999 – 10 July 2005	1.1168	300,000
25 October 1999 – 24 October 2004	0.9440	400,000
25 October 2000 – 24 October 2005	0.9440	600,000
21 August 2000 – 20 August 2005	0.3336	48,000,000
21 February 2001 – 20 February 2006	0.3336	4,000,000
21 February 2002 – 21 February 2007	0.3336	3,300,000
		62,450,000

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

Consideration of HK\$1 was received from each of the option holders at the time that the options were accepted.

31. Share Premium and Reserves

	<i>Investment revaluation reserve HK\$'000</i>	<i>Asset revaluation reserve HK\$'000</i>	<i>Share premium HK\$'000</i>	<i>Goodwill reserve HK\$'000</i>	<i>Special reserve HK\$'000</i>	<i>Contributed surplus HK\$'000</i>	<i>Retained profits HK\$'000</i>	<i>Total HK\$'000</i>
THE GROUP								
At 1 April 1999	(8,945)	33,844	281,444	(103,138)	9,800	-	272,510	485,515
Revaluation decrease arising on revaluation, net	(989)	-	-	-	-	-	-	(989)
Goodwill arising on acquisition of additional interest in a subsidiary	-	-	-	(30,665)	-	-	-	(30,665)
Net profit for the year	-	-	-	-	-	-	35,194	35,194
At 31 March 2000	(9,934)	33,844	281,444	(133,803)	9,800	-	307,704	489,055
Revaluation (decrease) increase arising on revaluation, net	(2,668)	986	-	-	-	-	-	(1,682)
Shares repurchased and cancelled	-	-	(105)	-	-	-	-	(105)
Negative goodwill arising on group reconstruction	-	-	-	24,192	-	-	-	24,192
Net profit for the year	-	-	-	-	-	-	56,703	56,703
Dividend	-	-	-	-	-	-	(19,703)	(19,703)
At 31 March 2001	<u>(12,602)</u>	<u>34,830</u>	<u>281,339</u>	<u>(109,611)</u>	<u>9,800</u>	<u>-</u>	<u>344,704</u>	<u>548,460</u>
THE COMPANY								
At 1 April 1999	-	-	281,444	-	-	39,225	63,717	384,386
Net profit for the year	-	-	-	-	-	-	7,085	7,085
At 31 March 2000	-	-	281,444	-	-	39,225	70,802	391,471
Shares repurchased and cancelled	-	-	(105)	-	-	-	-	(105)
Net profit for the year	-	-	-	-	-	-	6,696	6,696
Dividend	-	-	-	-	-	-	(19,703)	(19,703)
At 31 March 2001	<u>-</u>	<u>-</u>	<u>281,339</u>	<u>-</u>	<u>-</u>	<u>39,225</u>	<u>57,795</u>	<u>378,359</u>

The retained profits of the Group include HK\$484,000 (2000: HK\$5,000) retained by associates of the Group.

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries at the date on which they were acquired by the Company and the nominal value of the Company's shares issued for the exchange of shares under the group reorganisation in 1994.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition under the group reorganisation in 1994 and after the distribution to the shareholders of the Company.

31. Share Premium and Reserves – *continued*

Under the applicable laws of Bermuda, the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2001 HK\$'000	2000 HK\$'000
Contributed surplus	39,225	39,225
Retained profits	57,795	70,802
	<u>97,020</u>	<u>110,027</u>

32. Reconciliation of Profit Before Taxation to Net Cash Inflow from Operating Activities

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	80,371	59,769
Share of results of associates	(479)	(5)
Loss on deemed disposal of subsidiaries	–	1,555
Profit on disposal of subsidiaries	1	–
Interest income	(3,712)	(10,535)
Interest expense	81,742	71,413
Depreciation	35,174	33,790
Revaluation decrease on revaluation of land and buildings	622	–
Revaluation increase on revaluation of investment properties	–	(156)
(Profit) loss on disposal of property, plant and equipment	(12)	77
(Increase) decrease in inventories	(84,734)	33,535
Decrease (increase) in trade and other receivables	69,067	(47,187)
Increase in trade receivables with insurance coverage	(25,795)	(777)
Decrease in advances to suppliers	42,368	24,422
Increase in trade receivables due from associates	(130,804)	(26,907)
(Decrease) increase in trade and other payables	(81,439)	31,643
Increase in discounting advances drawn on trade receivables with insurance coverage	26,431	777
Net cash inflow from operating activities	<u>8,801</u>	<u>171,414</u>

33. Disposal of Subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Trade and other receivables	-	7,132
Tax recoverable	26	-
Bank balances and cash	255	19
Trade and other payables	(280)	(4,748)
	<u>1</u>	<u>2,403</u>
Loss on disposal	(1)	-
	<u>-</u>	<u>2,403</u>
Total consideration	<u>-</u>	<u>2,403</u>
Satisfied by:		
Cash	<u>-</u>	<u>2,403</u>
Analysis of the net cash inflow of cash and cash equivalents in respect of a disposal of subsidiaries during the year:		
Cash consideration	-	2,403
Bank balances and cash disposed of	(255)	(19)
	<u>(255)</u>	<u>2,384</u>

The subsidiaries disposed of during the year contributed HK\$2,818,000 to the Group's net operating cash flows, paid HK\$1,192,000 in respect of the net returns on investments and servicing of finance and paid HK\$201,000 in respect of taxation. The subsidiaries disposed of during last year did not have any significant impact to the Group's operating profit or cashflows.

34. Analysis of Changes in Financing During the Year

	<i>Share capital and premium HK\$'000</i>	<i>Bank borrowings HK\$'000</i>	<i>Minority interests HK\$'000</i>
At 1 April 1999	347,203	236,844	229,606
Net cash outflow from financing	-	(74,765)	-
Contribution from minority shareholders of a subsidiary	-	-	43,038
Loss on deemed disposal of subsidiaries upon shares issued in a subsidiary	-	-	1,555
Share of profit for the year	-	-	18,893
Acquisition of additional interests in subsidiaries	-	-	(33,079)
Dividend paid	-	-	(19,380)
	<hr/>	<hr/>	<hr/>
At 31 March 2000	347,203	162,079	240,633
Shares repurchased	(187)	-	-
Net cash inflow from financing	-	148,560	-
Disposal of wholly-owned subsidiaries to a non wholly-owned subsidiary credited to goodwill reserves	-	-	(24,192)
Share of profit for the year	-	-	20,092
Share of asset revaluation reserve	-	-	741
	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>347,016</u>	<u>310,639</u>	<u>237,274</u>

35. Retirement Benefits Scheme

Prior to 1 December 2000, the Group operated a defined contribution pension scheme ("Defined Contribution Scheme") for all qualifying employees. The assets of the scheme were held separately from those funds of the Group under the control of trustees.

With effective from 1 December 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong and all the assets of the Defined Contribution Scheme have been transferred to the MPF Scheme. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those funds of the Group under the control of trustees. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the Scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the Scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The pension cost charge represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

The Mainland China employees of the subsidiaries in Mainland China are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

36. Lease Commitments

At 31 March 2001, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises. The portion of these commitments which is payable in the following year is as follows:

	<i>THE GROUP</i>	
	2001 HK\$'000	2000 HK\$'000
Operating leases which expire:		
Within one year	78	1,544
In the second to fifth year inclusive	7,049	529
Over five years	1,195	561
	<u>8,322</u>	<u>2,634</u>

37. Capital Commitments

At 31 March 2001, the Group had capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements which, net of deposit of approximately HK\$30,000 (2000: HK\$1,920,000), amounted to HK\$948,000 (2000: HK\$380,000).

38. Contingent Liabilities

	<i>THE GROUP</i>		<i>THE COMPANY</i>	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At the balance sheet date, the Group and the Company had contingent liabilities as follows:				
Bills discounted with recourse	256,485	170,560	-	-
Guarantees given to bankers in respect of banking facilities utilised by subsidiaries	-	-	638,755	465,725
	<u>256,485</u>	<u>170,560</u>	<u>638,755</u>	<u>465,725</u>

39. Pledge of Assets

At 31 March 2001, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK\$178 million (2000: HK\$204 million) and HK\$26 million (2000: HK\$22 million) respectively, as collateral for mortgage loans granted to the Group by certain banks.

40. Related Party Transactions

- (a) During the year, the Group and the Company entered into the following significant transactions with an associate of the Group.

	2001 HK\$'000	2000 HK\$'000
Sales of frozen seafood (<i>note i</i>)	475,089	82,399
Purchase of frozen seafood (<i>note i</i>)	9,876	–
Administrative income (<i>note ii</i>)	17,000	2,634
	<u>17,000</u>	<u>2,634</u>

The associate also provides inventories and trade receivables as part of the security to a bank to secure the banking facilities of HK\$140,400,000(2000: nil) granted to the Group. At 31 March 2001, facilities amounting to HK\$76,381,000 (2000: nil) were utilised by the Group.

Notes:

- (i) Sales and purchase of frozen seafood were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.
- (ii) Administrative income were charged to an associate on a cost allocation basis.
- (b) The Company continues to provide corporate guarantees amounting to HK\$288,400,000 to certain banks to secure the banking facilities granted to a former subsidiary. At 31 March 2001, no amount of the banking facilities was utilised by that former subsidiary.

41. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2001 are as follows:

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company*/ subsidiaries		Principal activities
			%	attributable to the Group %	
Alliance Capital Enterprises Limited	Hong Kong/ Mainland China	Ordinary HK\$2	100	62	Property holding
Aqua Foods (Qingdao) Co., Ltd.	Mainland China	Registered RMB6,340,000	100	100	Seafood processing
Bonaire Developments Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100	62	Property holding
Chasterton Group Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100	62	Property holding

41. Particulars of Principal Subsidiaries – *continued*

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company*/ subsidiaries %	attributable to the Group %	Principal activities
Clamford Holding Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100 *	100	Investment holding
Concept China Investment Limited	Hong Kong/ Mainland China	Ordinary HK\$2	100	62	Property holding
Conred Limited	Hong Kong/ Mainland China	Ordinary HK\$2	100	62	Property holding
Davis Limited	Hong Kong/ Mainland China	Ordinary HK\$2	100	62	Property holding
Fastact Group Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100	100	Property holding
Glorious Ocean Limited	Hong Kong	Ordinary HK\$2	100	62	Provision of treasury and administrative services
Join Power Assets Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100	100	Property holding
National Fish and Seafood Limited	Hong Kong	Ordinary HK\$2	100	60	Trading of frozen seafood products
National Fish & Seafood, Inc.	United States of America	Ordinary US\$10,000	60	60	Trading and processing of frozen seafood products
New Millennium Group Holdings Limited	British Virgin Islands/Hong Kong	Ordinary US\$5,361,101	100	62	Trading of frozen vegetable
Nouvelle Foods International Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100	100	Trading of processed seafood products
Ocean Kingdom Enterprises Limited	Hong Kong	Ordinary HK\$2	100	100	Trading of frozen seafood products

41. Particulars of Principal Subsidiaries – *continued*

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company*/ subsidiaries %	attributable to the Group %	Principal activities
Pacific Andes Enterprises (BVI) Limited	British Virgin Islands/Worldwide	Ordinary US\$1	100	62	Trading of frozen seafood products
Pacific Andes Enterprises (Hong Kong) Limited	Hong Kong	Ordinary HK\$200 Non-voting deferred HK\$10,000,000	100	62	Provision of treasury and administrative services
Pacific Andes Food (Hong Kong) Company Limited	Hong Kong	Ordinary HK\$10,000	100	62	Trading of frozen seafood products
Pacific Andes International Holdings (BVI) Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100 *	100	Investment holding
Pacific Andes (Holdings) Limited	Bermuda/Singapore	Ordinary US\$48,829,250	62	62	Investment holding
Pacific Andes Treasury Management Limited	Hong Kong	Ordinary HK\$10,000,000	100	100	Provision of treasury services
Paco Alpha Limited	British Virgin Islands/Worldwide	Ordinary US\$1	100	62	Vessel holding
Paco Beta Limited	British Virgin Islands/Worldwide	Ordinary US\$1	100	62	Trading of marine fuel
Paco Delta Limited	British Virgin Islands/Worldwide	Ordinary US\$1	100	62	Vessel holding
Paco Gamma Limited	British Virgin Islands/Worldwide	Ordinary US\$1	100	62	Vessel holding
Parkmond Group Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100	62	Trading of frozen seafood products
Pelican Food Limited	British Virgin Islands/Hong Kong	Ordinary US\$100	100	100	Investment holding

41. Particulars of Principal Subsidiaries – *continued*

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company*/ subsidiaries %	attributable to the Group %	Principal activities
Qingdao Canning Foodstuff Co. Ltd.	Mainland China	Registered US\$12,100,000	100	100	Trading and processing seafoods
Rawley Trading Limited	British Virgin Islands/USA	Ordinary US\$1	100	100	Property holding
Rich Reward Assets Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100	100	Property holding
Sevenseas Enterprises Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100	100	Property holding
Xinxing Foodstuffs (Qingdao) Company Limited	Mainland China	Registered US\$910,000	100	100	Seafood processing

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or constituted 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.

None of the subsidiaries had any loan capital outstanding at the end of the year.

42. Particulars of Associates

Particulars of the Group's associates as at 31 March 2001 are as follows:

Name	Place of incorporation	Attributable proportion of nominal value of issued registered capital held by the Company	Principal activities
Global Research Group Inc.	British Virgin Islands	50%	Investment holding
Global Research Services Inc.	British Virgin Islands	50%	Provision of interactive electronic data base
Helena Overseas Limited	Republic of Cyprus	20%	Trading of processed seafood products