

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

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, the provision of shipping and agency services and the cultivation, processing and supply of vegetables.

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 4 to the financial statements.

CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 34.9% of the Group's turnover, with the largest customer accounting for 13.7%. The five largest suppliers of the Group together accounted for approximately 45.1% of the Group's total purchases, with the largest supplier accounting for 15.7%.

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 2004 are set out in the consolidated income statement on page 25.

The directors recommend the payment of a final dividend of HK4.9 cents per share to the shareholders whose names appear on the Register of Members of the Company at the close of business on 9 September 2004 amounting to HK\$48,942,000 and the retention of the remaining profit for the year of HK\$62,688,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$36,096,000 on property, plant and equipment principally for the purpose of expansion of production capacity of the factories situated in the People's Republic of China (the "PRC") and the United States of America.

Details of these and other movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

The Group has revalued its investment properties at 31 March 2004.

Details of movements in investment properties of the Group are set out in note 15 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and the Group's principal associates at 31 March 2004 are set out in notes 42 and 43 to the financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year except for the disposal of the entire Company's shares held by one of the Company's subsidiary as mentioned in note 20 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the share capital, share options and warrants are set out in notes 30, 31 and 32 to the financial statements respectively.

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 of the Group are set out in note 28 to the financial statements.

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 are:

Executive directors:

Ng Swee Hong (Chairman)
Ng Joo Siang (Managing Director)
Teh Hong Eng
Ng Joo Kwee
Ng Joo Puay, Frank
Ng Puay Yee
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, Ng Joo Puay, Frank and Cheng Nai Ming 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 a 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, except for 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

(i) Shares

At 31 March 2004, the interests and short positions of the directors and their associates in the shares of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

<i>Name of directors</i>	<i>Number of ordinary shares held (long positions)</i>			<i>Percentage of the issued share capital of the Company</i>
	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	
Ng Swee Hong	–	–	505,785,438 <i>(note a)</i>	50.64%
Ng Joo Siang	–	422,000 <i>(note b)</i>	–	0.04%
Ng Puay Yee	576,000	–	–	0.06%
Cheng Nai Ming	1,745,280	–	–	0.17%

Notes:

- (a) These shares are registered in the name of N.S. Hong Investment (BVI) Limited, representing approximately 50.64% of the issued share capital of the Company, 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 direction.
- (b) These shares are held under the name of the spouse of Ng Joo Siang.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS – Continued

(ii) Share option scheme

Particulars of the share option scheme are set out in note 31 to the financial statements.

The following table discloses directors' personal interests and employees' interest in share options to subscribe for shares in the Company:

	Period during which option are exercisable	Subscription price per share HK\$	Date of grant	Number of share options and underlying shares held		
				Outstanding at 1.4.2003	Exercised during the year	Outstanding at 31.3.2004
Category 1: Directors						
Ng Puay Yee	11.7.1999 to 10.7.2004	1.1168	10.7.1997	600,000	–	600,000
Cheng Nai Ming	25.10.1998 to 24.10.2003	0.9440	24.10.1996	2,000,000	(2,000,000)	–
	21.8.2000 to 20.8.2005	0.3336	21.2.2000	4,000,000	–	4,000,000
Total number of share options held by directors				<u>6,600,000</u>	<u>(2,000,000)</u>	<u>4,600,000</u>
Category 2: Employees						
Total number of share options held by employees	25.10.1998 to 24.10.2003	0.9440	24.10.1996	<u>600,000</u>	<u>(600,000)</u>	<u>–</u>
Total number of share options granted				<u>7,200,000</u>	<u>(2,600,000)</u>	<u>4,600,000</u>

No share option was granted by the Company during the year.

Other than as disclosed above, none of the directors or chief executives or their respective associates had any personal, family, corporate or other interests or short positions in any securities of the Company or any of its associated corporations as defined in the SFO.

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

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 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholder had notified the Company of relevant interests and short positions in the issued share capital of the Company.

<i>Name of shareholders</i>	<i>Capacity</i>	<i>Number of issued Ordinary shares held (long position)</i>	<i>Percentage of the issued share capital of the Company</i>
Ng Swee Hong	Beneficial owner	505,785,438 ⁽¹⁾	50.64%
Cheah Cheng Hye	Beneficial owner	83,539,836 ⁽²⁾	8.36%

Notes:

- (1) 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 direction.
- (2) Cheah Cheng Hye holds a total of 83,539,836 shares by virtue of his deemed interest in the shares held by Value Partners Limited.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2004.

CONNECTED TRANSACTIONS

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 Pacific Andes (Holdings) Limited ("PAH") and its subsidiaries in which the Group has a 58% attributable interest:

	<i>HK\$'000</i>
Dividend paid to NFS	556
Sales of frozen seafood to NFS and its subsidiary	12,227
Purchases of frozen seafood from NFS and its subsidiary	15,687
Interest income received from NFS and its subsidiary	112
Administrative income received from PAH and its subsidiaries	11,728
Interest income received from PAH and its subsidiaries	20
	<u>20</u>

CONNECTED TRANSACTIONS – Continued

The interest income was calculated at interests rates ranging from 1.22% to 1.44% per annum on the outstanding amounts due from PAH and its subsidiaries and outstanding amounts due from NFS and its subsidiary respectively. The administrative income received from PAH and its subsidiaries was 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 and updated by a supplemental agreement dated 22 July 2003. Sales and purchases of frozen seafood were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up. These transactions were in the ordinary and usual course of business.

During the year, the Company executed guarantees to certain banks in respect of banking facilities in the amount of HK\$138,897,000 granted to NFS and its subsidiary and in the amount of HK\$390,380,000 to PAH and its subsidiaries. These guarantees given by the Company were in the ordinary and usual course of business.

Besides, PAH and its subsidiaries executed guarantees to certain banks in respect of banking facilities in the amount of HK\$220,975,000 granted to the Group and the Company.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$1,151,000.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2004 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 terms. 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 of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Ng Joo Siang
MANAGING DIRECTOR

29 June 2004