

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability. Its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the “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 42 and 43 respectively.

2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice (“SSAP”) 12 “Income Taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly. As a result of this change in policy, the balance of retained profits at 1 April 2002 has been decreased by HK\$108,000, representing the cumulative effect of the change in policy on the results for periods prior to 1 April 2002. The balance on the Group’s asset revaluation reserve at 1 April 2002 has been decreased by HK\$7,363,000, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group’s properties at that date. The balance of the Group’s goodwill reserve at 1 April 2002 has been decreased by HK\$5,458,000, representing the deferred tax liability recognised in respect of the pre-acquisition revaluation surplus on the Group’s properties at that date. The change has also resulted in an increase in the profit and a decrease in asset revaluation reserve of HK\$2,653,000 and HK\$2,611,000 respectively for the year ended 31 March 2004 (2003: HK\$363,000 and HK\$276,000 respectively).

3. 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition of subsidiaries after 1 April 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions after 1 April 2001 is presented separately in the balance sheet as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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.

Revenue recognition

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

Shipping service income is recognised upon the completion of the contracts for shipping 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 accumulated depreciation and impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. 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.

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 credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an 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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Property, plant and equipment – *continued*

Construction in progress is stated at cost less identified impairment losses which includes all development expenditure and other direct costs, and borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is not depreciated until completion of construction and the relevant assets have been put into commercial use. Cost on completed construction work is transferred to the appropriate category of property, plant and equipment.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment other than construction in progress over their estimated useful lives, as follows:

	<i>Rates</i>	<i>Method</i>
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

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

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 charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Investment properties – *continued*

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 previously recognised in equity is included in net profit or loss for the period.

Club debentures

Club debentures held for long-term purpose are stated at cost less identified impairment losses.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Impairment – *continued*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

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 conditions, 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 currencies other than Hong Kong dollar are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollar are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations which are denominated in currencies other than Hong Kong dollar are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Taxation – continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

Rental expenses under operating leases are charged to the income statement on a straight-line basis over the relevant terms of leases.

Retirement benefits costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. TURNOVER AND SEGMENT INFORMATION

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

Business segments

For management purposes, the Group is currently organised into four operating divisions - frozen fish, fillets and portions, shipping services and vegetables. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Frozen fish	–	trading of frozen seafood products
Fillets and portions	–	selling and processing of frozen seafood products
Shipping services	–	vessel charter-hire and trading of marine fuel
Vegetables	–	trading and processing of frozen vegetable

Segment information about these businesses is presented below.

Year ended 31 March 2004

	<i>Frozen fish HK\$'000</i>	<i>Fillets and portions HK\$'000</i>	<i>Shipping services HK\$'000</i>	<i>Vegetables HK\$'000</i>	<i>Consolidated HK\$'000</i>
TURNOVER					
External sales (<i>Note</i>)	<u>2,443,095</u>	<u>1,884,316</u>	<u>22,378</u>	<u>43,638</u>	<u>4,393,427</u>
RESULT					
Segment result	<u>175,498</u>	<u>167,717</u>	<u>(366)</u>	<u>4,567</u>	347,416
Unallocated corporate expenses					<u>(120,174)</u>
Profit from operations					227,242
Finance costs					(76,186)
Share of results of associates	74	(1,454)	–	–	<u>(1,380)</u>
Profit before taxation					149,676
Taxation					<u>(1,446)</u>
Profit before minority interests					<u>148,230</u>

Note: There is no inter-segment sales between different business segments for the year ended 31 March 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. TURNOVER AND SEGMENT INFORMATION – Continued

Business segments – continued

Year ended 31 March 2003

	<i>Frozen fish HK\$'000</i>	<i>Fillets and portions HK\$'000</i>	<i>Shipping services HK\$'000</i>	<i>Vegetables HK\$'000</i>	<i>Consolidated HK\$'000</i>
TURNOVER					
External sales (<i>Note</i>)	<u>2,107,504</u>	<u>1,685,387</u>	<u>16,317</u>	<u>40,046</u>	<u>3,849,254</u>
RESULT					
Segment result	<u>151,367</u>	<u>157,111</u>	<u>680</u>	<u>4,943</u>	314,101
Unallocated corporate expenses					<u>(117,963)</u>
Profit from operations					196,138
Finance costs					(72,628)
Share of results of associates	–	1,219	–	–	<u>1,219</u>
Profit before taxation					124,729
Taxation					<u>(1,067)</u>
Profit before minority interests					<u>123,662</u>

Note: There is no inter-segment sales between different business segments for the year ended 31 March 2003.

2004

BALANCE SHEET AT 31 MARCH 2004

	<i>Frozen fish HK\$'000</i>	<i>Fillets and portions HK\$'000</i>	<i>Shipping services HK\$'000</i>	<i>Vegetables HK\$'000</i>	<i>Unallocated assets/ liabilities HK\$'000</i>	<i>Consolidated HK\$'000</i>
ASSETS						
Segment assets	1,731,560	1,189,110	11,670	44,226	–	2,976,566
Investments in associates	15,321	47,367	–	–	8,422	71,110
Unallocated corporate assets	–	–	–	–	219,360	<u>219,360</u>
Consolidated total assets						<u>3,267,036</u>
LIABILITIES						
Segment liabilities	951,960	581,583	6,283	2,788	–	1,542,614
Unallocated corporate liabilities	–	–	–	–	126,460	<u>126,460</u>
Consolidated total liabilities						<u>1,669,074</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. TURNOVER AND SEGMENT INFORMATION – Continued

OTHER INFORMATION FOR THE YEAR ENDED 31 MARCH 2004

	<i>Frozen fish HK\$'000</i>	<i>Fillets and portions HK\$'000</i>	<i>Shipping services HK\$'000</i>	<i>Vegetables HK\$'000</i>	<i>Consolidated HK\$'000</i>
Capital additions	4	57,533	–	1,844	59,381
Depreciation of property, plant and equipment	1,557	18,653	111	5,151	25,472
Amortisation of goodwill	–	678	–	–	678
Release of negative goodwill	(169)	–	–	–	(169)
Revaluation increase arising on revaluation of land and buildings credited to income statement	–	933	–	–	933

2003

BALANCE SHEET AT 31 MARCH 2003

	<i>Frozen fish HK\$'000</i>	<i>Fillets and portions HK\$'000</i>	<i>Shipping services HK\$'000</i>	<i>Vegetables HK\$'000</i>	<i>Unallocated assets/ liabilities HK\$'000</i>	<i>Consolidated HK\$'000</i>
ASSETS						
Segment assets	1,159,751	553,017	17,145	45,527	–	1,775,440
Investments in associates	–	137,309	–	–	5,548	142,857
Unallocated corporate assets	–	–	–	–	465,472	465,472
Consolidated total assets						<u>2,383,769</u>
LIABILITIES						
Segment liabilities	243,050	123,086	–	977	–	367,113
Unallocated corporate liabilities	–	–	–	–	976,782	976,782
Consolidated total liabilities						<u>1,343,895</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. TURNOVER AND SEGMENT INFORMATION – Continued

OTHER INFORMATION FOR THE YEAR ENDED 31 MARCH 2003

	<i>Frozen fish HK\$'000</i>	<i>Fillets and portions HK\$'000</i>	<i>Shipping services HK\$'000</i>	<i>Vegetables HK\$'000</i>	<i>Consolidated HK\$'000</i>
Capital additions	33	15,501	–	1,966	17,500
Depreciation of property, plant and equipment	2,491	16,874	10,516	5,734	35,615
Release of negative goodwill	(75)	–	–	–	(75)
Revaluation decrease arising on revaluation of					
– Land and buildings	–	759	–	–	759
– Investment properties	500	300	–	–	800

Geographical segments

The Group's operations are located in the People's Republic of China (the "PRC"), North America, Western Europe, Eastern Europe and Japan.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	<i>Turnover by geographical market</i>	
	<i>2004 HK\$'000</i>	<i>2003 HK\$'000</i>
PRC	2,344,402	1,928,927
North America	901,175	905,795
Western Europe	939,347	791,161
Eastern Europe	20,313	19,912
Japan	146,244	172,277
Other	41,946	31,182
	<u>4,393,427</u>	<u>3,849,254</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. TURNOVER AND SEGMENT INFORMATION – Continued

Geographical segments – continued

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
PRC	2,352,209	1,574,400	30,400	15,526
North America	195,216	148,092	11,542	1,974
Western Europe	258,603	211,111	–	–
Eastern Europe	238,308	431,800	–	–
Japan	9,752	1,791	–	–
Other	212,948	16,575	4	–
	<u>3,267,036</u>	<u>2,383,769</u>	<u>41,946</u>	<u>17,500</u>

5. OTHER OPERATING INCOME

Other operating income comprises of:

	2004 HK\$'000	2003 HK\$'000
Gain on disposal of investments in securities	4,471	–
Gross rental from investment properties	2,481	8,365
Agency fee income	2,375	7,199
Revaluation increase arising on revaluation of land and buildings	933	–
Interest income	895	1,345
Exchange gain, net	411	–
Compensation on damages	–	692
Dividend income	–	494
Release of negative goodwill	169	75
Sundry income	1,500	1,366
	<u>13,235</u>	<u>19,536</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

6. OTHER OPERATING EXPENSES

	2004 HK\$'000	2003 HK\$'000
Other operating expenses comprise of:		
Allowance for amounts due from associates	3,044	–
Loss on deemed disposal of a subsidiary	2,555	–
Loss on disposal of property, plant and equipment	22	806
Amortisation of goodwill	678	–
Revaluation decrease arising on revaluation of:		
– Land and buildings	–	759
– Investment properties	–	800
	<u>6,299</u>	<u>2,365</u>

7. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	2,145	2,452
Depreciation of property, plant and equipment	25,472	35,615
Operating lease rentals in respect of rented premises	3,091	3,785
Exchange loss, net	–	1,096
Retirement benefits scheme contributions	724	1,210
Other staff costs	71,679	59,063
Total staff costs	<u>72,403</u>	<u>60,273</u>
and after crediting:		
Net rental income after outgoings	<u>2,368</u>	<u>7,528</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

8. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowings		
– wholly repayable within five years	74,091	67,602
– not wholly repayable within five years	171	2,616
Interest on advances from third parties	1,924	–
Interest on promissory note	–	2,410
	<u>76,186</u>	<u>72,628</u>

9. DIRECTORS' EMOLUMENTS

	2004 HK\$'000	2003 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	8,906	8,775
– benefits-in-kind	3,561	3,376
Performance related incentive payment	2,080	2,120
Retirement benefit scheme contributions	317	317
	<u>14,864</u>	<u>14,588</u>
	<u>15,344</u>	<u>15,068</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

9. DIRECTORS' EMOLUMENTS – Continued

Emoluments of the directors were within the following bands:

	2004 No. of Directors	2003 No. of Directors
HK\$ nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,000,001 to HK\$2,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	2	2
HK\$3,000,001 to HK\$3,500,000	1	1
	<u>9</u>	<u>9</u>

The five highest paid individuals of the Group for the years ended 31 March 2004 and 31 March 2003 are all directors.

10. TAXATION

	2004 HK\$'000	2003 HK\$'000 (Restated)
The charge comprises:		
Profit for the year		
– Hong Kong	3,156	1,490
– other jurisdictions	250	265
Under (over) provision in prior year		
– Hong Kong	693	(480)
	<u>4,099</u>	<u>1,275</u>
Deferred taxation (note 29)		
– current year	(2,586)	(208)
– attributable to a change in tax rate	(67)	–
	<u>(2,653)</u>	<u>(208)</u>
Tax charge for the year	<u>1,446</u>	<u>1,067</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profits for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

10. TAXATION – Continued

Taxation in other jurisdictions are calculated at the rate 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.

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	149,676	124,729
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 16%)	26,193	19,957
Tax effect of expenses not deductible for tax purpose	10,256	10,680
Tax effect of income not taxable for tax purpose	(36,443)	(30,117)
Under(over)provision in respect of prior year	693	(480)
Tax effect of tax losses not recognised	2,649	3,810
Utilisation of tax losses previously not recognised	(743)	(855)
Tax effect of other deferred tax assets not recognised	321	(399)
Increase in the opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	(67)	–
Effect of different tax rates of subsidiaries/associates operating in other jurisdictions	(51)	(93)
Others	(1,362)	(1,436)
Tax charge for the year	<u>1,446</u>	<u>1,067</u>

11. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$111,630,000 (2003: HK\$94,714,000), a net profit of HK\$77,313,000 (2003: a net profit of HK\$7,615,000) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

12. DIVIDEND

	2004 HK\$'000	2003 HK\$'000
Final dividend:		
Proposed final dividend of HK4.9 cents (2003: 4.5 cents) per share	48,942	31,999
Additional prior year's dividend paid on shares issued upon exercise of share options and warrants subsequent to year end	—	101
	<u>48,942</u>	<u>32,100</u>

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

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the two years ended 31 March 2004 are based on the following data:

	2004 HK\$'000	2003 HK\$'000
Earnings for the purposes of calculation of basic and diluted earnings per share	<u>111,630</u>	<u>94,714</u>
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	751,839,891	692,711,091
Effect of dilutive potential ordinary shares in respect of share options	3,452,731	11,294,037
warrants	<u>26,192,888</u>	—
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	<u>781,485,510</u>	<u>704,005,128</u>

Diluted earnings per share in 2003 had not accounted for the conversion of the Company's outstanding warrants as the exercise price of the Company's outstanding warrants was higher than the average market price per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

13. EARNINGS PER SHARE – Continued

The adjustment to comparative basic and diluted earnings per share, arising from the changes in accounting policies shown in note 2 above, is as follows:

	<i>Basic HK cents</i>	<i>Diluted HK cents</i>
Reconciliation of 2003 earnings per share:		
Reported figures before adjustments	13.6	13.4
Adjustments arising from the adoption of SSAP 12 (Revised)	0.1	0.1
	<hr/>	<hr/>
Restated	13.7	13.5
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

14. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings HK\$'000</i>	<i>Leasehold improvements HK\$'000</i>	<i>Furniture and fixtures HK\$'000</i>	<i>Office equipment HK\$'000</i>	<i>Motor vehicles HK\$'000</i>	<i>Plant and machinery HK\$'000</i>	<i>Vessels HK\$'000</i>	<i>Construction in progress HK\$'000</i>	<i>Total HK\$'000</i>
THE GROUP									
COST OR VALUATION									
At 1.4.2003	217,481	19,083	16,847	27,993	22,598	97,213	47,044	7,962	456,221
Additions	270	649	615	9,476	2,797	7,107	-	15,182	36,096
Acquired an acquisition of business	-	-	-	-	-	5,850	-	-	5,850
Disposals	(4,134)	-	-	(876)	(1,991)	(1,293)	-	(321)	(8,615)
Transfer	183	-	-	-	-	817	-	(1,000)	-
Revaluation increase	9,367	-	-	-	-	-	-	-	9,367
At 31.3.2004	223,167	19,732	17,462	36,593	23,404	109,694	47,044	21,823	498,919
Comprising:									
At cost	-	19,732	17,462	36,593	23,404	109,694	47,044	21,823	275,752
At valuation – 2004	223,167	-	-	-	-	-	-	-	223,167
	223,167	19,732	17,462	36,593	23,404	109,694	47,044	21,823	498,919
DEPRECIATION									
At 1.4.2003	132	9,588	13,123	19,909	17,778	45,187	40,089	-	145,806
Provided for the year	5,138	2,396	1,290	4,503	1,907	10,127	111	-	25,472
Eliminated on disposals	(165)	-	-	(140)	(1,645)	(263)	-	-	(2,213)
Adjustment on revaluation	(5,105)	-	-	-	-	-	-	-	(5,105)
At 31.3.2004	-	11,984	14,413	24,272	18,040	55,051	40,200	-	163,960
NET BOOK VALUES									
At 31.3.2004	223,167	7,748	3,049	12,321	5,364	54,643	6,844	21,823	334,959
At 31.3.2003	217,349	9,495	3,724	8,084	4,820	52,026	6,955	7,962	310,415

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

14. PROPERTY, PLANT AND EQUIPMENT – Continued

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

	<i>THE GROUP</i>	
	<i>2004 HK\$'000</i>	<i>2003 HK\$'000</i>
Land in Hong Kong held under long leases	171,567	161,747
Land in the PRC held under medium-term leases	51,600	51,600
Freehold land in the United States of America (“USA”)	—	4,002
	<u>223,167</u>	<u>217,349</u>

The leasehold land and buildings of the Group in Hong Kong and the PRC were revalued at 31 March 2004 on an open market value basis by BMI Appraisals Limited, an independent property valuer.

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:

	<i>HK\$'000</i>
Cost	242,883
Accumulated depreciation	<u>(41,319)</u>
Net book value at 31 March 2004	<u>201,564</u>
Net book value at 31 March 2003	<u>209,783</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

15. INVESTMENT PROPERTIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
AT VALUATION		
At beginning of the year	55,930	61,400
Exchange realignment	–	330
Revaluation decrease arising on revaluation	(30)	(800)
Transferred to land and buildings	–	(5,000)
	<hr/>	<hr/>
At end of the year	<u>55,900</u>	<u>55,930</u>

The carrying value of investment properties shown above comprises:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Land in Hong Kong held under long leases	18,300	18,300
Land in the PRC held under long leases	37,600	37,630
	<hr/>	<hr/>
	<u>55,900</u>	<u>55,930</u>

The investment properties are rented out under operating leases.

The investment properties of the Group in Hong Kong and the PRC were revalued at 31 March 2004 on an open market value basis by BMI Appraisals Limited, an independent property valuer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

16. GOODWILL

	<i>HK\$'000</i>
THE GROUP	
GROSS AMOUNT	
Arising on the acquisition of business during the year and at 31 March 2004	17,435
AMORTISATION	
Provided for the year and at 31 March 2004	<u>(678)</u>
CARRYING AMOUNT	
At 31 March 2004	<u><u>16,757</u></u>

During the year, the Group spent HK\$23,285,000 on the acquisition of a seafood processing and distribution business in USA. The amount of goodwill arising as a result of the acquisition was HK\$17,435,000.

The goodwill is amortised on a straight-line basis over 15 years.

17. NEGATIVE GOODWILL

	<i>HK\$'000</i>
THE GROUP	
GROSS AMOUNT	
At 1 April 2003	(2,658)
Arising on the acquisition of additional interest in a subsidiary during the year	<u>(786)</u>
At 31 March 2004	<u>(3,444)</u>
RELEASED TO THE INCOME STATEMENT	
At 1 April 2003	109
Released during the year	<u>169</u>
At 31 March 2004	<u>278</u>
CARRYING AMOUNT	
At 31 March 2004	<u><u>(3,166)</u></u>
At 31 March 2003	<u><u>(2,549)</u></u>

The addition of HK\$786,000 in negative goodwill during the year arose on the Group's acquisition of additional 0.29% of equity interest in Pacific Andes (Holdings) Limited. The negative goodwill is released to income on a straight-line basis of 20 years, representing the estimated average useful life of the depreciable assets acquired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

18. INTERESTS IN SUBSIDIARIES

	<i>THE COMPANY</i>	
	<i>2004 HK\$'000</i>	<i>2003 HK\$'000</i>
Unlisted shares	41,926	41,926
Amounts due from subsidiaries	797,282	399,446
	<hr/>	<hr/>
	839,208	441,372

Particulars of the Company's principal subsidiaries at 31 March 2004 are set out in note 42.

The amounts due from subsidiaries are unsecured, bears interest at rates ranging from 1.22% to 5.99% (2003: 1.43% to 5.42%) and will not be repayable within twelve months from the balance sheet date.

19. INTERESTS IN ASSOCIATES

	<i>THE GROUP</i>	
	<i>2004 HK\$'000</i>	<i>2003 HK\$'000</i>
Share of net assets	2,214	435
	<hr/>	<hr/>

Particulars of the Group's principal associates as at 31 March 2004 are set out in note 43.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

20. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Listed equity securities				
Hong Kong	–	11,737	–	–
Overseas	–	4,817	–	–
		16,554	–	–
Unlisted equity securities	200	1,022	–	–
Club debentures	23,691	10,191	18,600	5,100
	<u>23,891</u>	<u>27,767</u>	<u>18,600</u>	<u>5,100</u>
Market value of listed equity securities	–	16,554	–	–
	<u>–</u>	<u>16,554</u>	<u>–</u>	<u>–</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. These investments were disposed of during the year.

In the opinion of the directors, the club debentures are worth at least their cost.

21. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Inventories, at cost, consist of the following:		
Frozen fish	469,858	394,949
Fillets and portions	394,619	275,950
Fuel	3,388	681
Seeds and vegetables	8,613	5,968
Packing materials	11,560	7,620
	<u>888,038</u>	<u>685,168</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

22. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$672,233,000 (2003: HK\$498,829,000) and bills receivables of HK\$129,880,000 (2003: HK\$55,617,000) respectively. The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to 120 days to its trade customers. The aged analysis of trade receivables and bills receivables at the balance sheet date is as follows:

	<i>THE GROUP</i>	
	<i>2004</i> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
Less than 30 days	345,609	492,717
31-60 days	311,409	39,195
61-90 days	41,138	12,480
91-120 days	75,779	8,722
Over 120 days	28,178	1,332
	<hr/>	<hr/>
	802,113	554,446
	<hr/> <hr/>	<hr/> <hr/>

23. TRADE RECEIVABLES WITH INSURANCE COVERAGE

Included in the trade receivables with insurance coverage are discounted trade receivables of HK\$162,619,000 (2003: HK\$145,451,000) which have been discounted to certain banks under the receivable discounting advance facilities.

The aged analysis of the trade receivables with insurance coverage at balance sheet date is as follows:

	<i>THE GROUP</i>	
	<i>2004</i> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
Less than 30 days	201,457	108,118
31-60 days	117,293	83,282
61-90 days	14,573	8,729
91-120 days	17,567	3,920
Over 120 days	1,427	779
	<hr/>	<hr/>
	352,317	204,828
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

24. ADVANCES TO SUPPLIERS

THE GROUP

The amounts were secured by the vessels of the suppliers and were interest-free. The amounts were fully repaid during the year.

25. TRADE RECEIVABLES FROM ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

THE GROUP

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

26. PLEDGED DEPOSITS

THE GROUP

The amount represents deposits pledged to banks to secure discounting advances drawn on trade receivables with insurance coverage and banking facilities granted to the Group.

27. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$58,626,000 (2003: HK\$312,470,000). The aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Less than 30 days	33,084	122,295
31-60 days	25,176	110,209
61-90 days	333	60,515
Over 90 days	33	19,451
	<hr/>	<hr/>
	58,626	312,470
	<hr/> <hr/>	<hr/> <hr/>

Included in trade and other payables are advances from third parties of HK\$25,428,000 (2003: nil) which bear interest at prevailing market rates and were secured by inventories of HK\$33,904,000 (2003: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

28. BANK BORROWINGS

	<i>THE GROUP</i>	
	<i>2004 HK\$'000</i>	<i>2003 HK\$'000</i>
Bank borrowings comprise:		
Inventory loans	117,000	225,909
Trust receipt and short term bank loans	1,106,715	453,957
Other term loans	13,764	–
Mortgage loans	70,499	78,079
Bank overdrafts	15,038	16,754
	<u>1,323,016</u>	<u>774,699</u>
Analysed as:		
Secured	187,499	303,988
Unsecured	1,135,517	470,711
	<u>1,323,016</u>	<u>774,699</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The maturity of bank borrowings is as follows:		
Within one year	1,251,392	704,200
Between one and two years	12,694	7,598
Between two and five years	27,149	23,141
Over five years	31,781	39,760
	<u>1,323,016</u>	<u>774,699</u>
Amount due within one year shown under current liabilities	<u>(1,251,392)</u>	<u>(704,200)</u>
Amount due after one year	<u>71,624</u>	<u>70,499</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

29. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

	<i>Accelerated tax depreciation HK\$'000</i>	<i>Revaluation of properties HK\$'000</i>	<i>Tax losses HK\$'000</i>	<i>Total HK\$'000</i>
THE GROUP				
At 1 April 2002				
– as previously reported	2,995	–	–	2,995
– adjustment on adoption of SSAP 12 (Revised)	2,340	12,821	(2,232)	12,929
	<hr/>	<hr/>	<hr/>	<hr/>
– as restated	5,335	12,821	(2,232)	15,924
Charge (credit) to income statement for the year	177	–	(385)	(208)
Charge to asset revaluation reserve	–	276	–	276
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2003	5,512	13,097	(2,617)	15,992
Charge (credit) to income statement for the year	(2,593)	349	(342)	(2,586)
Charge to asset revaluation reserve	–	2,235	–	2,235
Effect of change in tax rate				
– charge (credit) to the income statement	82	–	(149)	(67)
– charge to asset revaluation reserve	–	376	–	376
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	<u>3,001</u>	<u>16,057</u>	<u>(3,108)</u>	<u>15,950</u>

At the balance sheet date, the Group has unutilised estimated tax losses of HK\$170,673,000 (2003: HK\$155,969,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$17,711,000 (2003: HK\$13,896,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$152,962,000 (2003: HK\$142,073,000) due to the unpredictability of future profit streams.

At the balance sheet date, the Group has deductible temporary differences of HK\$4,163,000 (2003: HK\$2,328,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

30. SHARE CAPITAL

	<i>Number of shares</i>	<i>Amount HK\$'000</i>
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 31 March 2003 and 31 March 2004	<u>2,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2002	656,905,266	65,691
Exercise of share options	53,950,000	5,395
Exercise of warrants	<u>31,061</u>	<u>3</u>
At 31 March 2003	710,886,327	71,089
Issue of new shares	145,000,000	14,500
Exercise of share options	2,600,000	260
Exercise of warrants	<u>140,335,011</u>	<u>14,033</u>
At 31 March 2004	<u>998,821,338</u>	<u>99,882</u>

On 11 February 2004, arrangements were made for a private placement to independent private investors of 145 million shares of HK\$0.10 each in the Company held by NSH, the ultimate holding company of the Company, at a price of HK\$1.73 per share, representing a discount of approximately 4.94% to the closing market price of the Company's shares on 10 February 2004.

Pursuant to a subscription agreement of the same date, NSH subscribed for 145 million new shares of HK\$0.10 each in the Company at a price of HK\$1.73 per share. The proceeds were used for future expansion in the Group's fish fillet business in the PRC and to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 17 September 2003 and rank pari passu with other shares in issue in all aspects.

31. SHARE OPTION SCHEME

The purpose of the share option scheme is to provide incentive to the directors and employees of the Group. Under the terms of the share option scheme (the “Scheme”) which was adopted on 9 September 1994 and will expire on 8 September 2004, the Board may grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company, at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The exercisable period will be determined by the Board and in any event not exceeding a period of 5 years commencing on and two years after the date of acceptance by the grantee and expiring on the last date of such period or 8 September 2004 whichever is earlier. The grantee is required to pay non refundable consideration of HK\$1.00 upon acceptance of the offer. The maximum entitlement of each participant shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

At 31 March 2004, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 4,600,000, representing 1% of the shares of the Company (excluding any shares issued pursuant to the Scheme) in issue at that date. The number of shares issuable under the Scheme is not to exceed 10% of the issued share capital of the Company from time to time excluding any shares issued pursuant to the Scheme.

As the Scheme no longer compiles with the amended Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) governing the share option schemes, no further option can be granted under the Scheme from 1 September 2001 unless the grant complies with the amended Chapter 17 of the Listing Rules. Nevertheless, options previously granted under the Scheme will continue to be exercisable in accordance with the scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

31. SHARE OPTION SCHEME – Continued

At 31 March 2004, the following options to subscribe for shares were outstanding under the Company's share option scheme:

2004

Category 1: Directors

Exercisable period	Date of grant	Subscription price per share HK\$	Number of share options held			Outstanding at 31 March 2004
			Outstanding at 1 April 2003	Exercised during the year	Lapsed during the year	
25 October 1998 – 24 October 2003	24.10.1996	0.9440	2,000,000	(2,000,000)	–	–
11 July 1999 – 10 July 2004	10.7.1997	1.1168	600,000	–	–	600,000
21 August 2000 – 20 August 2005	21.2.2000	0.3336	4,000,000	–	–	4,000,000
Total number of share options held by directors			6,600,000	(2,000,000)	–	4,600,000

Category 2: Employees

Exercisable period	Date of grant	Subscription price per share HK\$	Number of share options held			Outstanding at 31 March 2004
			Outstanding at 1 April 2003	Exercised during the year	Lapsed during the year	
25 October 1998 – 24 October 2003	24.10.1996	0.9440	600,000	(600,000)	–	–
Total number of share options			7,200,000	(2,600,000)	–	4,600,000

The average closing prices of the Company's shares immediately before the dates of which the share options exercised during the year ended 31 March 2004 ranged from HK\$1.12 to HK\$1.34.

No share option was granted by the Company during the year ended 31 March 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

31. SHARE OPTION SCHEME – Continued

2003

Category 1: Directors

<i>Exercisable period</i>	<i>Date of grant</i>	<i>Subscription price per share HK\$</i>	<i>Number of share options held</i>			<i>Outstanding at 31 March 2003</i>
			<i>Outstanding at 1 April 2002</i>	<i>Exercised during the year</i>	<i>Lapsed during the year</i>	
25 October 1998 – 24 October 2003	24.10.1996	0.9440	2,000,000	–	–	2,000,000
11 July 1999 – 10 July 2004	10.7.1997	1.1168	600,000	–	–	600,000
21 August 2000 – 20 August 2005	21.2.2000	0.3336	48,000,000	(44,000,000)	–	4,000,000
21 February 2002 – 20 February 2007	21.2.2000	0.3336	2,000,000	(2,000,000)	–	–
Total number of share options held by directors			<u>52,600,000</u>	<u>(46,000,000)</u>	<u>–</u>	<u>6,600,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

31. SHARE OPTION SCHEME – Continued

2003 – continued

Category 2: Employees

Exercisable period	Date of grant	Subscription price per share HK\$	Number of share options held			Outstanding at 31 March 2003
			Outstanding at 1 April 2002	Exercised during the year	Lapsed during the year	
25 October 1997 – 24 October 2002	24.10.1996	0.9940	100,000	–	(100,000)	–
25 October 1998 – 24 October 2003	24.10.1996	0.9440	3,250,000	(2,650,000)	–	600,000
25 October 1999 – 24 October 2004	24.10.1996	0.9440	300,000	(300,000)	–	–
25 October 2000 – 24 October 2005	24.10.1996	0.9440	400,000	(400,000)	–	–
21 February 2001 – 20 February 2006	21.2.2000	0.3336	4,000,000	(4,000,000)	–	–
21 February 2002 – 20 February 2007	21.2.2000	0.3336	600,000	(600,000)	–	–
Total number of share options held by employees			8,650,000	(7,950,000)	(100,000)	600,000
Total number of share options			<u>61,250,000</u>	<u>(53,950,000)</u>	<u>(100,000)</u>	<u>7,200,000</u>

The average closing price of the Company's shares immediately before the date of which the share options exercised during the year ended 31 March 2003 ranged from HK\$0.60 to HK\$1.13.

No share option was granted by the Company during the year ended 31 March 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

32. WARRANTS

	<i>Warrants with subscription price of HK\$0.85</i>	
	<i>Number</i>	<i>HK\$'000</i>
Balance at date of issue of warrants	141,401,053	120,191
Exercised during the year	(31,061)	(27)
	<u>141,369,992</u>	<u>120,164</u>
Balance in issue at 31 March 2003	141,369,992	120,164
Exercised during the year	(140,335,011)	(119,285)
Lapsed during the year	(1,034,981)	(879)
	<u>140,000,000</u>	<u>119,999</u>
Balance in issue at 31 March 2004	<u>–</u>	<u>–</u>

On 16 September 2002, a bonus issue of 141,401,053 warrants (“2004 Warrants”) was made on the basis of one 2004 Warrants for every five existing ordinary shares then held on 16 September 2002.

Each 2004 Warrants entitles the registered holder to subscribe in cash at an initial subscription price of HK\$0.85, subject to adjustment, for one ordinary share of HK\$0.10 each in the Company, at any time from 26 September 2002 to 25 March 2004 (both dates inclusive).

Subsequent to the date of issue, 140,366,072 2004 Warrants were exercised to subscribe for ordinary shares and the remaining 1,034,981 2004 Warrants were lapsed on 25 March 2004.

33. SHARE PREMIUM AND RESERVES

	<i>Share premium HK\$'000</i>	<i>Contributed surplus HK\$'000</i>	<i>Retained profits HK\$'000</i>	<i>Total HK\$'000</i>
THE COMPANY				
At 1 April 2002	281,390	39,225	61,736	382,351
Shares issued at a premium	14,671	–	–	14,671
Net profit for the year	–	–	7,615	7,615
2002 final dividend paid	–	–	(28,280)	(28,280)
	<u>296,061</u>	<u>39,225</u>	<u>41,071</u>	<u>376,357</u>
At 31 March 2003	296,061	39,225	41,071	376,357
Shares issued at a premium	343,795	–	–	343,795
Shares issue expenses	(6,552)	–	–	(6,552)
Net profit for the year	–	–	77,313	77,313
2003 final dividend paid	–	–	(32,656)	(32,656)
	<u>633,304</u>	<u>39,225</u>	<u>85,728</u>	<u>758,257</u>
At 31 March 2004	<u>633,304</u>	<u>39,225</u>	<u>85,728</u>	<u>758,257</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

33. SHARE PREMIUM AND RESERVES – Continued

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.

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:

	<i>2004</i> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
Contributed surplus	39,225	39,225
Retained profits	85,728	41,071
	<u>124,953</u>	<u>80,296</u>

34. RETIREMENT BENEFITS SCHEME

The Group operates Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. 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 MPF 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 MPF Scheme.

The retirement benefits scheme contribution represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

Employees of the subsidiaries in the PRC 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	8,043	8,930
In the second to fifth years inclusive	12,797	16,527
After five years	24,572	26,145
	<hr/>	<hr/>
	45,412	51,602
	<hr/> <hr/>	<hr/> <hr/>

Operating lease payments represent rentals payable by the Group for certain of its office premises, processing plants and farmland. Leases are negotiated for terms ranging from one to thirty years.

The Group as lessor

Property rental income earned during the year was HK\$2,481,000 (2003: HK\$8,365,000). The investment properties of the Group are expected to generate rental yield of 5% (2003: 8%) on an outgoing basis. Certain of the Group's investment properties held have committed tenants ranging from one to five years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties which fall due as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	1,000	2,314
In the second to fifth years inclusive	385	748
After five years	922	–
	<hr/>	<hr/>
	2,307	3,062
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

36. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 31 March 2004, the Group had commitment for capital expenditure in respect of the acquisition of property, plant and equipment as follows:				
Contracted for but not provided in the financial statements	12,088	8,469	2,734	2,730

At 31 March 2004, the Group also had commitments in respect of the acquisition of a company contracted for but not provided for in the financial statements. The consideration for the acquisition, which the Directors estimated to be approximately HK\$117,000,000, will be equal to six times of the audited net profit after taxation of the company to be acquired for the financial year ended 31 December 2003.

37. ACQUISITION OF BUSINESS

During the year, the Group acquired a seafood processing and distribution business for a consideration of HK\$23,285,000.

	2004 HK\$'000	2003 HK\$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	5,850	—
Goodwill	17,435	—
Total consideration	23,285	—
Satisfied by:		
Cash	23,285	—
Cash outflow of cash and cash equivalents in respect of the acquisition of business	23,285	—

The business acquired during the year contributed HK\$28,147,000 to the Group's turnover and a loss of HK\$2,035,000 to the Group's profits from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

38. MAJOR NON – CASH TRANSACTION

During the year, no dividend income (2003: HK\$1,400,000) is received through the current account with an associate.

39. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At the balance sheet date, the Group and the Company had contingent liabilities as follows:				
Bills discounted with recourse	229,946	420,900	–	–
Guarantees given to bankers in respect of banking facilities utilised by subsidiaries	–	–	762,471	881,721
	<u>229,946</u>	<u>420,900</u>	<u>762,471</u>	<u>881,721</u>

40. PLEDGE OF ASSETS

At 31 March 2004, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK\$171,567,000 (2003: HK\$161,747,000) and HK\$18,300,000 (2003: HK\$18,300,000) respectively, as collateral for mortgage loans granted to the Group by certain banks.

Inventories of HK\$213,239,000 (2003: HK\$338,691,000) were also pledged as security for the revolving inventory financing facilities obtained from banks.

In addition, shares of certain subsidiaries were pledged as securities for revolving inventory financing facilities obtained from banks.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

41. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group had entered into the following significant transactions with associates of the Group:

	2004 HK\$'000	2003 HK\$'000
Sales of frozen seafood (<i>note i</i>)	335,181	455,135
Purchases of frozen seafood (<i>note i</i>)	3,062	8,556
Administrative income (<i>note ii</i>)	2,375	7,199
	<u>338,518</u>	<u>463,890</u>

Notes:

- (i) 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.
- (ii) Administrative income were charged to associates on a cost allocation basis.
- (b) The associate also provides inventories and trade receivables as part of the security to a bank to secure the banking facilities of HK\$30,000,000 (2003:HK\$39,000,000) granted to the Group. At 31 March 2004, no amount of the facilities (2003: nil) were utilised by the Group. Included in the discounting advances drawn on trade receivables with insurance coverage is an amount of HK\$23,674,000 (2003: HK\$47,691,000) which were drawn from discounting trade receivables with insurance coverage of an associate of HK\$26,304,000 (2003: HK\$52,990,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2004 are as follows:

<i>Name</i>	<i>Place/ country of incorporation or registration/ operation</i>	<i>Issued and fully paid-up capital/ contributed capital</i>	<i>Proportion of nominal value of issued capital held by the Company*/ subsidiaries %</i>	<i>attributable to the Group %</i>	<i>Principal activities</i>
Aqua Foods (Qinqdao) Co., Ltd.	PRC (<i>note a</i>)	Registered RMB6,340,000	100	100	Seafood processing
Best Concept (Far East) Limited	Hong Kong/ Worldwide	Ordinary HK\$2	100	100	Trading of frozen seafood products
Bonaire Developments Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100	100	Property holding
Chasterton Group Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100	100	Property holding
Clamford Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100 *	100	Investment holding
Europaco Limited	British Virgin Islands/ Worldwide	Ordinary US\$1	100	100	Trading of processed seafood products
Europaco (BP) Limited	British Virgin Islands/ Worldwide	Ordinary US\$1	100	100	Trading of processed seafood products
Europaco (EP) Limited	British Virgin Islands/ Worldwide	Ordinary US\$1	100	100	Trading of processed seafood products
Europaco (GP) Limited	British Virgin Islands/ Worldwide	Ordinary US\$1	100	100	Trading of processed seafood products
Europaco (HP) Limited	Hong Kong/Worldwide	Ordinary HK\$2	100	100	Trading of processed seafood products
Fastact Group Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100	100	Property holding
Glorious Ocean Limited	Hong Kong/ Hong Kong	Ordinary HK\$2	100	100	Provision of treasury and administrative services
National Fish and Seafood Limited	Hong Kong/Worldwide	Ordinary HK\$2	100	60	Trading of frozen seafood products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

42. 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
National Fish & Seafood Inc.	USA/Worldwide	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	58	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/Worldwide	Ordinary HK\$2	100	100	Trading of frozen seafood products
Pacific Andes Enterprises (BVI) Limited	British Virgin Islands/ Worldwide	Ordinary US\$1	100	58	Trading of frozen seafood products
Pacific Andes Enterprises (Hong Kong) Limited	Hong Kong/ Worldwide (note b)	Ordinary HK\$200 Non-voting deferred HK\$10,000,000	100	100	Provision of treasury and administrative services
Pacific Andes Food (Hong Kong) Company Limited	Hong Kong/ Worldwide	Ordinary HK\$10,000	100	58	Trading of frozen seafood products
Pacific Andes (Holdings) Limited	Bermuda/Singapore	Ordinary S\$108,224,650	58	58	Investment holding
Pacific Andes International Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100 *	100	Investment holding
Pacific Andes Treasury Management Limited	Hong Kong/ Hong Kong	Ordinary HK\$10,000,000	100	100	Provision of treasury services
Pacific Andes (Europe) Limited	British Virgin Islands/ Worldwide	Ordinary US\$1	100	100	Trading of processed seafood products
Pacific Andes (HP) Limited	British Virgin Islands/ Worldwide	Ordinary HK\$2	100	100	Trading of processed seafood products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

42. 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
Pacos Processing Limited	Cayman Island/ Worldwide	Ordinary US\$1	100	100	Trading of processed seafood products
Pacos Trading Limited	Cayman Island/ Worldwide	Ordinary US\$1	100	58	Trading of frozen seafood products
Paco Beta Limited	British Virgin Islands/ Worldwide	Ordinary US\$1	100	58	Trading of marine fuel
Paco Gamma Limited	British Virgin Islands/ Worldwide	Ordinary US\$1	100	58	Vessel holding
Parkmond Group Limited	British Virgin Islands/ Worldwide	Ordinary US\$1	100	58	Trading of frozen seafood products
Pelican Food Limited	British Virgin Islands/ Hong Kong	Ordinary US\$100	100	100	Investment holding
Qingdao Canning Foodstuff Co. Ltd.	PRC (note a)	Registered US\$12,100,000	100	100	Seafood processing
Sevenseas Enterprises Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100	100	Property holding
Xinxing Foodstuffs (Qingdao) Company Limited	PRC (note a)	Registered US\$910,000	100	100	Seafood processing

Notes:

- (a) The subsidiaries are wholly foreign owned enterprises registered in PRC.
- (b) The non-voting deferred shares carry practically no rights to dividends nor receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

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 debt securities outstanding at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

43. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates as at 31 March 2004 are as follows:

<i>Name</i>	<i>Forms of business structure</i>	<i>Place of incorporation</i>	<i>Attributable proportion of nominal value of issued registered capital held by the Company</i>	<i>Principal activities</i>
Global Research Group Inc.	Incorporated	British Virgin Islands	50%	Investment holding
Global Research Services Inc.	Incorporated	British Virgin Islands	50%	Provision of interactive electronic data base
Pacos Processing Limited	Incorporated	Republic of Cyprus	20%	Trading of processed seafood products
Paco-EP Limited	Incorporated	Republic of Cyprus	20%	Trading of processed seafood products
Paco-GP Limited	Incorporated	Republic of Cyprus	20%	Trading of processed seafood products
Paco-HP Limited	Incorporated	Republic of Cyprus	20%	Trading of processed seafood products
Pacos Trading Limited	Incorporated	Republic of Cyprus	12%	Trading of frozen seafood products
Paco (ET) Limited	Incorporated	Republic of Cyprus	12%	Trading of frozen seafood products
Paco (GT) Limited	Incorporated	Republic of Cyprus	12%	Trading of frozen seafood products
Paco (HT) Limited	Incorporated	Republic of Cyprus	12%	Trading of frozen seafood products