

## REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

### Principal Activities

The Company acts as an investment holding company and provides corporate management services to group companies. Its subsidiaries are principally engaged in fishing, the provision of fishing management services to fishing vessels, global sourcing, processing on shore and international distribution of a variety of frozen seafood products, trading of marine fuel, the provision of shipping and agency services and the cultivation, processing and supply of vegetables. Its associates are principally engaged in trading of processed and frozen fish products and its jointly-controlled entity is engaged in property holding.

Details of the Company's principal subsidiaries, associates and jointly-controlled entity at 31 March 2006 are set out in notes 50, 51 and 28 to the financial statements, respectively.

An analysis of the Group's turnover and contribution to profit by 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 less than 30% of the Group's turnover. The five largest suppliers of the Group together accounted for approximately 35.6% of the Group's total purchases, with the largest supplier accounting for 12.8%.

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 2006 are set out in the consolidated income statement on page 27.

The directors recommend the payment of a final dividend of HK5.2 cents per share to the shareholders whose names appear on the Register of Members of the Company at the close of business on 7 September 2006 amounting to HK\$55,874,000 and the retention of the remaining profit for the year of HK\$127,184,000.

### Property, Plant and Equipment

During the year, the Group spent approximately HK\$161,218,000 on the acquisition of property, plant and equipment.

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

### Investment Properties

The Group has revalued its investment properties at 31 March 2006.

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

### 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.

## REPORT OF THE DIRECTORS

### Share Capital, Share Options and Warrants

Details of movements in the share capital, share options and warrants are set out in notes 35, 36 and 37 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 32 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	<i>(Chairman)</i>
Ng Joo Siang	<i>(Managing Director)</i>
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  
Yeh Man Chun, Kent

In accordance with the provisions of the Company's bye-laws, Teh Hong Eng, Ng Joo Kwee, Lew V Robert and Kwok Lam Kwong, Larry retire and, being eligible, offer themselves for re-election. All remaining director 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 Teh Hong Eng, Ng Joo Kwee, Ng Joo Puay, Frank and Cheng Nai Ming has entered into a service agreement with the Company's subsidiary. These service agreements shall be valid unless terminated 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.

## REPORT OF THE DIRECTORS

### Directors' and Chief Executive's Interests

#### (i) Shares and Warrants

At 31 March 2006, the interests of the directors and their associates in the shares and warrants 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:

Director	Number of ordinary shares and warrants held (long position)		Percentage of the issued share capital of the Company
	Personal Interest	Family Interest	
Ng Joo Siang			
– shares	–	622,000 <sup>Note</sup>	0.06%
– warrants	–	84,400 <sup>Note</sup>	0.01%
Ng Puay Yee			
– shares	1,176,000	–	0.16%
– warrants	235,200	–	0.02%
Cheng Nai Ming			
– shares	3,745,280	–	0.37%
– warrants	349,056	–	0.03%

Note:

These shares and warrants are held under the name of the spouse of Ng Joo Siang.

#### (ii) Share option schemes

Particulars of the share option schemes are set out in note 36 to the financial statements.

The following table discloses director' personal interests in share options to subscribe for shares in the Company:

Director	Vesting period	Period under which option are exercisable	Subscription price per share HK\$	Date of grant	Number of share options and underlying shares held		
					Outstanding at 1.4.2005	Exercised during the year	Outstanding at 31.3.2006
Cheng Nai Ming	21.2.2000 to 20.8.2000	21.8.2000 to 20.8.2005	0.3336	21.2.2000	4,000,000	(4,000,000)	–

## REPORT OF THE DIRECTORS

### Directors' and Chief Executive's Interests – Continued

#### (ii) Share option schemes – Continued

##### Category 2: Employees

There is no share option outstanding for employees during the year.

Details of the option exercised are as follows:

Date	Number of options	Closing price of Company's shares
4 August 2005	2,000,000	1.36
19 August 2005	2,000,000	1.41
	<u>4,000,000</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 as at 31 March 2006.

### 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 arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of share 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 2006, 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 in the issued share capital of the Company:

Name of shareholder	Capacity	Number of warrants held (long position)	Number of issued ordinary shares held (long position)	Total number of issued ordinary shares and warrants held (long position)	Percentage of the issued share capital of the Company
N. S. Hong Investment (BVI) Limited <sup>Note (1)</sup>	Beneficial owner	101,157,087	516,227,438	617,384,525	60.77%
Cheah Cheng Hye <sup>Note (2)</sup>	Beneficial owner	—	151,465,836	151,465,836	14.91%

Notes:

1. N. S. Hong Investment (BVI) Limited directly holds such shares and warrants.
2. Cheah Cheng Hye holds a total of 151,465,836 shares by virtue of his deemed interest in the shares held by Value Partners Limited.

## REPORT OF THE DIRECTORS

### Substantial Shareholders – Continued

Other than 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 2006.

### Transactions with Non-wholly Owned Subsidiaries

The Group had also entered into the following transactions with National Fish & Seafood Inc. (“NFS”) and its subsidiary, Kyoshoku and its subsidiary, in which the Group has a 60% attributable interest, respectively, Pacific Andes (Holdings) Limited (“PAH”) and its subsidiaries in which the Group has a 65% attributable interest and China Fishery Group Limited (“China Fishery”) and its subsidiaries in which the Group has a 20% attributable interest:

	HK\$'000
Sales to Kyoshoku and its subsidiary	1,461
Purchases from Kyoshoku and its subsidiary	182
Interest income received from NFS and its subsidiary	58
Administrative income received from PAH and its subsidiaries	19,654
Interest income received from PAH and its subsidiaries	89
Purchase of catches of seafood from China Fishery and its subsidiaries	139,160
Sale of bunker and other vessel supplies to China Fishery and its subsidiaries	<u>17,956</u>

The interest income was calculated at interest rates ranging from 3.20% to 5.37% 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 The Singapore Exchange Securities Trading Limited and a supplemental agreement dated 22 July 2003. Sales and purchases of frozen seafood, purchase of catches of seafood and sales of bunker and other vessel supplies 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\$255,645,000 granted to NFS and its subsidiary and in the amount of HK\$494,340,000 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\$46,800,000 granted to the Group and the Company.

### Donations

During the year, the Group made charitable and other donations amounting to HK\$212,000.

### Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

## REPORT OF THE DIRECTORS

### Model Code for Securities Transactions

The Company has adopted the Model Code of the Listing Rules as the code for dealing in securities of the Company by the directors. Specific enquiry has been made with all directors and the directors have complied with the required standard set out in the Model code for the year ended 31 March 2006.

### Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited consolidated financial statements for the year ended 31 March 2006.

### Post Balance Sheet Events

Details of the post balance sheet events are set out in note 49 to the financial statements.

### 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*

26 July 2006