ANNUAL REPORT 2008

PACIFIC ANDES

INTERNATIONAL HOLDINGS LIMITED

STOCK CODE: 1174

CONTENTS

CORPORATE PROFILE

As one of the world's largest integrated seafood companies, the Pacific Andes Group has been providing frozen seafood products since 1986 to an international clientele that demands just-in-time supplies of high quality and responsibly derived seafood. With a fully extended set of capabilities across harvesting, sourcing, processing, testing and distribution, we are uniquely positioned to capture the ever-increasing global demand for fish and seafood.

Headquartered in Hong Kong and with operations worldwide, the Group is held under Hong Kong Stock Exchange-listed Pacific Andes International Holdings Limited ("Pacific Andes"). The Group's upstream fishing division and midstream supply chain management division are also listed on the Singapore Exchange as China Fishery Group Limited ("China Fishery") and Pacific Andes (Holdings) Limited ("PAH") respectively.

ENVIRONMENTAL RESPONSIBILITY

Fish is a valuable source of food for millions of people around the world. While it is a renewable resource, its habitats in the world's waters are delicate ecosystems that require concerted and uninterrupted efforts to ensure their longevity.

As an integrated seafood company with extensive operations all around the world, we are keenly aware of our social, environmental and corporate responsibilities to protect the sustainability of fisheries. Hence, at all times, we resolve to respect regulations and lead by best practices. In all aspects of our operations, we are constantly looking into ways to optimise the use of raw materials, reduce wastage and explore ideas for alternatives that may diffuse excessive pressure on resources.

BUSINESS STRUCTURE

PACIFIC ANDES
INTERNATIONAL HOLDINGS LIMITED
(Incorporated Bermuda with limited liability)

INDUSTRIAL FISHING DIVISION

- Ocean Trawling
- Fishmeal Processing

The Group's industrial fishing division currently operates 60 vessels across Pacific Ocean, harvesting some of the most important ocean fish species of the world and supplying them to customers worldwide. Our trawling fleet is outfitted with comprehensive onboard processing technology and storage facilities, such that our catch can be promptly processed on harvest into various product forms. We also have fishmeal processing facilities both onboard and onshore in Peru.

FROZEN FISH SUPPLY CHAIN MANAGEMENT DIVISION

- Resource Development
- Global Sourcing & Supply
- Transportation & Shipping Agency

Our frozen fish supply chain management division offers a full range of logistical services to fishing vessels, as well as global sourcing and distribution services in frozen ocean-caught fish to wholesalers or reprocessors from around the world.

PROCESSING & DISTRIBUTION DIVISION

- Seafood Processing
  - China
  - Japan
  - USA
- Global Marketing & Distribution
- Food Testing

The Group's processing and distribution division produces a wide range of frozen fish fillets, portions and other customised value-added seafood products for both our in-house labels as well as customers' brands. Currently, we have a total of 23 seafood processing facilities in China, Japan and the United States – all certified to international food safety and quality standards.

INDUSTRIAL FISHING

In FY2008, the Group's industrial fishing division continued to record growth in its operating and financial performance. It also actively laid the ground for redeploying selected supertrawlers to the South Pacific for new fishing operations, so as to increase fleet utilisation and generate additional income streams. At the same time, the division continued to pursue fishing vessel and fishmeal processing plant acquisitions in Peru, in anticipation of an impending change in its fishing system.

FROZEN FISH SUPPLY CHAIN MANAGEMENT

As domestic consumption and raw material needs increase, China continued to rely heavily on imports of frozen fish to meet its demand for fish. Leveraging such growth, the Group's frozen fish supply chain management continued to maintain its leading market position by capturing a 13% share of China's frozen fish imports market in FY2008.

PROCESSING AND GLOBAL DISTRIBUTION

In catering to growing demands for value-added and environmentally sustainable seafood products, the Group is completing the brand new 333,000 square-metre Hongdao Processing Complex. Featuring up-to-date value-added processing and product development facilities, onsite coldstorage, traceability reporting capabilities, as well as energy and water conserving features, the plant will give the Group an unparalleled edge in the seafood processing sector.

MANAGING DIRECTOR'S REPORT

Dear Valued Investors,

With the close of the financial year ended 31 March 2008 ("FY2008"), Pacific Andes International Holdings Limited ("Pacific Andes" or the "Company") and its subsidiaries (the "Group") once again witnessed a rewarding year.

Benefiting from a global rise on fish consumption amid increasingly challenging global conditions necessitated tough decisions in the sense that gains required sacrifices. Nevertheless, with a focused expansion and product mix optimisation plan, the Group recorded uninterrupted revenue growth at a compounded annual growth rate of 21.6% since FY2000.

In FY2008, the Group recorded total turnover of HK$10,017 million, representing a year-on-year rise of 18.1% (FY2007: HK$8,479 million). With rapidly increased contribution from the upstream industrial fishing division and improved cost efficiencies, the Group's gross profit grew 38.5% to HK$1,831 million (FY2007: HK$1,322 million). Gross profit margin improved from 15.6% to 18.3% over the financial year.

Profit attributable to equity holders surged 20.0% to HK$373 million, on significantly greater contribution from the fishing division, which is helmed by Singapore-listed China Fishery Group Limited ("China Fishery"). Excluding exceptional gains recorded in the two comparative years, the increase in profit attributable to equity holders of Pacific Andes saw 59.5% growth from HK$218 million to HK$348 million.

KEY DEVELOPMENTS

For FY2008, the Group continued its proactive approach to increasing fishing & processing capabilities, managing costs, and promoting environmentally responsible operations across its fully integrated value chain.

Raised stake in China Fishery Group Limited

The Group's industrial fishing division increased its revenue contribution by 76.1% to HK$3,150 million, accounting for 31.4% of Group's total sales (FY2007: 21.1%), due to a higher catch volume in its trawling operations and also rapid expansion in the Peruvian fishmeal operations. To harness more benefits from the rapid growth of this division, the Group increased its effective shareholdings in China Fishery in July 2007 from 18.8% to 40.8%. As a result, a greater portion of the division's earnings was attributable to equity holders of the parent company in FY2008.

Enlarged Group equity to support future development

In FY2008, Pacific Andes significantly increased Group total equity by 48.9% to HK$5,811 million (FY2007: HK$3,902 million). This was principally achieved through a chain rights issue carried out on both Pacific Andes and PAH levels over June and July 2007 respectively, which have enlarged the Group equity base significantly, and consequently increased its balance sheet capacity for future development. Pacific Andes had issued these rights to fund its subscription of rights shares offered by PAH, which had carried out the exercise along with the issue of US$93 million in 5-year convertible bonds carrying an annual coupon of 4% to finance its stake increase in China Fishery.

Expanded long-term access to fishery resources

FY2008 was a year to be on a lookout for equitably-priced opportunities to increase our fishing capacity in Peru, so as to lay the foundation in securing our long-term access to fish resources in the country, which is the world's largest fishing nation. To increase the Group's competitive position in Peru, it acquired 11 purse seine fishing vessels and 3 fishmeal plants to bring its total Peruvian fleet to 34, and number of fishmeal processing plants to 7. As at the date of this report, the Group acquired a further 3 purse seine fishing vessels and 1 fishmeal plant. To date, the group has a total of 37 vessels and 8 fishmeal processing plants in Peru.

Secured share of underutilised fish species

Consistent with the Management's FY2007 strategy to increase the Group's upstream division operations and in line with establishing early mover advantage in a relatively untapped fishery resource to generate new income streams, of its 23 supertrawlers under 4 Vessel Operating Agreements ("VOAs"), selected supertrawlers have been undergoing upgrading for redeployment to new fishing operations in South Pacific Ocean. As at the date of this report, the Group has deployed the 2 upgraded fuel-efficient vessels to the South Pacific, and a further 3 vessels are undergoing upgrade to increase fishing operations in this vicinity.

Maintained a significant share of the PRC frozen fish imports market

A stable segment of the Group's business, the frozen fish supply chain management ("frozen fish SCM") division increased its FY2008 revenue contribution by 10.2% to HK$3,855 million (FY2007: HK$3,497 million). The division leveraged its expansive sourcing network and established expertise to once again maintain its position as a market leader by capturing a 13% share of the imported frozen fish market in the People's Republic of China ("the PRC"). The division also acquired two smaller and more fuel-efficient reefer vessels in October 2007 with the intention of replacing one of its existing reefer vessels, which was just disposed of in July 2008. The division currently owns 3 reefer vessels.

Sharpening value-added processing capabilities

The processing and distribution division recorded a turnover of HK$3,001 million, or 30.0% (FY2007: 37.5%) of the Group's total sales for the period. The division continued to run at tight capacity as demand outstretched supply. As the division is completing its new fish processing plant in Hongdao, it did not take on more sub-contracted processing facilities to increase its production capacity despite increasing customer demand.

Designed to tap the growing demand for value-added and environmentally sustainable seafood products, the new processing plant in Hongdao will have an initial processing capacity of 60,000 tonnes of fish fillets per annum, and on-site cold storage capacity of 41,000 tonnes. These integrated facilities, along with several energy and water-conserving features, were designed to help the Group optimise its profit margins for this business segment.

Continued support for the long-term sustainability of the global seafood industry

Fish and seafood has become the product of choice in a nation where health and sophistication are evolving. Likewise, environmentally-friendly seafood is a trend in many markets and in securing the Group's contribution towards the long-term health and sustainability of the seafood industry as a whole the Group has proactively continued to incorporate these issues into the operational strategy. As such, the Group voluntarily undergoes quarterly independent reviews undertaken by an international audit firm on procurement processes to legitimately verify only safe fish supplies enter the supply chain.

DIVIDEND

The Board of Directors ("the Board") is recommending a final dividend of HK5.5 cents per ordinary share for the year ended 31 March 2008, which is a 34.1% increase over the per-share dividend paid out in FY2007. The Board is also proposing to renew the scrip and/or cash dividend scheme to reward shareholders through more channels, and encourage shareholders' participation in the Group's future growth.

SUBSEQUENT TO FINANCIAL YEAR-END

Subsequent to the end of FY2008, in May 2008, the Group successfully refinanced the existing syndicated loan facility with a new US$160 million (approximately HK$1,248.0 million) 4-year facility, subscribed by a group of 11 banks and financial institutions from Asia and Europe.

In spite of tightening global credit conditions, the Group secured this new facility at a more favourable interest margin of 1.25% over LIBOR due to its strengthening balance sheet and improving financial performance on greater contribution from China Fishery.

OUTLOOK

Fish, being a consumer staple product, will continue to be in demand in the years ahead even in economic slowdowns. In particular, rising consumption in the PRC will help fuel the growth of the Group's businesses. As the nation continues to import more frozen fish and intensifies aquaculture production, it will also continue to play a leading role as a global seafood processing base. Accordingly, the Group is ideally placed to capitalise on the opportunities presented by leveraging its strengths in fishmeal processing, fishing, supply chain management, processing and distribution.

The Management believes that the rapidly consolidating industry is presenting excellent opportunities for the Group to further augment its market position as a leading global player. As such, the Management will continue to extend the Group's access to fish resources through such methods as increasing its fishing capacities and executing appropriately-priced acquisitions that will strengthen its presence in key fishing nations. It will also continue to focus on cost management and boosting operating efficiencies, so as to optimise profits under prevailing operating conditions. To illustrate, even with the recent spike in oil price, the Group has managed to contain bunker costs at 18% of its sales for trawling operations, which compares with 15% historically. This is attributable to, firstly, rising fish prices as demand exceeds supply, and secondly, the economies of scale which the Group enjoys due to its extensive operations.

The key growth plans in FY2009 are:

New Fishing Operations in South Pacific Ocean

The Group's industrial fishing division is upgrading and redeploying selected supertrawlers to the South Pacific Ocean for new fishing operations. This is aimed at improving the utilisation of its supertrawler fleet and generating new streams of income. One unique feature of this upgrading work encompasses the refitting of the supertrawlers with an enhanced fuel-efficient engine that can significantly improve the Group's fuel cost efficiency.

Continued Expansion in Peru

In June 2008, Peru passed a change in legislation that will transform its fishing system from an "Olympic" style system to a quota fishing system. This is aimed at improving the efficiency and performance of the Peruvian fishmeal industry. Quotas, which are represented as a fixed percentage of the Total Allowable Catch of a fish species, will be issued to eligible fishing companies based on their operating track record and existing fishing capacity owned. The system is expected to be implemented in 2009.

The Group has been actively acquiring fishing companies in Peru since May 2006 in anticipation of this change. In the year ahead, it will continue to expand its footprint in Peru by way of more purse seine vessel acquisitions, so as to establish a greater competitive edge under such a fishing system change.

Moving into Higher Value-Added Seafood Processing

To address demand for higher value-added and more environmentally sustainable seafood products, the Group is strengthening its downstream processing facilities through the construction of its new plant in Hongdao. The new facility will enable the Group to rationalise production, optimise output, minimise wastage and efficiently utilise resources.

In addition, it will also allow for better traceability reporting, which is increasingly gaining importance in the global food industry as a result of growing concerns on food safety.

APPRECIATION

On behalf of the Board, I would like to express our heartfelt gratitude towards all customers, suppliers, bankers, business partners, investors, management members and staff. Your loyal support through these years has helped the Group reach new and wonderful horizons. Together, we shall look forward to yet another rewarding year.

Ng Joo Siang

Managing Director and Vice-Chairman

24 July 2008

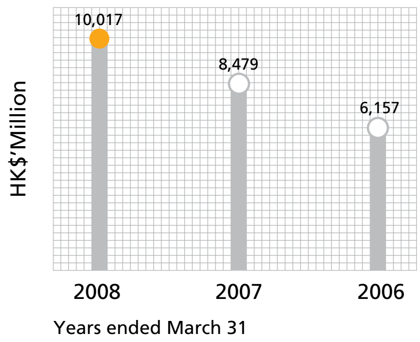
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2008, Pacific Andes International Holdings Limited ("Pacific Andes" or the "Company") and its subsidiaries (the "Group") made significant progress in expanding into upstream industrial fishing activities, thus contributing to the optimisation of its vertically-integrated supply chain management operation for frozen seafood products. Strong earnings growth and enhanced margin saw the Group's overall financial performance improved.

FINANCIAL HIGHLIGHTS

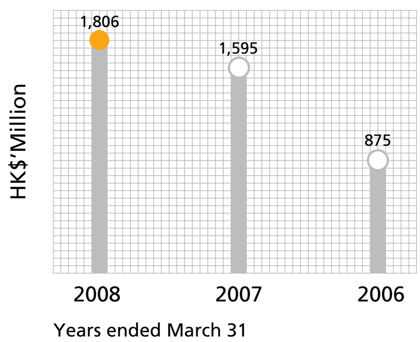
Turnover

The Group's total turnover recorded uninterrupted growth for yet another financial year. FY2008 revenue increased 18.1% year-on-year to HK$10.0 billion, driven largely by significant growth in its fishing division, and supported by relatively stable revenue in its frozen fish supply chain management and processing divisions.



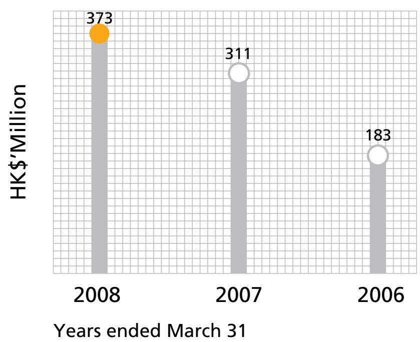
EBITDA

Earnings before interest, tax, depreciation and amortisation ("EBITDA") grew 13.2% to HK$1.8 billion on increasing contribution from the fishing division.



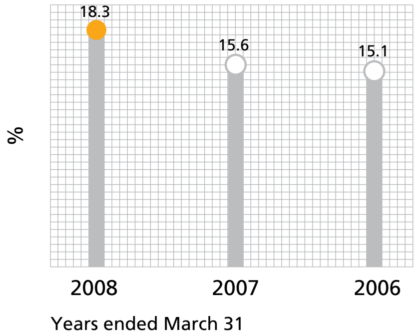
Profit Attributable to Shareholders

Profit attributable to shareholders grew 20.0% to HK$373 million, as the Company increased its effective stake in China Fishery from 18.8% to 40.8%. Excluding exceptional gains recorded in both FY2007 and FY2008, normalised profit attributable to shareholders of Pacific Andes surged 59.5% to HK$348 million from HK$218 million.



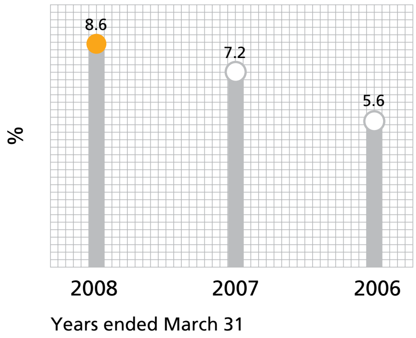
Gross Profit Margin

The Group's gross profit margin improved progressively over the financial years to 18.3% in FY2008, on the integration of high-margin upstream operations into the Group business.



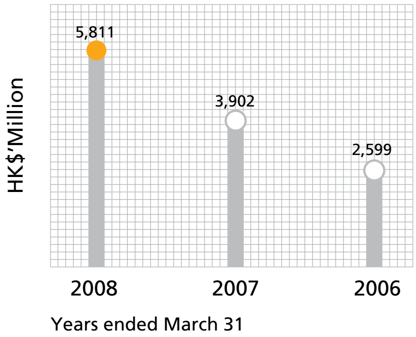
Net Profit Margin

Excluding exceptional gains, the Group's net profit margin (before minority interests) rose to 8.6% in FY2008, reflecting an improvement in the Group's fundamental financial performance.



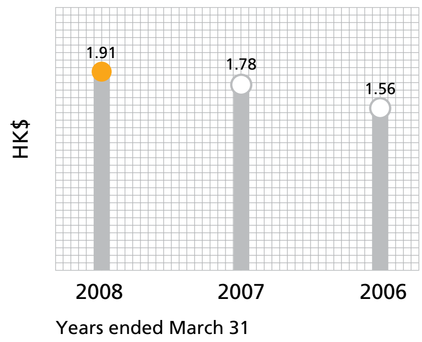
Shareholders' Fund

Group equity increased by 48.9% to HK$5.8 billion as at the end of FY2008 on a chain rights issue conducted by Pacific Andes and PAH over June and July 2007 respectively, as well as greater retained earnings.



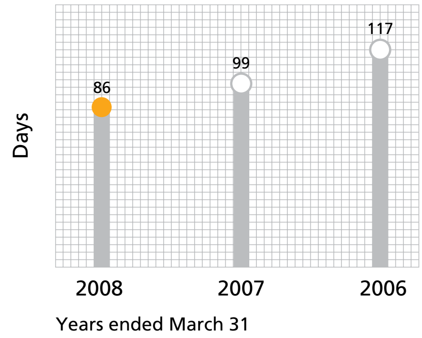
Net Assets Per Share

Notwithstanding a larger share base as at the end of FY2008, net assets per share increased 7.3% to HK$1.91 as the Group enlarged its asset base through acquisitions in Peru, investments in its new Hongdao Processing Complex and goodwill arising from the stake increase in China Fishery.



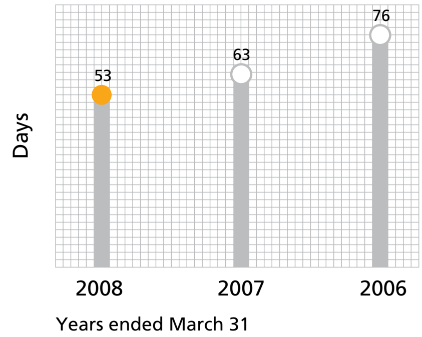
Inventory Turnover Days

Inventory turnover steadily improved over the years to 86 days as a greater part of the Group's performance is attributed to the fishing division, which enjoys faster inventory turnover that is characteristic of the upstream business.



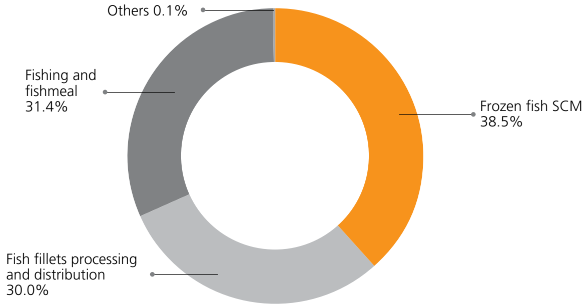
Net Debtors Turnover

Net debtors turnover has improved to 53 days on the increase of sales and proportionately lower accounts receivables, as the fishing division enlarged its contribution over the years.



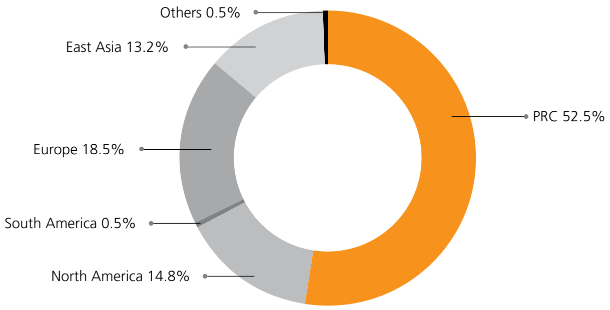
Performance by Business Divisions

The fishing division accounted for 31.4% of total turnover in FY2008 (FY2007: 21.1%), frozen fish SCM division accounted for 38.5% (FY2007: 41.2%), while the processing division accounted for the balance 30.0% (FY2007: 37.5%). Growth in contribution from the fishing division outpaced the other two business segments on the significant expansion of the division.



Performance by Markets

To meet the increased demand for fish products, the PRC is turning towards boosting domestic aquaculture production and increasing fish imports. Reflecting such increasing reliance, the PRC remained as the Group's most significant market, accounting for HK$5.3 billion or 52.5% of total sales in FY2008, 26.7% more than in FY2007.



Europe was the Group's second largest market during the financial year, accounting for 18.5% of total sales. Recording HK$1.9 billion, this represented a 26.0% year-on-year rise. Sales to North America contracted by 11.7% to HK$1.5 billion due to product optimisation efforts and a temporary slowdown in shipment in the first half of the financial year and accounted for 14.8% of total sales.

The Group's East Asian sales achieved significant growth, recording a year-on-year rise of 34.1% to HK$1.3 billion, accounting for 13.2% of the Group's total sales in FY2008. The sharp increase was due in large part to increased selling prices of premium fish products.

Liquidity, Financial Resources and Capital Structure

In FY2008, Pacific Andes significantly increased Group total equity by 48.9% to HK$5,811 million (FY2007: HK$3,902 million). This was principally achieved through a chain rights issue carried out on both Pacific Andes and PAH levels over June and July 2007 respectively, which have enlarged the Group equity base significantly, and also increased its balance sheet capacity for future development. Pacific Andes had issued these rights to fund its subscription of rights shares offered by PAH, which had carried out the exercise along with the convertible bonds issue to finance its stake increase in China Fishery.

Total liabilities rose by 35.6% to HK$8,450 million (FY2007: HK$6,233 million), owing mainly to:

i) increased working capital needs that are in line with a larger scope of operations;

ii) convertible bonds issued by PAH; and

iii) a deferred portion of the consideration payable for the increased stake in China Fishery, which will be fully paid off by July 2009.

Total assets increased by 40.7% to HK$14,261 million (FY2007: HK$10,135 million), owing mainly to:

i) fixed asset investment in the new Hongdao processing plant;

ii) asset acquisitions in Peru; and

iii) goodwill arising from the stake purchase in China Fishery.

Under a financial covenant contained within the syndicated loan facility signed in 2006, the Group is required to maintain a minimum amount of consolidated net tangible assets. During FY2008, China Fishery utilised a significant portion of its cash resources to make acquisitions in Peru. These purchases included fixed assets of vessels and plants, as well as their attached licences, which carry significant value as intangible assets. As a result, the Group reported a slight shortfall in its consolidated net tangible assets.

Subsequent to the end of FY2008, in May 2008, the Group successfully refinanced the existing syndicated loan facility with a new US$160 million (approximately HK$1,248 million) 4-year facility, subscribed by a group of 11 banks and financial institutions from Asia and Europe.

In spite of tightening global credit conditions, the Group secured this new facility at a more favourable interest margin of 1.25% over LIBOR due to its strengthening balance sheet and improving financial performance on greater contribution from China Fishery.

The Group's gearing ratio, being total debt to total assets, as at 31 March 2008 remained relatively stable at approximately 48.9%, as compared to 50.6% a year earlier.

As at 31 March 2008, the Group held HK$377 million in cash and bank balances.

The Group's major borrowings are in US Dollars and HK Dollars and carry LIBOR plus rates. As its revenue is mainly denominated in US Dollars and major payments are made either in US Dollars or HK Dollars, it faces relatively low currency risks.

EMPLOYEES AND REMUNERATION

As at 31 March 2008, the Group had approximately 10,000 employees. Remuneration packages offered to employees are in line with industry standards and reviewed annually. The award of bonuses is discretionary and based on the performance of, firstly, the individual employee, and secondly, the Group.

The Company and its non-wholly owned subsidiaries, PAH and China Fishery, each has an employee share option scheme and an employee share award plan to allow for granting of share options and share awards to eligible employees based on their contribution to the Group.

DIRECTORS' PROFILE

Executive Directors

TEH HONG ENG	72, is the Executive Director and Chairperson of the Company responsible for general administration and strategic planning. She joined the Group in 1986 and has over 30 years experience in administration and financial investments. Madam Teh is the mother of Ng Joo Siang, Ng Joo Kwee, Ng Joo Puay, Frank and Ng Puay Yee.
NG JOO SIANG	49, is the Managing Director and Vice-Chairman of the Company. He is responsible for overall corporate policy making, strategic planning, development, investment and management of the Group. Mr. Ng graduated from Louisiana State University, Baton Rouge, Louisiana in the USA, majoring in international trade and finance, and has over 20 years' experience in the trading of seafood products. Prior to joining the Company in 1986, Mr. Ng was in the ship agency business, overseeing the chartering and operation of ocean-going vessels calling at various Asian ports. Mr. Ng is the son of Teh Hong Eng. He is the brother of Ng Joo Kwee, Ng Joo Puay, Frank and Ng Puay Yee.
NG JOO KWEE	47, is the Executive Director of the Company responsible for all production of frozen seafood in the PRC. Mr. Ng studied in the USA at Southeastern Louisiana University in Hammond, Louisiana. From 1983 to 1989, Mr. Ng was president of a fish trading company in Taiwan. In 1989, Mr. Ng joined the Group as general manager of PRC operations, responsible for daily operations, trading activities and the sourcing of frozen seafood products from South America, India, the PRC and Russia. In 1994, Mr. Ng resigned from the Company, but rejoined in March 1996. Mr. Ng is the son of Teh Hong Eng. He is the brother of Ng Joo Siang, Ng Joo Puay, Frank and Ng Puay Yee.
NG JOO PUAY, FRANK	46, is the Executive Director of the Company. He is responsible for international sales and marketing of the Group's frozen seafood products outside the PRC. Mr. Ng graduated from Loyola University in New Orleans, Louisiana, in the USA, majoring in business administration. He has over 20 years experience in the seafood trading business. Prior to joining the Company in 1987, Mr. Ng was the trading manager of a fish trading company in Taiwan for three years. Mr. Ng is the son of Teh Hong Eng. He is the brother of Ng Joo Siang, Ng Joo Kwee and Ng Puay Yee.
NG PUAY YEE	35, is the Executive Director of the Company, where she oversees international sales and marketing of the Group's processed fish and seafood products. She is also responsible for international procurement and production matters, and chairs the Group's task committee on sustainability and environmental affairs. Graduated from the Indiana University of Bloomington, USA, Ms. Ng joined the Group in 1995. An active member of the young business leaders' community, she currently serves as Vice-Chairperson of the Entrepreneurs' Organization Hong Kong. Ms. Ng is the daughter of Teh Hong Eng. She is the sister of Ng Joo Siang, Ng Joo Kwee and Ng Joo Puay, Frank.

Independent Non-Executive Directors

LEW V ROBERT	52, is currently Independent Chairman of Pak Tak International Limited and Independent Non-Executive Director of Sincere Watch HK Limited. Both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lew is also currently Director of a corporation of certified public accountants in Hong Kong. He has over 20 years of experience in corporate assurance advisory, taxation and business consultation. Mr. Lew graduated from the University of British Columbia in Canada in 1979. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Alberta Institute of Chartered Accountants.
KWOK LAM KWONG, LARRY	B.B.S. J.P., 52, is a solicitor practising in Hong Kong, and is currently the Managing Partner, Mainland China and Hong Kong of Mallesons Stephen Jaques. Mr. Kwok is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is a fellow of the Hong Kong Institute of Certified Public Accountants and CPA Australia respectively. He is also a member of The Institute of Chartered Accountants in England & Wales. Mr. Kwok graduated from the University of Sydney, Australia, with a Bachelor's Degree in economics and laws respectively, and a Master's Degree in laws. Mr. Kwok is currently Chairman of the Traffic Accident Victims Assistance Advisory Committee, Chairman of the Finance Committee and a member of the Hong Kong Tourism Board. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.
YEH MAN CHUN, KENT	54, is presently the senior advisor to Robina Wood Limited, a company involved in the manufacturing and distribution of wood flooring products, with facilities based in Shanghai. Prior to commencing his business activities in Shanghai, Mr. Yeh had also been the managing director of Tai Ping Carpets International Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Yeh received a Bachelor of Science degree in Industrial Engineering from the University of California, Berkeley, USA in 1976. Subsequently, he received a Master of Business Administration degree from the Wharton School of the University of Pennsylvania in 1980.

CORPORATE INFORMATION

Board of Directors

EXECUTIVE:

Teh Hong Eng, Chairperson
Ng Joo Siang, Vice-Chairman and Managing Director
Ng Joo Kwee
Ng Joo Puay, Frank
Ng Puay Yee
Cheng Nai Ming *(resigned on 17 September 2007)*

INDEPENDENT NON-EXECUTIVE:

Lew V Robert
Kwok Lam Kwong, Larry
Yeh Man Chun, Kent

Audit Committee

Lew V Robert *(Chairman)*
Kwok Lam Kwong, Larry
Yeh Man Chun, Kent

Remuneration Committee

Yeh Man Chun, Kent *(Chairman)*
Lew V Robert
Kwok Lam Kwong, Larry
Ng Joo Siang
Ng Joo Puay, Frank

Company Secretary

Chan Tak Hei

Solicitors

Baker & McKenzie

Auditors

Deloitte Touche Tohmatsu

Principal Bankers

CITIC Ka Wah Bank Limited
HSBC
Landsbanki Islands hf.
Rabobank International
Standard Chartered Bank (HK) Ltd

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office

Rooms 3201–3210
Hong Kong Plaza
188 Connaught Road West
Hong Kong

Principal Registrars & Transfer Office in Bermuda

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Branch Registrars & Transfer Office in Hong Kong

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

1174

Website

http://www.pacificandes.com

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 March 2008.

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 and fishmeal production, global sourcing, processing onshore and international distribution of a variety of frozen seafood products, trading of marine fuel and the provision of shipping and agency services. 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 2008 are set out in notes 54, 55 and 30 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 6 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 37% of the Group's total purchases, with the largest supplier accounting for 17%.

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, own more than 5% of the Company's share capital, or 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 2008 are set out in the consolidated income statement on page 34.

The directors recommend the payment of a final dividend of HK5.5 cents per share to the shareholders whose names appear on the Register of Members of the Company at the close of business on 5 September 2008 amounting to HK$100,548,000 and the retention of the remaining profit for the year of HK$272,361,000.

Property, Plant and Equipment

During the year, the Group spent approximately HK$1,172,327,000 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 16 to the financial statements.

Investment Properties

The Group has revalued its investment properties on 31 March 2008.

Details of movements in investment properties of the Group are set out in note 17 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.

Convertible Bonds, Share Capital, Share Options and Warrants

Details of movements in the convertible bonds, share capital, share options and warrants are set out in notes 38, 42, 43 and 44 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.

Obligations under Finance Leases and Borrowings

Details of obligations under finance leases and bank borrowings of the Group are set out in notes 34 and 35 to the financial statements.

No interest was capitalised by the Group during the year.

Senior Notes

Details of the senior notes are set out in note 39 to the financial statements.

Directors

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

Executive directors:

Teh Hong Eng	(Chairperson)
Ng Joo Siang	(Managing Director and Vice-Chairman)
Ng Joo Kwee	
Ng Joo Puay, Frank	
Ng Puay Yee	
Cheng Nai Ming	*(resigned on 17 September 2007)*

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, Ng Joo Siang, Ng Puay Yee, Lew V Robert and Kwok Lam Kwong, Larry 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

Teh Hong Eng, Ng Joo Siang, Ng Joo Kwee, Ng Joo Puay, Frank and Cheng Nai Ming has each 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.

Directors' and Chief Executive's Interests

(a) **Shares**

At 31 March 2008, the interests 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:

	Number of ordinary shares held (long position)		
Director	Personal Interest	Family Interest	Percentage of the issued share capital of the Company
Ng Joo Siang	–	1,059,600[Note (a)]	0.06%
Ng Puay Yee	1,056,389	–	0.06%

Note:

(a) These shares are held under the name of the spouse of Ng Joo Siang.

(b) **Share option scheme**

Particulars of the share option scheme are set out in note 43 to the financial statements.

There is no share option outstanding during the year. No share option was granted by the Company during the year.

(c) **Share award plan**

Particulars of the share award plan are set out in note 43 to the financial statements.

(i) The Company adopted a share award plan ("Plan") on 28 October 2006 for the benefit of the directors and the employees of the Group.

(ii) The Plan is administered by the Remuneration Committee of the Company, currently comprising Yeh Man Chun, Kent, Lew V Robert, Kwok Lam Kwong, Larry, Ng Joo Siang and Ng Joo Puay, Frank.

(iii) The Remuneration Committee may determine in its sole discretion to grant shares to participants of the Plan. The shares will be vested only after satisfactory completion of time-based targets and/or time-and-performance-based targets and shall not be more than 10 years from the date of the grant of the shares. Upon vesting, the participant may receive any or a combination of the following:

(a) new ordinary shares credited as fully paid up;

(b) existing shares repurchased from open market; and

(c) cash equivalent value of such shares.

(iv) No share has been granted to participants under the Plan as at 31 March 2008.

(v) The aggregate number of ordinary shares which may be issued under the Plan shall not exceed 5% of the issued share capital of the Company from time to time.

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 2008.

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 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	**Capacity**	**Number of issued ordinary shares held (long position)**	**Percentage of the issued share capital of the Company**
N. S. Hong Investment (BVI) Limited	Beneficial owner	952,490,485 Note (1)	52.10%
Leung Hok Pang	Beneficial owner	151,158,228 Note (2)	8.27%

Notes:

1. N. S. Hong Investment (BVI) Limited directly holds such shares.

2. Leung Hok Pang directly holds such shares.

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 2008.

Transactions with Non-wholly Owned Subsidiaries

The Group had also entered into the following transactions with National Fish & Seafood Inc. ("NFS") and its subsidiary, and Kyoshoku Co., Ltd ("Kyoshoku") and its subsidiary, in which the Group has a 60% attributable interest, respectively, and Pacific Andes (Holdings) Limited ("PAH") and its subsidiaries in which the Group has a 64% attributable interest as at 31 March 2008:

	HK$'000
Sales to Kyoshoku and its subsidiary	34,556
Interest income received from Kyoshoku and its subsidiary	867
Interest expense paid to NFS and its subsidiary	43
Administrative income received from PAH and its subsidiaries	18,033
Interest income received from PAH and its subsidiaries	291

Transactions with Non-wholly Owned Subsidiaries – Continued

The interest income was calculated at interest rates ranging from 2.78% to 7.70% per annum on the outstanding amounts due from PAH and its subsidiaries, and outstanding amounts due from Kyoshoku and its subsidiary respectively. The interest expense was calculated at interest rates of 7.50% per annum on the outstanding amounts due to NFS and its subsidiary. 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 updated by a supplemental agreement dated 22 July 2003. Sales 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$474,630,000 granted to NFS and its subsidiary, in the amount of HK$38,887,000 granted to Kyoshoku and its subsidiary. These guarantees given by the Company were in the ordinary and usual course of business.

Donations

During the year, the Group made charitable and other donations amounting to HK$1,063,000.

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.

Model Code for Securities Transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rule (the "Model Code") to regulate the directors' securities transactions. 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 2008.

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 2008.

Post Balance Sheet Events

Details of the post balance sheet events are set out in note 53 to the financial statements.

Auditor

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

On behalf of the Board

Ng Joo Siang
Managing Director and Vice-Chairman

24 July 2008

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board of Directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance. The Board believes that sound and reasonable corporate practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests.

The Company has adopted the code provisions set out in the Code of Corporate Governance (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all the applicable code provisions in the CG Code throughout the year ended 31 March 2008, except for the following deviations:

CG Code Provision A.2 provides the role of the Chairman with respect to the management of the Board. The late Ng Swee Hong, founder of the Company, was Chairman of the Board until he passed away on 16 September 2006. As a transitional arrangement, Executive Director Teh Hong Eng provisionally assumed the role of Chairperson from 17 September 2006 to 18 April 2007.

On 19 April 2007, Teh Hong Eng was formally appointed as Chairperson of the Company to succeed the late Ng Swee Hong. Ng Joo Siang, who has been the Managing Director of the Company, was appointed as the Vice-Chairman of the Company.

CG Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's bye-laws.

Board of Directors

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and financial performances. The Board delegates to the management team the day-to-day management of the Company's business including the preparation of annual and interim reports, and for implementation of internal control, business strategies and plans developed by the Board.

The Board currently comprises five executive directors and three independent non-executive directors. The executive directors have extensive experience in the frozen seafood and shipping industry and the independent non-executive directors possess appropriate legal and professional accounting qualifications and financial management expertise.

The independent non-executive directors also serve the important function of ensuring and monitoring the basis of an effective corporate governance framework. The Board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation or confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive directors are explicitly identified in all of the Company's corporate communications.

Board meetings are scheduled to be held at regular interval and meets more frequently as and when required. The attendance of the directors at the Board meeting for the year ended 31 March 2008 is as follows:

Name of Directors	**Number of attendance**
Executive:	
Teh Hong Eng *(Chairperson)*	1/2
Ng Joo Siang *(Vice-Chairman and Managing Director)*	2/2
Ng Joo Kwee	2/2
Ng Joo Puay, Frank	2/2
Ng Puay Yee	1/2
Cheng Nai Ming (resigned on 17 September 2007)	1/2
Independent non-executive:	
Lew V Robert	2/2
Kwok Lam Kwong, Larry	1/2
Yeh Man Chun, Kent	2/2

Chairman and Managing Director

The Chairman of the Company is responsible for the leadership and effective running of the Board and ensuring that all significant and key issues are discussed and where required, resolved by the Board timely and constructively.

The Managing Director of the Company is delegated with the authority and responsibility to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

Directors' 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 2008.

Auditors' Remuneration

For the year ended 31 March 2008, the auditors of the Company received approximately HK$6,277,000 and HK$1,617,000 for audit services and non-audit services rendered to the Group respectively.

Audit Committee

The Company has an Audit Committee comprising three independent non-executive directors, Lew V Robert (Chairman), Kwok Lam Kwong, Larry and Yeh Man Chun, Kent. Three meetings were held during the year ended 31 March 2008. The attendance of the directors at the Audit Committee Meeting for the year ended 31 March 2008 is as follows:

Name of Directors	Number of attendance
Lew V Robert	3/3
Kwok Lam Kwong, Larry	3/3
Yeh Man Chun, Kent	3/3

The primary duties of the Audit Committee include review of the effectiveness of financial reporting processes and internal control systems of the Group, review the Group's financial information and compliance, making recommendation to the Board on the appointment and removal of external auditors and assessing their independence and performance.

During the year, the works performed by the Audit Committee are mainly set out below:

– reviewed the interim results for the period ended 30 September 2007 and annual results for the year ended 31 March 2008 of the Group

– discussed with the management of the Company the fairness and adequacy of accounting standards and policies of the Group in the preparation of the interim and annual financial statements

– discussed the proposed acquisition of 45% interest in Super Investment Limited

– reviewed the connected transactions entered into by the Group during the year

– reviewed and discussed with external auditors the financial reporting of the Company

– reviewed, recommended and approved the retirement and re-appointment of external auditors

– reviewed, recommended and approved the remuneration of external auditors

Remuneration Committee

The Remuneration Committee has been established by the Company in accordance with the requirement of the CG Code. The Remuneration Committee currently comprises five members, three independent non-executive directors, Yeh Man Chun, Kent (Chairman), Lew V Robert and Kwok Lam Kwong, Larry, and two executive directors, Ng Joo Siang and Ng Joo Puay, Frank.

The Remuneration Committee is responsible for reviewing and recommending the remuneration of the executive directors and senior management. The fees of the non-executive directors are determined by the Board.

During the year and up to the date of the Annual Report, the Remuneration Committee reviewed the Group's remuneration policy and reviewed the remuneration package of the executive directors and senior management for the year ended 31 March 2008.

The attendance of the directors at the Remuneration Committee Meeting for the year ended 31 March 2008 is as follows:

Name of Directors	Number of attendance
Yeh Man Chun, Kent	1/1
Lew V Robert	1/1
Kwok Lam Kwong, Larry	1/1
Ng Joo Siang	1/1
Ng Joo Puay, Frank	1/1

Nomination of Directors

The Company has not established any nomination committee and is now considering to establish a nomination committee. The appointment of a new director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of the appointee to the relevant principal division, the Company and the Group.

Accountability

The directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cashflow of the Group. The directors ensure that the financial statements for the year ended 31 March 2008 were prepared in accordance with statutory requirements and applicable accounting standards, and have been prepared on a going concern basis.

Internal Controls

The Board reviews the internal control system of the Company annually and will take any necessary and appropriate action to maintain an adequate internal control system to safeguard shareholders' investments and the Company's assets. The effectiveness of the internal control system is discussed on an annual basis with the Audit Committee.

The Company has set up an internal audit department, which reports directly to the Audit Committee. The Audit Committee, on an annual basis, will assess the effectiveness of the internal audit department by examining the scope of the internal audit work and its independence of areas reviewed and the internal auditor's report. The Audit Committee is satisfied that the internal audit department has adequate resources and appropriate standing within the Company to undertake its activities independently and objectively.

The Audit Committee will also meet the internal auditor without the presence of the management, annually.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF
PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pacific Andes International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 103, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 July 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Turnover	6	10,017,372	8,478,584
Cost of sales		(8,186,101)	(7,156,549)
Gross profit		1,831,271	1,322,035
Other income	7	210,114	132,405
Selling and distribution expenses		(229,235)	(138,268)
Administrative expenses		(350,400)	(321,248)
Other expenses	8	(32,322)	(10,531)
Gain on dilution of interest in a subsidiary	9	24,721	385,063
Finance costs	10	(533,164)	(357,258)
Share of results of associates		361	376
Profit before taxation	11	921,346	1,012,574
Taxation	13	(37,078)	(19,276)
Profit for the year		884,268	993,298
Attributable to:			
Equity holders of the Company		372,909	310,773
Minority interests		511,359	682,525
		884,268	993,298
Earnings per share	15		
Basic		HK21.6 cents	HK23.7 cents
Diluted		HK21.5 cents	HK23.6 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	16	2,864,425	1,566,472
Investment properties	17	213,522	118,129
Prepaid lease payments	18	33,438	32,153
Goodwill	19	2,729,782	498,761
Deferred charter hire	20	1,662,960	1,835,600
Interests in associates	21	13,527	1,466
Loan to a jointly-controlled entity	22	–	11,050
Deposit paid for acquisition of property		–	21,345
Other intangible assets	23	493,894	276,996
Other long term receivable		928	928
		8,012,476	4,362,900
Current assets			
Inventories	24	1,933,488	1,927,579
Trade, bills and other receivables	25	3,633,602	3,162,092
Trade receivables with insurance coverage	26	196,352	216,192
Trade receivables from associates	27	77,933	109,492
Amounts due from associates	27	25,756	14,862
Loan receivables	28	–	33,163
Advances to suppliers	29	–	18,605
Amount due from a jointly-controlled entity	30	1,318	1,127
Tax recoverable		3,708	751
Pledged deposits	31	539	312
Bank balances and cash	32	376,025	287,926
		6,248,721	5,772,101
Current liabilities			
Trade and other payables	33	696,616	775,988
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	26	266,586	353,449
Amounts due to associates	27	10,138	6,905
Taxation		40,181	54,548
Obligations under finance leases – due within one year	34	22,706	17,970
Bank borrowings – due within one year	35	3,898,642	1,989,245
		4,934,869	3,198,105
Net current assets		1,313,852	2,573,996
Total assets less current liabilities		9,326,328	6,936,896

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Obligations under finance leases – due after one year	34	44,599	31,994
Bank borrowings – due after one year	35	414,509	1,050,404
Amount due to a joint venture partner of a jointly-controlled entity	36	–	11,050
Statutory employees' profit share	37	64,043	50,242
Convertible bonds	38	622,199	–
Senior notes	39	1,697,610	1,687,558
Deferred taxation	40	255,743	204,043
Deferred consideration payable	41	416,520	–
		3,515,223	3,035,291
Net assets		5,811,105	3,901,605
Capital and reserves			
Share capital	42	182,814	120,173
Share premium and reserves		3,310,653	2,022,213
Equity attributable to equity holders of the Company		3,493,467	2,142,386
Equity component of convertible bonds of a listed subsidiary	38	42,226	–
Minority interests		2,275,412	1,759,219
Total equity		5,811,105	3,901,605

The financial statement on pages 34 to 103 were approved and authorised for issue by the Board of Directors on 24 July 2008 and are signed on its behalf by:

Ng Joo Siang	**Ng Joo Puay, Frank**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity holders of the Company											
	Share Capital HK$'000	Share Premium HK$'000	Revaluation Reserve-properties HK$'000	Translation Reserve HK$'000	Other Reserve HK$'000	Goodwill Reserve HK$'000	Special Reserve HK$'000	Retained Profits HK$'000	Total HK$'000	Equity component of convertible bonds of a listed subsidiary HK$'000	Minority Interests HK$'000	Total HK$'000
At 1 April 2006	101,586	650,772	88,182	(1,570)	–	(135,913)	9,800	867,542	1,580,399	–	1,018,652	2,599,051
Surplus on revaluation of properties	–	–	45,283	–	–	–	–	–	45,283	–	1,692	46,975
Deferred tax liability arising on revaluation of properties	–	–	(7,336)	–	–	–	–	–	(7,336)	–	–	(7,336)
Realised on disposal of a property	–	–	(6,843)	–	–	–	–	6,843	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	15,542	–	–	–	–	15,542	–	(1,254)	14,288
Net income recognised directly in equity	–	–	31,104	15,542	–	–	–	6,843	53,489	–	438	53,927
Profit for the year	–	–	–	–	–	–	–	310,773	310,773	–	682,525	993,298
Total recognised income for the year	–	–	31,104	15,542	–	–	–	317,616	364,262	–	682,963	1,047,225
Proceeds from shares issued by a subsidiary	–	–	–	–	–	–	–	–	–	–	568,934	568,934
Gain on dilution of interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	(385,063)	(385,063)
Dividend paid	–	–	–	–	–	–	–	(62,490)	(62,490)	–	(126,267)	(188,757)
Share issued at premium	18,587	241,628	–	–	–	–	–	–	260,215	–	–	260,215
At 31 March 2007	120,173	892,400	119,286	13,972	–	(135,913)	9,800	1,122,668	2,142,386	–	1,759,219	3,901,605
Surplus on revaluation of properties	–	–	66,699	–	–	–	–	–	66,699	–	7,957	74,656
Deferred tax liability arising on revaluation of properties	–	–	(13,623)	–	–	–	–	–	(13,623)	–	–	(13,623)
Effect of change in tax rate	–	–	3,628	–	–	–	–	–	3,628	–	–	3,628
Exchange difference arising on translation of foreign operations	–	–	–	83,614	–	–	–	–	83,614	–	445	84,059
Net income recognised directly in equity	–	–	56,704	83,614	–	–	–	–	140,318	–	8,402	148,720
Profit for the year	–	–	–	–	–	–	–	372,909	372,909	–	511,359	884,268
Total recognised income for the year	–	–	56,704	83,614	–	–	–	372,909	513,227	–	519,761	1,032,988
Issue of rights shares	60,086	871,253	–	–	–	–	–	–	931,339	–	–	931,339
Transaction costs attributable to issue of rights shares	–	(22,375)	–	–	–	–	–	–	(22,375)	–	–	(22,375)
Recognition of equity component of convertible bonds of a listed subsidiary	–	–	–	–	–	–	–	–	–	46,806	–	46,806
Conversion of convertible bonds of a listed subsidiary	–	–	–	–	–	–	–	–	–	(4,580)	70,980	66,400
Gain on dilution of interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	(24,721)	(24,721)
Acquisition of additional interest in a subsidiary	–	–	–	–	(52,655)	–	–	–	(52,655)	–	(650,791)	(703,446)
Winding up of a subsidiary	–	–	–	–	–	–	–	–	–	–	(754)	(754)
Proceeds from shares issued by a subsidiary	–	–	–	–	–	–	–	–	–	–	654,663	654,663
Issue of scrip dividend shares	2,555	52,896	–	–	–	–	–	–	55,451	–	–	55,451
Dividend paid	–	–	–	–	–	–	–	(73,906)	(73,906)	–	(52,945)	(126,851)
At 31 March 2008	182,814	1,794,174	175,990	97,586	(52,655)	(135,913)	9,800	1,421,671	3,493,467	42,226	2,275,412	5,811,105

The retained profits of the Group include accumulated losses of HK$93,000 (2007: losses of HK$454,000) and an accumulated profit of HK$16,643,000 (2007: profit of HK$8,050,000) attributable to associates and a jointly-controlled entity of the Group, respectively.

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.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Profit before taxation	921,346	1,012,574
Adjustments for:		
Interest income	(55,086)	(79,643)
Interest expense	533,164	357,258
Release of deferred charter hire	172,640	123,890
Share of results of associates	(361)	(376)
Amortisation of prepaid lease payments	281	281
Depreciation of property, plant and equipment	146,245	101,576
Write back of allowance for amounts due from associates	(3,659)	8,000
Revaluation (increase) decrease on revaluation of land and buildings	(10,570)	1,885
Fair value changes on investment properties	(32,860)	(6,524)
Gain on dilution of interests in subsidiaries	(24,721)	(385,063)
Gain on disposal of property, plant and equipment	(3,116)	(1,978)
Loss on disposal of a subsidiary	108	29
Statutory employees' profit share	8,437	6,749
Operating cash flows before movements in working capital	1,651,848	1,138,658
Decrease in Inventories	4,677	41,030
Increase in trade, bills and other receivables	(322,849)	(660,780)
Decrease in trade receivables with insurance coverage	19,840	36,701
Decrease in trade receivables from associates	31,559	10,496
Decrease (increase) in advances to suppliers	18,605	(18,605)
(Increase) decrease in amounts due from associates	(7,235)	212
Increase in amount due from a jointly-controlled entity	(191)	(552)
(Decrease) increase in trade and other payables	(202,833)	181,538
Increase (decrease) in amounts due to associates	3,233	(942)
Cash from operations	1,196,654	727,756
Tax paid	(75,965)	(10,723)
Employees' profit sharing paid	(16,920)	–
Interest paid	(461,275)	(316,379)
Net cash from operations	642,494	400,654

	NOTES	2008 HK$'000	2007 HK$'000
Investing activities			
Interest received		55,086	79,643
Proceeds on disposal of property, plant and equipment		2,559	28,848
Addition to property, plant and equipment		(1,150,167)	(364,212)
Addition to prepaid lease payments		–	(4,256)
Addition to investment properties		(14,192)	–
Deposit paid for acquisition of property		–	(21,345)
Payment of charter hire		–	(1,419,600)
Purchase of fishing permits		(85,744)	(26,420)
Purchase of club membership		–	(1,200)
(Increase) decrease in pledged deposits		(227)	1,477
Acquisition of additional interest in a subsidiary		(2,370,182)	–
Acquisition of subsidiaries	45	(317,975)	(930,257)
Acquisition of an associate		(11,700)	–
Disposal of a subsidiary	46	(822)	(59)
Net cash used in investing activities		(3,893,364)	(2,657,381)
Financing activities			
Proceeds from issuing senior notes		–	1,685,134
Proceeds from shares issued by a subsidiary		654,663	568,934
Issue of rights shares/ordinary share		931,339	260,215
Share issue expenses		(22,375)	–
Net proceeds from issuance of convertible bonds		707,948	–
Dividend paid to minority shareholders		(52,945)	(126,267)
Dividend paid		(18,455)	(62,490)
Repayments of obligations under finance leases		(61,482)	(1,095)
Mortgage loans raised		6,055	47,131
Mortgage loans repaid		(14,444)	(20,659)
Syndicated loans (repaid) raised		(208,000)	728,000
Net bank repayment drawn on discounted trade receivables with insurance coverage and discounted bills raised		(86,863)	(83,740)
Net other bank borrowings raised (repaid)		1,465,852	(768,680)
Increase (decrease) in bank overdrafts		3,353	(23,637)
Net cash from financing activities		3,304,646	2,202,846
Net increase (decrease) in cash and cash equivalents		53,776	(53,881)
Cash and cash equivalents at beginning of the year		287,926	337,271
Effect of foreign exchange rate changes		34,323	4,536
Cash and cash equivalents at end of the year		376,025	287,926
Representing:			
Bank balances and cash		376,025	287,926

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate parent is N.S. Hong Investment (BVI) Limited ("NSH"), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The financial statements are presented in Hong Kong dollars, which is different from the functional currency of the Company, which is United States dollars, as the directors of the Company control and monitor the performance and financial position of the Company by using Hong Kong dollars.

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, associates and a jointly-controlled entity are set out in notes 54, 55 and 30 respectively.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arranagements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

2. Application of New and Revised Hong Kong Financial Reporting Standards – Continued

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for charges in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and other properties, which are measured at fair values and revalued amounts, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. Significant Accounting Policies – Continued

Basic of consolidation – Continued

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations on or after 1 January 2005

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on acquisition of a subsidiary or a jointly-controlled entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or jointly-controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be transferred to retained profits at the time of disposal of the relevant subsidiary or at such time when a cash-generating unit to which the goodwill relates becomes impaired.

Previously capitalised goodwill arising on acquisitions after 1 April 2001 is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on acquisition of a subsidiary is presented for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

3. Significant Accounting Policies – Continued

Goodwill – Continued

Goodwill arising on acquisitions on or after 1 January 2005 – Continued

Capitalised goodwill arising on an acquisition of a subsidiary or a jointly controlled entity (which is accounted for using proportionate consolidation) is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition of subsidiary is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash- generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already controlled by the Group, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. No revaluation surplus or deficit on revaluing all of the identifiable assets, liabilities and contingent liabilities of the subsidiary is recognized in the consolidated balance sheet. The difference between the fair value and the book value of the identifiable assets, liabilities and contingent liabilities attributable to the additional interest acquired is recognised as a reserve movement (other reserve). The difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary. On the subsequent disposal of the subsidiary, the reserve is transferred to retained profits.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary of a jointly controlled entity for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. Significant Accounting Policies – Continued

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of subsidiary (see above).

When a group entity transacts with a jointly controlled entity of the Group, unrealised profit or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

Service income is recognised when services are provided.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying amount.

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 freehold land, leasehold land and buildings and construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is stated a cost less any recognised impairment loss and is not depreciated. Leasehold 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.

3. Significant Accounting Policies – Continued

Property, plant and equipment – Continued

Any revaluation increase arising on revaluation of land and buildings is credited to properties 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.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less and identified impairment losses. Depreciation of building commences when they are available for use (i.e. in the location and condition necessary for them to be capable of operating in the manner intended).

Depreciation is provided to write off the cost or valuation less residual value of items of property, plant and equipment other than freehold land and construction in progress over their estimated useful lives, using the straight-line method as follows:

Leasehold land and buildings	25 years or lease term, whichever is shorter
Freehold buildings	33 years
Leasehold improvements	3 –10 years
Furniture and fixtures	3 years
Office equipment	2$^1/_2$ –7 years
Motor vehicles	2$^1/_2$ –7 years
Plant and machinery	2$^1/_2$ –10 years
Vessels	5 –17 years
Fishing nets	4 years

Assets held under finance leases are depreciated over their expected useful lives or the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

3. Significant Accounting Policies – Continued

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. For a transfer of an owner-occupied property to an investment property, the deemed cost of investment properties is the fair value of the owner-occupied property at the date of transfer. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Deferred charter hire

Deferred charter hire represents future charter hire expense for fishing vessels which have been prepaid. They are recognised and charged to the consolidated income statement as charter hire expense pro-ratably over the period for which the prepayment is made and the benefits are expected to accrue.

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.

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.

3. Significant Accounting Policies – Continued

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Impairment

Intangible assets with indefinite useful lives is tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. 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. An impairment loss is recognised as an expense immediately.

When 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 year.

Deferred expenditure

Expenses incurred which are directly attributable to activities carried out for the purpose of catching fish and other marine catches during voyages are deferred in the balance sheet and released to the income statement as expenses when the fish and marine catches are sold and revenue is recognised for the sale. Expenses on each voyage are deferred to the extent that there is reasonable probability of recovery from sale of fish and other marine catches from that voyage. When it is probable that the costs incurred or to be incurred on a voyage will exceed the estimated value of the catches, the expected loss is recognised as an expense in the income statement immediately.

The Group pays charter hire fees based on fixed rates and variable rates based on contracted percentages of the annual operating profit attributable to the vessels procured by counterparties (note 20). As the fixed portions of charter hire cost are payable during the charter hire period regardless of whether the vessels are deployed (save for certain exceptions during the earlier part of the charter hire), the Group expenses fixed charter hire cost on a time proportionate basis in the income statement and does not include this cost in deferred expenses. Variable charter hire costs are determined when the revenue from the sale of fish and marine products can be determined. Variable charter hire cost is accrued as an expense at the same time when revenue is recognised.

3. Significant Accounting Policies – Continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loan receivables, other long term receivables, trade, bills and other receivables, trade receivable with insurance coverage, trade receivables from associates amounts due from associates, advances to suppliers, amount due from a jointly-controlled entity, loan to a jointly-controlled entity, pledged deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, bills receivables and trade receivables with insurance coverage, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant Accounting Policies – Continued

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities (including trade and other payables, bank advances and borrowings, amounts due to associates, amount due to a joint venture partner of a jointly-controlled entity, obligations under finance leases, convertible bonds, deferred consideration payable and senior notes) are subsequently measured at amortised cost, using the effective interest rate method.

Convertible bonds

Conversion option embedded in convertible bonds that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity component of convertible bonds. Such convertible bonds issued by the subsidiary of the Group containing liability component and equity component, are classified separately into respective items on initial recognition. At the date of issue, both the liability and equity component are recognised at the fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity component in proportion to the allocation of the proceeds. Transaction costs relating to the liability and equity components are included in the carrying amounts of the liability and equity portion respectively. Transaction costs included in the carrying amounts of the liability portion is amortised over the period of the convertible bonds using the effective interest method.

3. Significant Accounting Policies – Continued

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

For financial liabilities, they are removed from the Group's balance sheet (i. e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rate of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary item, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 April 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

3. Significant Accounting Policies – Continued

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 profit as reported in the consolidated 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised 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 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, and interests in joint ventures, 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 is 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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease.

3. Significant Accounting Policies – Continued

Leasing – Continued

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligations. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefits costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when employee have rendered service entitling them to the contributions.

4. Key Sources of Estimation and Uncertainty

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as below.

Carrying amount of deferred charter hire

As at 31 March 2008, the carrying amount of deferred charter hire (note 20) was HK$1,835,600,000 (2007: HK$2,008,240,000). The operation of vessels under the operating vessel agreements with the Arrangers (note 20) have been profitable after deducting recognition of the deferred charter hire over the periods for which the charter hires have been prepaid. The directors expect the operations to remain profitable in the foreseeable future and the carrying amount of the deferred charter hire to be recoverable from future operations.

4. Key Sources of Estimation and Uncertainty – Continued

Carrying amount of fishing vessels and fishing permits

The carrying amounts of fishing vessels and fishing permits totaled HK$594,476,000 and HK$469,931,000, respectively, as at 31 March 2008 (2007: HK$332,376,000 and HK$253,033,000). Determining whether the carrying amounts of these assets can be recovered requires an estimation of the value in use of the cash-generating units and a suitable discount rate in order to calculate present value. Management has evaluated these projections using assumptions on catch quantities, prices of catch and operating cost after considering efficiencies that can be achieved when the operations become part of the Group's larger operations. Based on these evaluations, management is of the view that the carrying amounts of the fishing vessels and fishing permits are realisable through future operations.

Carrying amount of goodwill

The Group in determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. The directors are of the opinion that goodwill is not impaired. Details of the impairment loss calculated are provided in note 19.

Goodwill arising from acquisition of subsidiaries and acquisition of additional interest in a subsidiary during the year amounting to HK$2,263,139,000 in aggregate (2007: HK$369,261,000), is provisionally determined based on management's assessment of the fair value of assets and liabilities acquired, certain of which are contingent in nature. Information relating to the carrying amount and management's assessment of goodwill is provided in note 19.

Useful lives of property, plant and equipment

The carrying amount of property, plant and equipment amounting to HK$2,864,425,000 (2007: HK$1,566,472,000) have been determined after charging depreciation on a straight line basis over the estimated useful life of these assets.

Components of these carrying amounts are detailed in note 16.

Management reviews that the estimated useful lives of these assets at the end of each annual reporting period and determined that the useful lives as stated in note 3 remain appropriate.

Estimation of allowance of doubtful debts

The Group makes allowance for doubtful trade, bills and other receivables where there is objective evidence of impairment. The identification of doubtful debts requires the use of judgment and estimates. Where the future discounted cash flow of trade, bills and other receivables is lower than the carrying amount, such difference represents allowance for doubtful debts recognised as expense in the consolidated income statement.

5. Financial Insruments, Financial Risks and Capital Risks Management

a. Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet date:

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	2,584,563	2,669,845
Financial liabilities		
Amortised cost	8,077,540	5,910,943

b. Financial risk management policies and objectives

The Group's overall risk management programme seeks to minimize potential adverse effects on the financial performance of the Group.

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates, credit and liquidity. The Group does not enter into any financial derivative contracts.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures these risks. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign currency risk management

The Group entities transact largely in their functional currencies, which in most instances is the United States dollar. Foreign exchange risk arises largely from transactions denominated in currencies such as Peruvian Nuevos Soles, Chinese Renminbi, Hong Kong dollar, Euro and Japanese Yen.

At the reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Liabilities		Assets	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Peruvian Nuevos Soles	205,692	70,218	32,262	83,294
Chinese Renminbi	7,783	1,473	6,917	1,899
Hong Kong dollars	2,216	1,273	3,556	4,330
Euro	20,323	1,714	27,679	2,623
Singapore dollars	1,975	–	374	900
British pounds	–	–	2,178	3,490
Japanese Yen	2,954	–	71,161	10,114
Denmark kroner	2,403	–	–	–

5. Financial Insruments, Financial Risks and Capital Risks Management – Continued

b. Financial risk management policies and objectives – Continued

(i) Foreign currency risk management – continued

Foreign currency sensitivity

The following details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate that represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If Peruvian Nuevos Soles, the major foreign currency, weakens or strengthens by 10% against the functional currency of each Group entity, Group profit will increase or decrease by HK$17,343,000 (2007: HK$1,308,000), respectively.

(ii) Interest rate risk management

Interest-earning financial assets comprise bank balances (Note 32). Summary quantitative data of the Group's interest-bearing financial liabilities can be found in section (iv) of this Note.

The Group reduces its exposure to changes in interest rates by locking in fixed rate borrowings through issue of senior notes (Note 39) and use of finance leases for which rates are fixed at inception of the finance leases (Note 34).

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group profit for the year ended 31 March 2008 would decrease/increase by approximately HK$22,413,000 (2007: decrease/increase by HK$16,758,000). This is mainly attributable to the Group's increased exposure to interest rates on its variable rate borrowings.

5. Financial Insruments, Financial Risks and Capital Risks Management – Continued

b. Financial risk management policies and objectives – Continued

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Sales of goods, fishes and related products are made to companies which the Group assessed to be of good credit rating through their trading and payment history as well as such commercial information which the Group obtains from time to time. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits and credit quality attributed to customers are reviewed periodically. Trade debtors that are neither past due not impaired are substantially companies with good collection track record with the Group. Management considers that the credit risk associated with the Group's trade receivables has been mitigated by the above risk management practices. The recoverable amount of each individual trade receivable is reviewed at each balance sheet date and allowance is made for estimated irrecoverable amount.

There is no concentration of credit risk except that 44% (2007: 45%) of the Group's trade receivables, bills receivables and trade receivables with insurance coverage at the end of the financial year relate to 5 entities (2007: 5 entities).

The credit risk on bank balances is limited because the counterparties are reputable financial institutions.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents and obtains a mix of short-term and long-term external financing to fund its operations.

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the balance sheet.

5. Financial Insruments, Financial Risks and Capital Risks Management – Continued

b. Financial risk management policies and objectives – Continued

(iv) Liquidity risk management – Continued

Liquidity and interest risk analyses – Continued

Non-derivative financial liabilities – Continued

	Weighted average effective interest rate %	On demand or within 1 year HK$'000	Within 2 to 5 years HK$'000	After 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Group						
2008						
Non-interest bearing	–	694,169	–	–	694,169	694,169
Obligations under finance leases	9.94	30,158	61,009	–	91,167	67,305
Variable interest rate instruments	3.93	4,154,983	824,964	19,493	4,999,440	4,899,041
Fixed interest rate investments	9.71	265,953	1,412,000	1,873,597	3,551,550	2,417,025
		5,145,263	2,297,973	1,893,090	9,336,326	8,077,540
2007						
Non-interest bearing	–	769,273	–	–	769,273	769,273
Obligations under finance leases	9.63	21,048	35,528	–	56,576	49,964
Variable interest rate instruments	7.38	2,448,619	1,139,394	24,086	3,612,099	3,351,525
Fixed interest rate instruments	9.25	191,645	680,708	2,041,777	2,914,130	1,740,181
		3,430,585	1,855,630	2,065,863	7,352,078	5,910,943

(v) Fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The carrying amounts of cash and bank balances, trade and other receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

5. Financial Insruments, Financial Risks and Capital Risks Management – Continued

c. Capital risk management policies and objectives

The Group's objectives in managing capital are to maintain an optimal capital structure so as to maximize the return to its shareholders, to protect the interests of its stakeholders, safeguard the Group's ability to continue as a going concern and to be able to service its debts when they are due. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, obtain various forms of borrowings in the market and issue new shares at an appropriate price when necessary.

The capital structure of the Group consists of net debts, which comprises the borrowings, convertible bonds, senior notes and deferred consideration paybable disclosed in Notes 34, 35, 38, 39 and 41 cash and cash equivalents and shareholders' equity.

In respect of the syndicated bank loans with an aggregate carrying amount of HK$520,000,000 outstanding at 31 March 2008, the Group had breached a financial covenant contained in the loan agreement. The financial covenant requires the Group to maintain a minimum amount of consolidated net tangible assets. On discovery the breach, the directors of the Company informed the banks and commenced renegotiation of the terms of the loans. At 31 March 2008, those negotiations, which might result in a waiver by the banks of the covenants, had not been concluded. Accordingly, the portion of loans of HK$312,000,000 repayable after one year from 31 March 2008 were classified as current liabilities in the consolidated balance sheet as at 31 March 2008. On 28 May 2008, the Group entered into a facility agreement with the banks and settled the existing syndicated bank loans.

Management constantly reviews the capital structure to achieve the aforementioned objectives. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2007.

6. Turnover and Segment Information

An analysis of the Group's turnover and results 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 supply chain management ("SCM"), fish fillets processing and distribution, fishing and fishmeal and others. These divisions are the basis on which the Group reports its primary segment information.

Principal activities of the operating divisions are as follows:

Frozen fish SCM	–	sales of frozen fish and other seafood products and shipping services
Fish fillets processing and distribution	–	selling and processing of frozen seafood products
Fishing and fishmeal	–	sales of fish and other marine catches and the production and sale of fishmeal and fish oil
Others	–	trading and processing of frozen vegetables and other operations

Segment information about these businesses is presented below.

Year ended 31 March 2008

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishing and fishmeal HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER					
External sales	3,855,088	3,000,965	3,150,271	11,048	10,017,372
RESULT					
Segment result	236,047	141,254	1,005,956	15,600	1,398,857
Unallocated corporate income					98,516
Unallocated corporate expenses					(67,945)
Gain on dilution of interest in a subsidiary	–	24,721	–	–	24,721
Finance costs					(533,164)
Share of result of associates					361
Profit before taxation					921,346
Taxation					(37,078)
Profit for the year					884,268

6. Turnover and Segment Information – Continued

Business segments – Continued

Year ended 31 March 2007

	Frozen Fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishing and fishmeal HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER					
External sales	3,496,749	3,176,678	1,789,342	15,815	8,478,584
RESULT					
Segment result	286,004	144,111	521,294	252	951,661
Unallocated corporate income					86,167
Unallocated corporate expenses					(53,435)
Gain on dilution of interest in a subsidiary	–	–	385,063	–	385,063
Finance costs					(357,258)
Share of result of associates					376
Profit before taxation					1,012,574
Taxation					(19,276)
Profit for the year					993,298

6. Turnover and Segment Information – Continued

Business segments – Continued

2008

BALANCE SHEET AT 31 MARCH 2008

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishing and fishmeal HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	3,421,622	2,790,349	7,388,761	214,701	13,815,433
Interests in associates	929	898	11,700	–	13,527
Unallocated corporate assets					432,237
Total assets					14,261,197
LIABILITIES					
Segment liabilities	475,937	281,188	353,825	2,186	1,113,136
Unallocated corporate liabilities					7,336,956
Total liabilities					8,450,092

OTHER INFORMATION FOR THE YEAR ENDED 31 MARCH 2008

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishing and fishmeal HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	119,685	449,977	986,074	37,283	1,593,019
Depreciation of property, plant and equipment	15,609	42,453	88,058	125	146,245
Amortisation of prepaid lease payments	–	281	–	–	281
Amortisation of deferred charter hire	–	–	172,640	–	172,640

6. Turnover and Segment Information – Continued

Business segments – Continued

2007

BALANCE SHEET AT 31 MARCH 2007

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishing and fishmeal HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	2,706,311	2,753,240	4,191,972	141,093	9,792,616
Interests in associates	921	545	–	–	1,466
Unallocated corporate assets					340,919
Total assets					10,135,001
LIABILITIES					
Segment liabilities	284,468	262,900	233,486	2,039	782,893
Unallocated corporate liabilities					5,450,503
Total liabilities					6,233,396

OTHER INFORMATION FOR THE YEAR ENDED 31 MARCH 2007

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishing and fishmeal HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	4,889	266,205	1,539,089	1,249	1,811,432
Depreciation of property, plant and equipment	12,564	45,673	37,020	6,319	101,576
Amortisation of prepaid lease payments	–	281	–	–	281
Amortisation of deferred charter hire	–	–	123,890	–	123,890
Allowance for amounts due from associates	–	8,000	–	–	8,000
Inventories written off	–	469	–	–	469

Geographical segments

The Group's operations are located in the People's Republic of China (the "PRC"), North America, Europe, East Asia, South America and others.

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

	2008 HK$'000	2007 HK$'000
PRC	5,258,177	4,149,495
North America	1,482,469	1,677,982
Europe	1,852,338	1,470,105
East Asia	1,322,878	986,466
South America	45,282	22,626
Others	56,228	171,910
	10,017,372	8,478,584

6. Turnover and Segment Information – Continued

Geographical segments – Continued

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

	Carrying amounts of segment assets		Capital additions	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
PRC	6,352,510	6,182,218	461,779	260,872
North America	321,271	407,679	1,988	3,727
Europe	3,980,924	1,190,356	366,436	1,424,489
East Asia	206,595	332,161	956	2,813
South America	2,945,252	1,633,624	724,289	119,489
Others	8,881	46,578	37,571	42
	13,815,433	9,792,616	1,593,019	1,811,432

7. Other Income

	2008 HK$'000	2007 HK$'000
Other income comprises of:		
Gross rental income	9,955	4,802
Agency income	6,407	6,067
Fair value changes on investment properties	32,860	6,524
Interest income	55,086	79,643
Exchange gain, net	17,742	25,397
Insurance compensation received, net	61,003	–
Reversal of loss on revaluation of land and buildings	10,570	–
Gain on disposal of property, plant and equipment	3,116	1,978
Write back of allowance for amount due form an associate	3,659	–
Sundry income	9,716	7,994
	210,114	132,405

8. Other Expenses

	2008 HK$'000	2007 HK$'000
Other expenses comprise of:		
Transaction costs attributable to issue of rights shares of a listed subsidiary	32,214	–
Allowance for amount due from an associate	–	8,000
Inventories written off	–	469
Revaluation decrease on revaluation of land and buildings	–	1,885
Loss on disposal of a subsidiary	108	29
Others	–	148
	32,322	10,531

9. Gain on Dilution of Interest in a Subsidiary

In April 2007, Pacific Andes (Holdings) Limited ("PAH"), a non-wholly owned subsidiary of the Company, issued convertible bonds of the principal amount of US$93,000,000 (approximately HK$725,400,000). US$9,100,000 out of US$93,000,000 was converted into ordinary shares of PAH during the period. The Company's interest in PAH was diluted from 65.07% to 63.82%, resulting in a gain on dilution of interest in PAH of HK$24,721,000.

In January 2007, China Fishery Group Limited ("China Fishery"), a subsidiary of the Company issued 29,000,000 new placement shares at S$3.98 (approximately HK$20.12) each. The Group's attributable interest in China Fishery was diluted from 31.12% to 28.81% resulting in a gain on dilution of interest in a subsidiary of HK$385,063,000.

The Group records such gain in the consolidated income statement.

10. Finance Costs

	2008 HK$'000	2007 HK$'000
Interest on bank borrowings		
– wholly repayable within five years	286,134	304,869
– not wholly repayable within five years	5,512	7,375
Intersest on advances from third parties	–	554
Interest on finance leases	3,706	1,414
Interest on convertible bonds not wholly repayable within 5 years	50,742	–
Interest on senior notes not wholly repayable within 5 years	172,251	43,046
Interest on deferred consideration payable wholly repayable within 5 years	14,819	–
	533,164	357,258

11. Profit Before Taxation

Profit before taxation has been arrived at after charging:

	2008 HK$'000	2007 HK$'000
Auditor's remuneration	6,277	6,368
Depreciation of property, plant and equipment	146,245	101,576
Amortisation of prepaid lease payments (included in administrative expenses)	281	281
Cost of inventories	7,767,220	6,830,969
Directors' emoluments (note 12)	23,467	23,335
Staff costs	131,188	134,203
Crew wages	334,322	178,333
Retirement benefit scheme contributions	1,717	1,423
Total staff costs	490,694	337,294
and after crediting:		
Net rental income after outgoings of HK$724,000 (2007:HK$503,000)	9,231	4,299

12. Director's Emoluments

	Fees HK$'000	Salaries and other benefits-in-kind-cash HK$'000	Benefits in-kind HK$'000	Performance related incentive payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2008						
Executive Directors						
Teh Hong Eng	–	2,403	1,206	600	–	4,209
Ng Joo Siang	–	4,490	210	600	144	5,444
Ng Joo Kwee	–	3,822	670	600	144	5,236
Ng Joo Puay, Frank	–	1,860	652	480	115	3,107
Ng Puay Yee	–	1,939	582	400	84	3,005
Cheng Nai Ming	–	1,674	–	–	72	1,746
Independent Non-Executive Directors						
Lew V Robert	240	–	–	–	–	240
Kwok Lam Kwong, Larry	240	–	–	–	–	240
Yeh Man Chun, Kent	240	–	–	–	–	240
	720	16,188	3,320	2,680	559	23,467

12. Director's Emoluments – Continued

	Fees HK$'000	Salaries and other benefits-in-kind-cash HK$'000	Benefits in-kind HK$'000	Performance related incentive payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2007						
Executive Directors						
Ng Swee Hong	–	125	–	–	–	125
Teh Hong Eng	–	2,108	1,110	600	–	3,818
Ng Joo Siang	–	3,307	1,110	600	126	5,143
Ng Joo Kwee	–	3,701	348	600	126	4,775
Ng Joo Puay, Frank	–	1,640	593	400	84	2,717
Ng Puay Yee	–	1,530	536	400	84	2,550
Cheng Nai Ming	–	2,461	–	900	126	3,487
Independent Non-Executive Directors						
Lew V Robert	240	–	–	–	–	240
Kwok Lam Kwong, Larry	240	–	–	–	–	240
Yeh Man Chun, Kent	240	–	–	–	–	240
	720	14,872	3,697	3,500	546	23,335

None of the directors waived any emoluments during the year.

Performance related incentive payment is determined having regard to the performance of individuals and market trends.

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

The five highest paid individuals of the Group for the years ended 31 March 2008 and 31 March 2007 are all directors of the Company.

13. Taxation

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Profit for the year		
– Hong Kong	7,184	7,817
– Other jurisdictions	48,570	9,689
Underprovision in prior year		
– Hong Kong	512	1,282
	56,266	18,788
Deferred taxation (note 40)		
– current year	(19,188)	488
	37,078	19,276

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profits for the year.

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

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

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

	2008 HK$'000	2007 HK$'000
Profit before taxation	921,346	1,012,574
Tax at Hong Kong Profits Tax rate of 17.5%	161,236	177,200
Tax effect of expenses not deductible	66,236	105,892
Tax effect of income not taxable	(197,784)	(272,231)
Underprovision in respect of prior year	512	1,282
Tax effect of tax losses not recognised	986	594
Utilisation of tax losses previously not recognised	(6,080)	(685)
Tax effect of other deductible temporary differences not recognised	(3,548)	(624)
Effect of different tax rates of subsidiaries opening in other jurisdictions	16,148	2,814
Tax effect of share of results of associates	(63)	(66)
Effect of change in tax rate	(1,075)	–
Others	510	5,100
Tax charge for the year	37,078	19,276

14. Dividend

	2008 HK$'000	2007 HK$'000
Dividend:		
Proposed final dividend of HK5.5 cents (2007: HK4.1 cents) per share	100,548	73,872

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

On 19 September 2007, the Company declared a final dividend of HK 4.1 cents (in aggregate HK$73,906,000) for the year ended 31 March 2007 with a scrip alternative to offer the right to shareholders to elect to receive the final dividend by allotment of new shares. 25,553,581 shares of HK$0.10 each in the Company were issued at HK$2.17 per share as scrip dividend and cash dividend of HK$18,454,985 were paid.

15. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 HK$'000	2007 HK$'000
Earnings for the purpose of calculation of basic earnings per share	372,909	310,773
Effect of dilution arising on potential conversion of convertible bonds issued by a subsidiary	(1,752)	–
Earnings for the purpose of calculation of basic earnings per share	371,157	310,773
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	1,725,923,488	1,308,640,698
Effect of dilutive potential ordinary shares in respect of warrants	–	10,022,216
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	1,725,923,488	1,318,662,914

The weighted average number of ordinary shares outstanding during the current and prior year have been adjusted for the effect of rights issue in June 2007.

16. Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Freehold land HK$'000	Freehold buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Vessels HK$'000	Fishing nets HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION												
At 1 April 2006	370,591	–	–	43,441	18,680	56,341	30,478	140,862	115,011	–	32,607	808,011
Additions	44,449	–	14,998	13,380	4,138	15,200	8,329	29,136	45,207	2,516	187,421	364,774
Acquisition of subsidiaries	–	18,893	72,615	–	295	2,590	1,449	344,861	242,302	17,556	3,835	704,396
Reclassification	3,588	–	809	788	57	(408)	(165)	4,461	–	–	(9,130)	–
Disposals	(25,700)	–	–	(139)	(4,304)	(36)	(517)	(2,032)	–	–	–	(32,728)
Transfer to investment properties	(3,430)	–	–	–	–	–	–	–	–	–	–	(3,430)
Surplus on revaluation increase	28,214	–	–	–	–	–	–	–	–	–	–	28,214
Exchange realignment	2,791	–	–	791	26	680	674	2,818	–	–	1,497	9,277
At 31 March 2007	420,503	18,893	88,422	58,261	18,892	74,367	40,248	520,106	402,520	20,072	216,230	1,878,514
Additions	46,684	10,657	26,126	16,387	1,232	5,870	6,334	407,532	198,110	1,154	452,858	1,172,944
Acquisition of subsidiaries	–	3,240	12,144	–	55	1,175	228	35,495	105,798	19,767	–	177,902
Reclassification	–	–	–	–	–	–	–	377	–	–	(377)	–
Disposals	–	–	–	(453)	(2)	(22)	(352)	(16,207)	(11,881)	(1,264)	–	(30,181)
Transfer to investment properties	(15,876)	–	–	–	–	–	–	–	–	–	–	(15,876)
Surplus on revaluation increase	66,694	–	–	–	–	–	–	–	–	–	–	66,694
Exchange realignment	11,384	–	–	2,560	211	3,433	2,128	5,923	–	–	21,015	46,654
At 31 March 2008	529,389	32,790	126,692	76,755	20,388	84,823	48,586	953,226	694,547	39,729	689,726	3,296,651
At cost	–	18,893	88,422	58,261	18,892	74,367	40,248	520,106	402,520	20,072	216,230	1,458,011
At valuation – 2007	420,503	–	–	–	–	–	–	–	–	–	–	420,503
	420,503	18,893	88,422	58,261	18,892	74,367	40,248	520,106	402,520	20,072	216,230	1,878,514
At cost	–	32,790	126,692	76,755	20,388	84,823	48,586	953,226	694,547	39,729	689,726	2,767,262
At valuation – 2008	529,389	–	–	–	–	–	–	–	–	–	–	529,389
	529,389	32,790	126,692	76,755	20,388	84,823	48,586	953,226	694,547	39,729	689,726	3,296,651
DEPRECIATION AND IMPAIRMENT												
At 1 April 2006	–	–	–	20,202	14,810	35,566	23,741	89,130	46,357	–	–	229,806
Provided for the year	17,295	–	1,289	9,076	3,079	9,199	3,572	31,632	23,787	2,647	–	101,576
Eliminated on disposals	(428)	–	–	(124)	(4,126)	(36)	(441)	(703)	–	–	–	(5,858)
Adjustment on valuation	(16,876)	–	–	–	–	–	–	–	–	–	–	(16,876)
Exchange realignment	9	–	–	366	21	503	562	1,933	–	–	–	3,394
At 31 March 2007	–	–	1,289	29,520	13,784	45,232	27,434	121,992	70,144	2,647	–	312,042
Provided for the year	18,469	–	3,816	8,554	1,756	7,321	4,655	62,892	30,989	7,793	–	146,245
Eliminated on disposals	–	–	–	(358)	–	(14)	(262)	(13,705)	(1,062)	(353)	–	(15,754)
Adjustment on valuation	(18,532)	–	–	–	–	–	–	–	–	–	–	(18,532)
Exchange realignment	63	–	–	1,043	117	2,126	1,495	3,381	–	–	–	8,225
At 31 March 2008	–	–	5,105	38,759	15,657	54,665	33,322	174,560	100,071	10,087	–	432,226
CARRYING VALUES												
At 31 March 2008	529,389	32,790	121,587	37,996	4,731	30,158	15,264	778,666	594,476	29,642	689,726	2,864,425
At 31 March 2007	420,503	18,893	87,133	28,741	5,108	29,135	12,814	398,114	332,376	17,425	216,230	1,566,472

16. Property, Plant and Equipment – Continued

The carrying amount of the Group's property, plant and equipment include HK$195,561,000 (2007: HK$209,058,000) in respect of assets held under finance leases.

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

	2008 HK$'000	2007 HK$'000
Land and buildings in Hong Kong held under long leases	376,237	334,898
Land and buildings outside Hong Kong held under medium-term leases	153,152	85,605
	529,389	420,503

The leasehold land and buildings of the Group in Hong Kong, the PRC, Japan and Singapore were revalued at 31 March 2008 on a basis of a valuation carried out on that date by BMI Appraisals Limited, an independent property valuer. BMI Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation gave rise to a net revaluation increase of HK$85,226,000 (2007: HK$45,090,000) in which HK$74,656,000 (2007: HK$46,975,000) have been credited to asset revaluation reserve and HK$10,570,000 have been credited to income statement as a reversal of loss previously recognised on revaluation (2007: HK$1,885,000 have been charged to income statement).

Certain land and buildings have been pledged to secure mortgage loans of the Group.

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

	HK$'000
Cost	398,415
Accumulated depreciation	(78,982)
Carrying value	
At 31 March 2008	319,433
At 31 March 2007	291,248

17. Investment Properties

	2008 HK$'000	2007 HK$'000
FAIR VALUE		
At beginning of the year	118,129	104,835
Exchange realignment	11,120	3,340
Additions	35,537	–
Increase in fair value recognised to income statement	32,860	6,524
Transferred from property, plant and equipment	15,876	3,430
At end of the year	213,522	118,129

(a) The Group's property interests of approximately HK$213,522,000 (2007: HK$118,129,000) which are held under operating leases to earn rentals or capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(b) The carrying amount of investment properties includes land and buildings situated in Hong Kong and outside of Hong Kong as follows:

	2008 HK$'000	2007 HK$'000
Land and buildings in Hong Kong held under long leases	68,250	35,300
Land and buildings outside Hong Kong held under medium-term leases	6,127	6,050
Land and buildings outside Hong Kong held under long leases	52,970	37,400
Freehold land outside Hong Kong	86,175	39,379
	213,522	118,129

(c) The investment properties of the Group were revalued at 31 March 2008 on a basis of a valuation carried out on that date by BMI Appraisals Limited, an independent property valuer. BMI Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was based on investment approach by taking into account the current rents passing and the reversionary income potential of tenancies. The revaluation gave rise to a fair value gain of HK$32,860,000 (2007: HK$6,524,000) which has been recognised in other income in the income statement.

18. Prepaid Lease Payments

	2008 HK$'000	2007 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Medium-term lease	34,335	32,995
Analysed for reporting purposes as:		
Non-current asset	33,438	32,153
Current asset (included in trade, bills and other receivable in note 25)	897	842
	34,335	32,995

19. Goodwill

	HK$'000
GROSS AMOUNT	
At 1 April 2006	142,855
Arising on the acquisition of subsidiaries (note 45)	369,261
At 31 March 2007	512,116
Arising on the acquisition of subsidiaries (note 45)	127,228
Arising on the acquisition of additional interest in a subsidiary	2,083,256
Adjustment to goodwill provisionally determined	20,537
At 31 March 2008	2,743,137
IMPAIRMENT	
Impairment loss recognised in the year ended 1 April 2006 and balance at 31 March 2007 and 31 March 2008	(13,355)
CARRYING AMOUNTS	
At 31 March 2008	2,729,782
At 31 March 2007	498,761

During the year ended 31 March 2008, the Group acquired an additional 45% interest in a subsidiary for a cash consideration of US$356,000,000 (approximately HK$2,776,800,000). Included in the consideration is an amount of US$53,400,000 (approximately HK$416,520,000) which shall be paid on or before the second anniversary date of the completion of the acquisition. The subsidiary is the investment holding company of China Fishery, a listed subsidiary engaging in operating and managing fishing vessels for coastal and deep sea industrial fishing, and production of fishmeal. The difference between the fair value and the carrying amount of the net assets attributable to the additional interest acquired from minority interests is debited to "other reserve". The fair values are determined provisionally based on the information available up to the date of this report. The directors of the Company are still in the process of finalising these fair values. The difference between the consideration paid and the provisional fair value of the additional interest acquired is recognised as goodwill at a provisional amount of HK$2,083,256,000.

19. Goodwill – Continued

The Group currently operates and manages a number of fishing vessels and fishmeal processing plants in the Pacific Ocean. The directors believe that the acquisition of the additional 45% interests will achieve greater cross-leverage with other businesses of the Group through further increased management control which offers short term and mid-term opportunities and commercial benefits to the Group as a whole. The goodwill represents a payment made by the Group in anticipation of future economic from assets that are not capable of being individually identified and separately recognised.

The Group uses business segments as it primary segment for reporting segment information. For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to four cash generating units (CGUs) before impairment, The carrying amounts of goodwill after impairment as at 31 March 2008 allocated to the units as follows:

	2008 HK$'000	2007 HK$'000
Frozen fish SCM operation – PAH	13,245	13,245
Fish fillets processing and distribution – National Fish and Seafood Inc.	15,594	15,594
Pacific Ocean Fishing operation – China Fisheries International Limited ("CFIL")	1,766,268	100,661
Peruvian fishing and fishmeal operations – CFG Investment S.A.C. ("CFGI")	934,675	369,261
	2,729,782	498,761

The recoverable amounts of these CGUs have been determined based on a value in use calculation. The CGUs operates in a related and similar business environment. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and the expected changes to selling prices and direct costs. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecast. Changes in selling prices and direct costs are based on past practices and expectations of the future changes in the market.

During the year ended 31 March 2008, management of the Group conducted impairment review on the goodwill which is based on the cash flow forecast derived from the most recent financial budgets for the next five years for frozen fish SCM and fish fillets processing and distribution operations.

That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rates of 15.25% (2007: 19.2%) for the fish fillets CGU and 20% (2007: 20%) for the frozen fish CGU are estimated from the rate implicit in the weighted average cost of capital of a similar investment with similar risk. A key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount.

In addition to the above, the Group has engaged an independent financial advisor, BMI Appraisals Limited, to determine the value in use of the Pacific Ocean fishing and Peruvian fishing and fishmeal operations at 31 March 2008. Based on the report of the valuer dated 27 June 2008 and management's assessment of business prospects, management expects that carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

19. Goodwill – Continued

The assessment of recoverability of the carrying amount of goodwill for the Pacific Ocean fishing and Peruvian fishing and fishmeal operations include:

(i) forecasted projected cash flows up to 2017 (2007: 2011) and projection of terminal value using the perpetuity method based on a growth rate of 2% for the terminal value, which does not exceed the long term growth rate of the industry;

(ii) growth rate 3.3% per annum during the forecast period (2007: 2%); and

(iii) use of 10.9% (2007: 9.25%) for Pacific Ocean fishing operations and use of 14.0% (2007: 19.2%) for Peruvian fishing and fishmeal operations to discount the projected cash flows to net present values.

For the Pacific Ocean fishing operations as of 31 March 2007, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next one year and extrapolated cash flows for the following fourteen years on an estimated growth rates of 3%. The rate used to discount the forecast cash flows was 9.25% per annum.

Based on the above assessments, management expects the carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

20. Deferred Charter Hire

	2008 HK$'000	2007 HK$'000
Deferred charter hire expense	2,224,560	2,224,560
Less: accumulated amortisation	(388,960)	(216,320)
	1,835,600	2,008,240
Included as current assets in trade, bills and other receivables (note 25)	(172,640)	(172,640)
Included as non-current assets	1,662,960	1,835,600
Cost:		
At beginning of year	2,224,560	804,960
Additions during the year	–	1,419,600
At end of year	2,224,560	2,224,560
Accumulated amortisation:		
At beginning of year	216,320	92,430
Amortisation during the year	172,640	123,890
At end of year	388,960	216,320

20. Deferred Charter Hire – Continued

Amortised deferred charter hire is charged to cost of sales in the income statement.

A subsidiary, China Fisheries International Limited ("CFIL"), entered into vessel operating agreements ("VOA") with two companies, Perun Limited ("Perun") and Alatir Limited ("Alatir") (collectively known as "Arrangers") for 10 to 18 years (2007: 10 to 18 years) to charter hire 17 vessels (2007: 17 vessels) together with the allocated fish quotas in Pacific Ocean. Under the VOA, CFIL made prepayments of the fixed charter hire payments. Under VOA, the Group is also required to pay variable rate charter hire fees for those 17 vessels based on contracted percentages of the annual operating profit attributable to the vessels procured by the counterparties.. To secure the prepayments and to ensure that the counter parties comply with their obligations under the VOA, the counterparties executed the following documents (collectively referred to as "Security Documents") in favour of CFIL:

(i) a charge of all the issued shares of the counterparties (the "Charges");

(ii) a debenture over all the present and future assets of the counterparties (the "Debentures"); and

(iii) an entrusted management agreement to vest upon the nominee of CFIL, the management and control of the counterparties in respect of and limited to the performance and obligations of the vessel operating agreements.

If an event of default occurs, CFIL shall, pursuant to the terms of the Charges and the Debentures, be entitled to exercise its rights over the security created by those Security Documents. Such events of default include, among others:

(i) any default by the counterparties in the due performance of any undertaking, condition or obligation to be performed and observed in the VOA, the Charges, the Debentures or any other instruments or agreements entered for the benefit of CFIL; and

(ii) any failure of the counterparties to pay any sum payable from time to time to CFIL on the due date whether in connection with the VOA, the Charges, the Debentures or any other security granted in favour of CFIL by each of Perun and Alatir.

21. Interests in Associates

	2008 HK$'000	2007 HK$'000
Cost of investments – unlisted	13,620	1,920
Share of post-acquisition results	(93)	(454)
	13,527	1,466

Particulars of the Group's principal associates as at 31 March 2008 are set out in note 55.

21. Interests in Associates – Continued

The summarized financial in respect of the Group's associates is set out below:

	2008 HK$'000	2007 HK$'000
Total assets	153,787	128,791
Total liabilities	(156,281)	(120,485)
Net (liabilities) assets	(2,494)	8,306
Group's share of associates' net assets	13,527	1,466
Turnover	519,762	552,183
Profit for the year	1,805	1,882
Group's share of result of associates for the year	361	376

22. Loan to a Jointly-controlled Entity

As at 31 March 2007, loan to a jointly-controlled entity was unsecured, carried interest at 5% per annum and repayable in March 2009.

23. Other Intangible Assets

	Fishing permits HK$'000	Club memberships HK$'000	Total HK$'000
Cost:			
At 1 April 2006	–	22,763	22,763
From acquisition of subsidiaries (note 45)	226,613	–	226,613
Additions	26,420	1,200	27,620
At 31 March 2007	253,033	23,963	276,996
From acquisition of subsidiaries (note 45)	131,154	–	131,154
Additions	85,744	–	85,744
At 31 March 2008	469,931	23,963	493,894

23. Other Intangible Assets – Continued

Fishing permits are granted by the authority in Peru. The fishing permits are attached to fishing vessels and are transferable to other vessels of no bigger capacity should the original vessels become obsolete or sink. The cost of purchase of a fishing vessel and the attached fishing permit arising from acquiring the subsidiary (Note 45) are allocated to the respective component of assets acquired on the basis of valuation reports dated 25 June 2007 prepared by Peritos de Seguros S.A.C., independent third party valuers in Peru.

Management has obtained legal advice that the fishing permits do not have a finite term and remain in full force and good standing as long as the applicable legal requirements are complied with. Accordingly, the cost of fishing permits are not amortised.

As stated in Note 19, the Group has engaged an independent financial advisor located in Hong Kong to determine the value in use of the fishing and fishmeal CGU. Based on that report and management's assessment of business prospects, management expects the carrying amount of fishing permits to be recoverable and there is no impairment in value of the fishing permits.

The recoverable amounts of the fishing permits are determined based on the estimation of the value in use of the fishing permits. The estimated cashflows for 10 years are discounted at 14% to calculate the present value. Key assumptions for the value in use calculations are on catch quantities, prices of catch and operating cost after considering efficiencies that can be achieved when the operations become part of the Group's larger operations. Based on these evaluations, management is of the view that the recoverable amounts of the fishing permits exceed their carrying amounts.

Club memberships have infinite life and are not amortised.

24. Inventories

	2008 HK$'000	2007 HK$'000
Inventories, at cost, consists of the following:		
Frozen fish	1,240,978	1,398,147
Fillets and portion	470,359	386,590
Fishmeal	141,337	83,380
Supplies	40,027	12,904
Fuel	17,876	21,158
Packing materials	22,911	25,400
	1,933,488	1,927,579

25. Trade, Bills and Other Receivables

	2008 HK$'000	2007 HK$'000
Trade receivables	1,502,428	1,528,073
Bills receibables	19,011	70,405
Current portion of prepaid lease payments (note 18)	897	842
Current portion of deferred charter hire (note 20)	172,640	172,640
Balance with Arrangers	–	108,697
Deferred expenditure	195,707	118,032
Prepayments for fish	1,358,646	894,390
Other receivables	384,273	269,013
	3,633,602	3,162,092

25. Trade, Bills and Other Receivables – Continued

The balance with Arrangers represents advance payments of variable rate charter hire under the vessel operating agreements for the Group's fishing operations in the Pacific Ocean. This is stated net of amounts payable to vessels owners in respect of payments made by the vessels owners on behalf of the Group. This offset has been effected on the basis of arrangement amongst members of the Group, the vessel owners and the Arrangers. The amount is interest-free and is covered by the security arrangements as disclosed in Note 20.

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to 180 days to its trade customers. The aged analysis of trade receivables and bills receivables at the balance sheet date is as follows:

	2008 HK$'000	2007 HK$'000
Less than 30 days	744,478	954,138
31 – 60 days	421,327	358,598
61 – 90 days	227,315	138,023
91 – 120 days	66,358	80,315
Over 120 days	61,961	67,404
	1,521,439	1,598,478

Included in the bills receivables are amounts of HK$19,011,000 (2007: HK$68,632,000) in respect of bills discounted to certain banks under the recourse receivable discounting advance facilities, where the Group continues to recognise as the Group remains exposed to the risk and rewards of ownership of such assets.

An allowance for estimated irrecoverable amount from the sale of goods to third parties of HK$18,317,000 (2007: HK$8,084,000) has been determined by reference to management's estimation of irrecoverable amounts. The Group has provided fully for receivables over 180 days based on historical experience.

The remaining trade receivables of HK$1,521,439,000 (2007: HK$1,598,478,000) is neither past due nor impaired.

The directors of the Company are of the opinion that the credit quality of the trade receivables balances are neither past due nor impaired at each balance sheet date is of good quality. Bills receivable are repayable on the pre-determined date and the counterparties are mainly banks with high credit rating, therefore, the directors of the Company consider these balances are not impaired.

The Group's trade, bills and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	2008 HK$'000	2007 HK$'000
United States dollars	41,780	3,647
Chinese Renminbi	6,137	1,769
Euro	4,635	68
Peruvian Nuevo Soles	25,162	82,957
Singapore dollars	136	3,673
Hong Kong dollars	735	3,503
Japanese Yen	53,938	10,114
British pounds	238	–

25. Trade, Bills and Other Receivables – Continued

Movement in the allowance for doubtful debts

	2008 HK$'000	2007 HK$'000
Balance at beginning of the year	8,084	–
Arising on acquisition of subsidiaries	–	8,084
Increase in allowance recognised in income statement	10,233	–
Balance at end of the year	18,317	8,084

26. Trade Receivables with Insurance Coverage

Included in the trade receivables with insurance coverage are recourse discounted trade receivables of HK$196,352,000 (2007: HK$213,044,000) and factored trade receivable of nil (2007: HK$3,148,000) which have been discounted and factored to certain banks under the receivable discounting and factoring advance facilities, where the Group continues to recognise as the Group remains exposed to the risk and rewards of ownership of such assets. The bank advances drawn on discounted trade receivable with insurance and discounted bills carried an average effective interest rate of approximately 4.5% (2007: 7.5%) per annum and are repayable within one year.

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

	2008 HK$'000	2007 HK$'000
Less than 30 days	118,809	116,525
31 – 60 days	48,370	89,012
61 – 90 days	22,957	5,425
91 – 120 days	3,662	2,736
Over 120 days	2,554	2,494
	196,352	216,192

Trade receivables with insurance coverage is neither past due nor impaired.

The Group's trade receivables with insurance coverage that are not denominated in the functional currencies of the respective entities are as follows:

	2008 HK$'000	2007 HK$'000
United States dollars	1,155	–
Euro	2,377	1,521
British pounds	1,955	3,490

27. Trade Receivables from Associates and Amounts due from/to Associates

The amounts due from/to associates are unsecured, interest-free and are repayable on demand and the directors expect to recover these amounts within twelve months from the balance sheet date.

For trade receivables from associates on sales of goods, the Group allows an average credit period of 30 days to 60 days. The age of trade receivables from associates at balance sheet date are all less than 30 days for both years.

The directors of the Company are of the opinion that the credit quality of the trade receivables from associates that are neither past due nor impaired at each balance sheet date is of good quality.

28. Loan receivables

Loans to third parties were unsecured, bear interest at 29.2% per annum and repayable on 31 December 2007. These amount has been repaid during the year.

29. Advances to Suppliers

As at 31 March 2007, the Group's advances to suppliers were unsecured, interest-free and repayable on demand. Except for an amount of HK$15,600,000 which was carrying interest at 10% per annum and compound monthly, the remaining advances were interest-free.

30. Amount due from a Jointly-controlled Entity

The amount due from a jointly-controlled entity is unsecured, interest-free and is repayable within one year.

The details of the jointly-controlled entity are as follows:

Name of jointly-controlled entity	**Principal activities/Country of incorporation/Place of business**	**Effective equity interest held by group** 2008	2007
Able Team Investments Limited ("Able Team")	Investment property holding/ Hong Kong/Russia	33.3%	33.3%

Notes:

The Group's jointly-controlled entity represents the 33.3% equity interest in Able Team. The following amounts are included in the financial statements of the Group as a result of proportionate consolidation of the jointly-controlled entity, Able Team.

	2008 HK$'000	2007 HK$'000
Non-current assets	86,855	68,279
Current assets	1,890	2,120
Current liabilities	(6,378)	(3,426)
Non-current liabilities	(26,930)	(41,410)
Net assets	55,437	25,563
Turnover	11,049	8,910
Cost of sales	(6,123)	(5,414)
Other income	18,594	12,337
Finance costs	(2,608)	(2,742)
Profit before taxation	20,912	13,091
Taxation	(5,230)	(6,104)
Profit for the year	15,682	6,987

31. Pledged Deposits

Deposits pledged to a bank comprised proceeds from customers on export invoices discounted to secure discounting advances drawn on trade receivables with insurance coverage granted to the Group. The interest rates on the deposits ranged from nil to 1.85% (2007: 1.85% to 2.80%) per annum.

32. Bank Balances and Cash

Bank balances and cash comprises cash at bank and on hand held by the Group.

The interest rates on cash placed with financial institutions ranged from nil to 1.85% (2007: Nil to 3.00%) per annum.

As at 31 March 2007, included in bank balances and cash is an amount of HK$6,169,000 placed in an escrow account. The escrow account is held in the name of a subsidiary in connection with the acquisition of Pesquera Isla Blanca S.A. and its subsidiaries in December 2006. This amount can be applied against contingent costs arising from events occurring prior to or existing as at the date of acquisition and is claimable within a period of twelve months from the date of acquisition. The cost of acquisition includes this amount and a liability for this amount is included in other payables.

The Group's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	2008 HK$'000	2007 HK$'000
United States dollars	37,656	32,102
Chinese Renminbi	780	162
Euro	20,667	1,034
Peruvian Nuevo Soles	7,100	337
Hong Kong dollars	2,401	857
Japanese Yen	17,223	–
Singapore dollars	238	–

33. Trade and Other Payables

Included in trade and other payables are trade payables of HK$395,433,000 (2007: HK$510,010,000). The age analysis of trade payables at the balance sheet date is as follows:

	2008 HK$'000	2007 HK$'000
Less than 30 days	251,440	178,494
31 – 60 days	119,649	20,785
61 – 90 days	11,619	282,830
Over 90 days	12,725	27,901
	395,433	510,010

33. Trade and Other Payables – Continued

The Group's trade and other payables that are not denominated in the functional currencies of the respective entities are as follows:

	2008 HK$'000	2007 HK$'000
United States dollars	9,534	527
Chinese Renminbi	7,783	1,492
Euro	20,323	1,714
Hong Kong dollars	2,216	1,401
Peruvian Nuevo Soles	205,692	70,218
Singapore dollars	1,975	–
Japanese Yen	2,954	–
Denmark kroner	2,403	–

34. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Amounts payable under finance leases:				
Within one year	30,158	21,048	22,706	17,970
In more than one year but not more than two years	23,278	14,348	16,300	12,439
In more than two years but not more than three years	20,916	9,439	15,713	8,340
In more than three years but not more than four years	16,815	7,889	12,586	7,411
In more than four years but not more than five years	–	3,852	–	3,804
	91,167	56,576	67,305	49,964
Less: future finance charges	(23,862)	(6,612)	–	–
Present value of lease obligations	67,305	49,964	67,305	49,964
Less: amount due within one year shown under current liabilities			(22,706)	(17,970)
Amount due after one year			44,599	31,994

For the year ended 31 March 2008, the effective borrowing rate ranged from 6.87% to 13.00% (2007: 7.75% to 11.50%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All financial lease obligations are denominated in United States dollars.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (note 16).

35. Borrowings

	2008 HK$'000	2007 HK$'000
Bank borrowings comprise:		
Trust receipt and bank loans	3,684,299	2,218,447
Syndicated loans	520,000	728,000
Mortgage loans	101,840	110,229
Bank overdrafts	7,012	3,659
	4,313,151	3,060,335
Less: upfront fee of syndicated loans	–	(20,686)
	4,313,151	3,039,649
Analysed as:		
Secured	874,296	1,116,002
Unsecured	3,438,855	1,923,647
	4,313,151	3,039,649
The maturity of bank borrowings is as follows:		
Within one year	3,898,642	1,989,245
In the second year	143,646	346,053
In the third year	136,934	338,053
In the fourth year	106,147	235,970
In the fifth year	10,818	105,169
Over five years	16,964	25,159
	4,313,151	3,039,649
Amount due within one year shown under current liabilities	(3,898,642)	(1,989,245)
Amount due after one year	414,509	1,050,404

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2008 HK$'000	2007 HK$'000	2008	2007
Effective interest rate:				
Fixed-rate borrowings	97,215	41,574	7.00% to 14.00%	7.10% to 18.00%
Variable-rate borrowings	4,215,936	2,998,075	2.77% to 11.75%	2.18% to 14.00%

35. Borrowings – Continued

The mortgage loans bear interest at 2.25% below the Hong Kong Dollar Prime lending rate in Hong Kong and are repriced on a monthly basis. Short-term bank borrowings amounting to HK$95,006,000 (2007: HK$64,916,000) bear interest at 6 months London Interbank Offer Rate plus 1.52% per annum and are secured over the Group's inventories of HK$59,280,000 (2007: HK$83,380,000) (note 24). The remaining variable rate borrowings are unsecured and bear interest at variable rates ranging from 2.77% to 11.75% (2007: 2.18% to 14.00%) per annum and repriced quarterly to semi-annually.

The Group has signed an agreement with a group of 20 international and local banks for a syndicated loan of US$160 million (approximately HK$1.25 billion). The syndicated loans, comprising two tranches, has a tenure of 4 years (US$100 million (approximately HK$780 million)) and 5 years (US$60 million (approximately HK$468 million)), which carries an annual interest margin of London Interbank Offer Rate plus 1.5% per annum and London Interbank Offer Rate plus 1.45% per annum respectively, are secured over the shares of certain subsidiaries of the Group. At 31 March 2007, the Group had drawn down the first tranche of syndicated loans.

In respect of the syndicated bank loans with an aggregate carrying amount of HK$520,000,000 outstanding at 31 March 2008, the Group breached the financial covenant contained in the loan agreement. The financial covenant requires the Group to maintain a minimum amount of consolidated net tangible assets. On discovery of the breach, the directors of the Company informed the banks and commenced renegotiation of the terms of the loans. At 31 March 2008, those negotiations, which might result in a wavier by the banks of the covenants, had not been concluded. Accordingly, the portion of loans of HK$312,000,000 repayable after one year from 31 March 2008 were classified as current liabilities in the consolidated balance sheet as at 31 March 2008. On 28 May 2008, the Group entered into a facility agreement with the banks and settled the existing syndicated bank loans in full.

The Group's bank borrowings that are not denominated in the functional currencies of the respective entities are as follows:

	2008 HK$'000	2007 HK$'000
United States dollars	241,800	140,400

The fair value of the Group's borrowings which was approximate to the carrying amount was estimated by discounting their future cash flows at prevailing market rate as at the balance sheet date.

36. Amount due to a Joint Venture Partner of a Jointly-Controlled Entity

As at 31 March 2007, the amount was unsecured, bore interest at 5% per annum and repayable in March 2009.

37. Statutory Employees' Profit Share

In accordance with Peruvian labour laws, employees of the Group's Peruvian subsidiaries are entitled to 10% share of the taxable profit of the Peruvian subsidiaries. The movements of the balance during the year are as follows:

	2008 HK$'000	2007 HK$'000
At beginning of year	52,279	–
Arising on acquisition of subsidiaries	–	45,530
Charge to income statement	8,437	6,749
Arising on finalisation of provisional fair value acquired in prior year	20,537	–
Payments during the year	(16,920)	–
Balance at end of year	64,333	52,279
Less: current portion (included in trade and other payables)	(290)	(2,037)
Non-current portion	64,043	50,242

38. Convertible Bonds

On 18 April 2007, PAH issued convertible bonds of the principal amount of US$93,000,000 (approximately HK$725,400,000), which bear coupon interest rate at 4% per annum payable semi-annually in arrears. Each holder of the notes has the option to convert the notes into shares at an initial conversion price of S$1.0813 per share, subject to adjustment, at any time on or after 29 May 2007 up to close of business on 8 April 2012. The conversion price was subsequently adjusted to S$0.8553 pursuant to the rights issue of PAH in June 2007. The number of shares to be issued on conversion of a bond will be determined by dividing the principal amount of bond to be converted (using a fixed exchange rate of S$1.5265 = US$1.00) by the conversion price in effect at the conversion date. PAH has an early redemption option to redeem in whole and not in part of the notes at any time on or after 18 April 2009, at the pre-determined redemption amounts set out in the bond agreement. The fair value of such early redemption option at the date of issue and balance date is insignificant.

The fair value of the liability component was determined at issuance of the notes. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amount represents the value of the equity conversion component. The effective interest rate of the liability component is 8.85% per annum.

In June 2007, a total principal amount of US$9,100,000 (approximately HK$70,980,000) was converted into ordinary shares of PAH.

If the bonds are not converted, they will be redeemed on 18 April 2012 at par. Interest of 4% per annum will be paid semi-anually until settlement date.

38. Convertible Bonds – Continued

The net proceeds received from the issue of the convertible bonds have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	Liability component HK$'000	Equity conversion component HK$'000
Issue of convertible bonds	661,142	46,806
Interest expenses	50,742	–
Interest paid	(24,993)	–
Conversion	(64,692)	(4,580)
Balance at 31 March 2008	622,199	42,226

The interest charged for the year is calculated by applying an effective interest rate of 8.85% to the liability component for the period since the bonds were issued.

The directors estimate the fair value of the liability component of the convertible bonds at 31 March 2008 to be approximately HK$579,153,000. This fair value has been calculated by assuming the early redemption option of PAH attached in the convertible bonds, using effective interest rate of 11.42% per annum with reference to the US Treasury Zero Coupon Bond and credit risk margin.

39. Senior Notes

On 19 December 2006, the Group, through a subsidiary, CFGI, issued guaranteed senior fixed rate notes with aggregate nominal value of US$225,000,000 (approximately HK$1,755,000,000) (the "Notes") which carry fixed interest of 9.25% per annum (interest payable semi-annually in arrear) and will be fully repayable by 19 December 2013.

The Notes are listed on the Singapore Exchange Securities Trading Limited. They are unsecured and guaranteed by China Fishery and certain subsidiaries of China Fishery. The guarantees are effectively subordinated to secured obligations of each guarantor, to the extent of the value of assets serving as security.

At any time prior to 19 December 2010, CFGI may redeem the Notes in whole or in part at the principal amount of the Notes plus pre-determined premium and accrued interest provided that any partial redemption shall not result in less than US$100 million (approximately HK$780 million) of outstanding Notes. At any time prior to and up to 19 December 2009, CFGI may redeem up to 35% of the Notes, with net cash proceeds from issue of ordinary shares of China Fishery or sale of ordinary shares of CFGI at the redemption price equal to 109.25% of the principal amount of the Notes plus accrued and unpaid interests, if any, as of the redemption date.

As the risk and characteristics of the early redemption option are not closely related to the host contract, it is separately accounted for as financial derivatives and measured at fair value with changes in fair value recognised in profit and loss. The directors consider that the fair value of the redemption option is immaterial as at 31 March 2007 and 2008.

The Notes contain certain covenants that limit the China Fishery ability and the ability of certain subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred shares;

39. Senior Notes – Continued

- declare dividends or purchase or redeem shares;
- make investments or other specified restricted payments;
- issue or sell shares of certain subsidiaries;
- sell assets or create any lien; and
- enter into sale and leaseback transactions.

The net carrying amount of the Notes is stated net of issue expenses totalling US$8,957,000 (approximately HK$69,865,000). Such expenses are amortised over the life of the Notes by charging the expenses to the income statement and increasing the net carrying amount of the Notes with the corresponding amount. As of 31 March 2008, accumulated amortization amounted to HK$12,476,000 (2007: HK$2,424,000).

Management estimates the fair value of the Notes at 31 March 2008 to be approximately HK$1,824,983,000 based on the quoted asked price of the Notes. The fair value of the redemption option has been calculated by assuming redemption on 19 December 2013, using effective interest rate of 7.83% to 9.28% per annum with reference to the US Treasury Zero Coupon Bonds and the credit risk margin.

At 31 March 2008, management considers that the carrying amount of the Notes approximates their fair value at the end of the financial year as the interest charged approximated the market rate then.

40. Deferred Taxation

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 April 2006	34,775	(8,285)	–	26,490
Acquisitions of subsidiaries	169,422	–	–	169,422
Charge (credit) to income statement for the year	10,994	(4,145)	(6,361)	488
Charge to asset revalation reserve	7,336	–	–	7,336
Exchange differences	307	–	–	307
At 31 March 2007	222,834	(12,430)	(6,361)	204,043
Acquisitions of subsidiaries	58,843	–	–	58,843
Charge (credit) to income statement for the year	(15,510)	(2,603)	–	(18,113)
Charge to asset revalation reserve	13,623	–	–	13,623
Effect of change in tax rate				
– charge (credit) to income statement	(1,897)	822	–	(1,075)
– charge to asset revaluation reserve	(3,628)	–	–	(3,628)
Exchange differences	2,050	–	–	2,050
At 31 March 2008	276,315	(14,211)	(6,361)	255,743

40. Deferred Taxation – Continued

At the balance sheet date, the Group has unutilised estimated tax losses of HK$134,963,000 (2007: HK$149,156,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$86,129,000 (2007: HK$68,292,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$48,834,000 (2007: HK$80,864,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$128,092,000 (2007: HK$129,454,000) that will gradually expire until 2015. During the year, unutilised tax losses of HK$2,919,000 (2007: HK$7,108,000) expired. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of HK$3,214,000 (2007: HK$23,489,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will available against which the deductible temporary differences can be utilised.

41. Deferred Consideration Payable

During the year, the Group acquired an additional interest in a subsidiary for a cash consideration of US$356,000,000 (approximately HK$2,776,800,000). Included in the consideration is an amount of US$53,400,000 (approximately HK$416,520,000) which shall be paid on or before the second anniversary date of the completion of the acquisition. The early repayment is at the option of the Group. The amount bears interest at London Inter-Bank Offering Rate minus 2%.

42. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 March 2006	200,000,000,000	200,000
Increase on 7 September 2006	200,000,000,000	200,000
At 31 March 2007 and 2008	400,000,000,000	400,000
Issued and fully paid:		
At 31 March 2006	1,015,859,684	101,586
Exercise of warrants	185,868,069	18,587
At 31 March 2007	1,201,727,753	120,173
Issue of shares as a result of rights issue	600,863,876	60,086
Issue of shares as scrip dividend	25,553,581	2,555
At 31 March 2008	1,828,145,210	182,814

On 12 June 2007, the Company issued 600,863,876 rights shares at the issue price of HK$1.55 each on the basis of one share for every existing two shares held. Net proceeds were approximately HK$911,000,000 and were used to raise sufficient funding to subscribe for its entitlement under the rights issue of PAH, a listed subsidiary of the Company.

On 1 November 2007, 25,553,581 shares of HK$0.10 each in the Company were issued at HK$2.17 per share as scrip dividend.

43. Share Option Scheme and Share Award Plan

Share Option Scheme

Under the terms of the share option scheme (the "Scheme") which was adopted on 9 September 1994 and expired on 8 September 2004, the Board of Directors (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 purpose of the share option scheme is to provide incentive to the directors and employees of the Group. 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.

As the Scheme no longer complies with the amended Rules Governing the Listing of Securities on the Stock Exchange (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.

At 31 March 2008 and 31 March 2007, there are no share options outstanding for directors and employees under the Scheme.

No share option was granted by the Company during the years ended 31 March 2008 and 31 March 2007 under the Scheme.

On 9 September 2004, the Company adopted a new share option scheme (the "New Scheme"). The New Scheme is to provide incentives to any participant to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group. Under the terms of the New Scheme, which was adopted on 9 September 2004 and will expire on 8 September 2014, the Board may grant options to any individual being an employee, officer, agent, consultant or representative of the Company or any other members of the Group (including any executive, non-executive and independent non-executive director of any member of the Group) based on his work experience, knowledge in the industry and other relevant factors to subscribe for the shares in the Company (the "Shares"). The subscription price for the Shares under the options to be granted under the New Scheme will be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the option, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and (c) the nominal value of the Shares.

The exercisable period will be determined by the Board and in any event must not be more than 10 years from the date of the grant of the option. The total number of Shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted under the New Scheme and any other share option scheme(s) of any member of the Group in any 12-month period immediately preceding any proposed date of the grant of options to each participant must not exceed 1 per cent. of the number of shares in issue as at the proposed grant date.

No option has been granted since the adoption of the New Scheme.

43. Share Option Scheme and Share Award Plan – Continued

Share award plan

The Company adopted a share award plan ("Plan") on 28 October 2006 for the benefit of the directors and the employees of the Group.

The Plan is administered by the Remuneration Committee of the Company, currently comprising Lew V Robert, Kwok Lam Kwong, Larry, Yeh Man Chun, Kent, Ng Joo Siang and Ng Joo Puay, Frank.

The Remuneration Committee may determine in its sole discretion to grant shares to participants of the Plan. The shares will be vested only after satisfactory completion of time based targets and/or time-and-performance-based targets and shall not be more than 10 years from the date of the grant of the shares. Upon vesting, the participant may receive any or a combination of the following:

(a) new ordinary shares credited as fully paid up;

(b) existing shares repurchased from open market; and

(c) cash equivalent value of such shares.

No share has been granted to participants under the Plan as at 31 March 2008.

The aggregate number of ordinary shares which may be issued under the Plan shall not exceed 5% of the issued share capital of the Company from time to time.

44. Warrants

	Warrants with subscription price of HK$1.40	
	Number	Amount HK$'000
Balance in issue at 31 March 2006	187,445,921	262,424
Exercised during the year	(185,868,069)	(260,215)
Lapsed during the year	(1,577,852)	(2,209)
Balance in issue at 31 March 2007 and 31 March 2008	–	–

On 1 February 2005, a bonus issue of 199,884,267 warrants ("Warrants") was made on the basis of one Warrants for every five existing ordinary shares then held on 1 February 2005.

Each Warrants entitles the registered holder to subscribe in cash at an initial subscription price of HK$1.40, subject to adjustment, for one ordinary share of HK$0.10 each in the Company, at any time from 1 February 2005 to 31 July 2006 (both dates inclusive).

At 31 March 2008, the company had no outstanding (2007: Nil) Warrants outstanding. During the year ended 31 March 2007, 185,868,069 Warrants were exercised to subscribe for ordinary shares.

45. Acquisition of Subsidiaries

The Group acquired following subsidiaries and accounted for these acquisitions using the purchase method of accounting:

2008

Subsidiaries incorporated in Peru	Date of acquisition
Pesquera Pocoma S.A.C. [a] [c]	21 May 2007
Pesquera El Pilar S.A.C. [a] [c]	1 June 2007
Pesquera Maru S.A.C. [a] [c]	1 June 2007
Pesquera Bari S.A.C. [c]	12 December 2007

Subsidiaries incorporated in Panama	Date of acquisition
Altoreal S.A. [a] [c]	1 June 2007
Inversionista La Candelaira S.A. [a] [c]	1 June 2007
Macro Capitales S.A. [c]	12 December 2007

Subsidiary incorporated in the PRC	Date of acquisition
Powertech Engineering (Rongcheng) Co. Limited [d]	1 April 2007

2007

Subsidiaries incorporated in Peru	Date of acquisition
Procesadora del Carmen S.A [b] [c]	4 May 2006
Alexandra S.A.C. [b] [c]	26 October 2006
Pesquera Victor S.A.C. [b]	26 October 2006
Empresa Pesquera Flor llo S.R.L. [b]	26 October 2006
Pesquera Isla Blanca S.A. [a] [c]	22 December 2006
Negociacion Pesquera Continental S.A.C. [a] [c]	22 December 2006
Yaviza S.A.C. [a] [c]	14 March 2007

Subsidiary incorporated in Panama	Date of acquisition
Skatfeld Overseas Inc. [c]	22 December 2006
Grenadine Bay Inc. [c]	14 March 2007

Subsidiaries incorporated in British Virgin Islands	Date of acquisition
Hills Cosmos International Ltd. [e]	4 January 2007
Ocean Export International Ltd. [e]	24 January 2007

(a) Subsequent to their acquisitions, these entities were merged into CFG Investment S.A.C. during the financial year.

(b) Subsequent to their acquisitions, these entities were merged into CFG Investment S.A.C. during the financial year ended 31 March 2007.

45. Acquisition of Subsidiaries – Continued

2007

(c) The acquisition of these subsidiaries resulted in inclusion of post-acquisition revenue of approximately HK$4,337,000 (2007: HK$154,813,000) and loss after income tax of HK$1,287,000 (2007: HK$13,717,000) in the Group's financial statements.

It is not practicable to estimate the change in revenue and operating results for the Group had the above acquisitions been effected at the beginning of the financial year as financial statements prior to the acquisitions have not been prepared under International Financial Reporting Standards or Hong Kong Financial Reporting Standards.

(d) It is not meaningful to present the revenue and operating results for the Group in relation to the acquisition of Powertech Engineering (Rongcheng) Co. Limited as it acts as the agent for vessel repair services for the Group's fishing vessels.

(e) These subsidiaries were acquired to act as procurement agents for fishing vessel bunkers and other supplies as well as sales agent for frozen fish. No disclosure is made of the contribution to the Group's revenue and profits had these subsidiaries been acquired at the beginning of the financial year as these numbers pertained to operations which ceased upon their acquisitions by the Group. Upon their acquisitions by the Group, the activities of these subsidiaries were restricted to acting as procurement and sales agents for the Group.

2008

During the year ended 31 March 2008, the net assets acquired in the transaction, and the goodwill arising are as follows:

	Acquirees' carrying amount before combination HK$'000	Provisional Fair value adjustments HK$'000	Provisional Fair Value HK$'000
Property, plant and equipment	143,935	33,967	177,902
Fishing permits	19,733	111,421	131,154
Inventories	10,241	345	10,586
Trade, bills and other receivables	101,965	(1,424)	100,541
Bank balances and cash	2,337	–	2,337
Trade and other payables	(111,555)	–	(111,555)
Taxation	(2,375)	–	(2,375)
Obligations under finance leases	(56,663)	–	(56,663)
Deferred taxation	(15,227)	(43,616)	(58,843)
	92,391	100,693	193,084
Goodwill arising on acquisition (note 19)			127,228
Total consideration, satisfied by cash			320,312
Net cash outflow arising on acquisition:			
Cash consideration			320,312
Cash and cash equivalents acquired			(2,337)
			317,975

45. Acquisition of Subsidiaries – Continued

The Group currently operates and manages a number of fishing vessels and fishmeal processing plants in the Pacific Ocean and through the acquisition of the above subsidiaries, the directors believe that the acquisition will generate substantial cost saving and profit margin enhancement which offers short term and mid-term opportunities and commercial benefits to the Group as a whole.

During the year ended 31 March 2007, the net assets acquired in the transaction, and the goodwill arising are as follows:

	Acquirees' carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair Value HK$'000
Property, plant and equipment	335,050	369,346	704,396
Fishing permits	–	226,613	226,613
Inventories	17,144	–	17,144
Trade, bills and other receivables	106,496	–	106,496
Bank balances and cash	32,947	–	32,947
Trade and other payables	(196,747)	–	(196,747)*
Taxation	(32,932)	–	(32,932)
Obligations under finance leases	(51,059)	–	(51,059)
Statutory employees' profit share – non-current	–	(43,493)	(43,493)
Deferred taxation	(16,932)	(152,490)	(169,422)
	193,967	399,976	593,943
Goodwill arising on acquisition (note 19)			369,261
Total consideration, satisfied by cash			963,204
Net cash outflow arising on acquisition:			
Cash consideration			963,204
Cash and cash equivalents acquired			(32,947)
			930,257

* Inclusive of current portion of statutory employees' profit share of HK$2,037,000.

The above goodwill arises from the acquisition of the Peruvian operations. The purchase consideration of all other subsidiaries are not significant. The assets and liabilities of these other subsidiaries acquired are insignificant and are included in the aggregate numbers presented above.

As at the end of the financial year, the Group recognised provisional fair values of net assets acquired during the financial year. The provisional fair values may be adjusted upon subsequent determination of contingent liabilities.

The provisional fair values for subsidiaries acquired during the financial year ended 31 March 2007 were finalised during the financial year with the provisional fair values assigned to the net assets acquired decreased by HK$20,537,000 resulting in an increase in goodwill of HK$20,537,000 (Note 19).

46. Disposal of a Subsidiary

The net assets of the subsidiary disposed of at the date of disposal in May 2007 were as follows:

	HK$'000
Net assets disposed of:	
Other receivables	82
Bank balances and cash	2,481
Other payables	(42)
	2,521
Minority interests	(754)
	1,767
Loss on disposal	(108)
Total consideration, satisfied by cash	1,659
Net cash outflow arising on disposal:	
Cash consideration	1,659
Bank balances and cash disposed of	(2,481)
	(822)

The net assets of the subsidiary disposed of at the date of disposal in June 2006 were as follows:

	HK$'000
NET ASSETS DISPOSED OF	
Other payables	(30)
Bank balances and cash	59
	29
Loss on disposal	(29)
Total consideration, satisfied by cash	–*
Net cash outflow arising on disposal:	
Cash consideration	–*
Bank balances and cash disposed of	(59)
	(59)

* less than HK$1,000

47. Retirement Benefits Scheme

The Group operates a 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 to the MPF Scheme is to make the required contributions under the MPF Scheme.

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.

48. Operating Lease Arrangements

The Group as lessee

	2008 HK$'000	2007 HK$'000
Minimum lease payments paid under operating leases during the period:		
Amortisation of deferred charter hires	172,640	123,890
Variable charter hire	246,241	151,146
Fixed charter hire	206,856	50,544
Rental of fishing vessels and fishmeal processing plants	–	13,346
Rental of premises	5,643	5,802
	631,380	344,728

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

	2008 HK$'000	2007 HK$'000
Within one year	7,653	7,532
In the second to fifth years inclusive	10,256	8,763
After five years	1,358	–
	19,267	16,295

48. Operating Lease Arrangements – Continued

(a) At 31 March 2008, the Group has ongoing commitments to pay variable charter hire for 17 (2007: 17) fishing vessels under the first, second and third (2007: first, second and third) vessel operating agreements entered into with Perun and Alatir for a period of 10 to 18 years up to 31 December 2025 (2007: period of 10 to 18 years up to 31 December 2025). Variable charter hire is calculated at 20% of the net profit derived from operating the fishing vessels before deduction of amortisation of fixed deferred chartered hire which has been prepaid.

(b) As at 31 March 2008, the Group has ongoing commitments to pay variable charter hire for 6 (2007: 6) fishing vessels under the fourth vessel operating agreement entered into with Perun up to 31 December 2011. Variable charter hire is calculated at 20% of the net profit derived from operating the fishing vessels after deduction of the fixed charter hire payable annually.

(c) The Group also entered into two agreements to lease three fishing vessels and two fishmeal processing plants for six months from October 2006. These agreements are automatically renewable for an additional six months unless prior notice of termination is served by any of two parties to the agreements. Rental payable is based on an agreed formula relating to operating profit generated from operating the three fishing vessels and two fishmeal processing plants.

(d) Leases for premises are negotiated for a term of 2 years and rentals are fixed for an average of 2 years.

The Group as lessor

Rental income earned during the year was HK$9,955,000 (2007: HK$4,802,000). Certain of the Group's investment properties and a portion of its freehold building and equipment in Peru 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:

	2008 HK$'000	2007 HK$'000
Within one year	4,120	4,882
In the second to fifth years inclusive	2,228	3,897
	6,348	8,779

49. Capital Commitments

	2008 HK$'000	2007 HK$'000
At the balance sheet date, 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	298,285	221,246

50. Contingent liabilities

At the balance sheet date, the Group has following contingent liabilities:

(a) Feoso (Singapore) Private Limited ("Feoso") has issued a writ of summons against the Company, two employees (the "Employees") of the Company and Ever Bright Energy Co. Ltd. ("Ever Bright") on 21 June 2006 in relation to a dispute over supply of oil products by Ever Bright to Feoso in November 1999. The amount claimed in the writ approximates US$3,709,000 (approximately HK$28,930,000) plus interest, costs and other ancillary relief. Ever Bright was formerly an indirectly wholly-owned subsidiary of PAH, a subsidiary of the Company with its shares listed on The Singapore Exchange Securities Trading Limited. The Group disposed its interest in Ever Bright on 31 January 2000.

The Company and the Employees filed a Defence on 2 September 2005. The Company has, through its solicitors, requested Feoso to put up a security for the PAH's legal cost of proceedings in case Feoso's claim fails. Feoso made payment of security of cost to the Court at a total amount of HK$2,000,000 pursuant to the High Court Order dated 18 January 2008.

In the opinion of the directors, the Company has valid grounds to defend the claim and as such, no provision for this claim has been made in the financial statements.

(b) Certain members of the Group are parties to legal processes in Peru amounting to US$4,042,000 (approximately HK$31,526,000). These relate to environmental matters, former employees and miscellaneous claims. The Group's legal advisor has advised the Group that US$1,576,000 (approximately HK$12,295,000) of these claims is likely to have unfavourable outcome for the Group and the outcome for claims of US$2,426,000 (approximately HK$19,231,000) cannot be reasonably ascertained. Additionally, there are claims which the legal advisor has opined to have remote chances of resulting in unfavourable outcomes for the Group.

The Group had made a provision of US$1,576,000 (approximately HK$12,295,000) (2007: HK$11,583,000) for these claims where the outcome is likely to be unfavourable to the Group. Saved as disclosed above, no member of the Group in engaged in any litigation or claims of material importance known to the Directors to be pending and threatened against any members of the Group.

51. Pledge of Assets

(a) At 31 March 2008, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$332,697,000 (2007: HK$297,747,000) and HK$89,170,000 (2007: HK$32,100,000) respectively, as collateral for mortgage loans granted to the Group by certain banks. In addition to the above, property, plant and equipment and inventories of a subsidiary in the United States of America of HK$5,648,000 (2007: HK$8,472,000) and HK$170,522,000 (2007: HK$234,001,000), respectively, were pledged as security for general banking facilities arranged for that subsidiary.

(b) At 31 March 2008, inventories of fishmeal of HK$59,280,000 (2007: HK$83,380,000) were also pledged as security for the revolving inventory financing facilities obtained from banks.

(c) At 31 March 2008 and 31 March 2007, shares and net assets amounted to HK$573,151,000 (2007: HK$683,770,000) of certain subsidiaries were also pledged as securities for the syndicated bank loan facilities.

52. Related Party Transactions

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

	2008 HK$'000	2007 HK$'000
Sales of frozen seafood	449,279	506,671
Purchase of frozen seafood	23,201	32,534
Agency income	6,407	6,067

(b) At 31 March 2008, included in the discounting advances drawn on trade receivables with insurance coverage is an amount of HK$56,405,000 (2007: HK$43,029,000) which were drawn from discounting trade receivables with insurance coverage of an associates of HK$62,672,000 (2007: HK$47,810,000).

53. Post Balance Sheet Events

(a) On 13 April 2008, the Group acquired 100% equity interest of a Peruvian company, Epesca Pisco S.A.C., for cash consideration of US$19.9 million (approximately HK$155.22 million) with US$2.9 million (approximately HK$22.62 million) paid on signing of the sale and purchase agreement and the remaining US$17.0 million (approximately HK$132.60 million) payable in seven quarterly instalment at an interest rate of 8.323% per annum from June 2008 to December 2009. Epesca Pisco S.A.C. owns a fishmeal processing plant and three fishing depots in Peru.

The fair value of net identifiable assets and goodwill arising from the acquisition are currently under assessment.

(b) On 4 July 2008, the Group acquired 100% equity interest of a Peruvian company, Pesquera Mistral S.A.C. for cash consideration of US$11.6 million (approximately HK$90.5 million) and shall be paid on or before 15 August 2008. Pesquera Mistral S.A.C. owns three fishing vessels with fishing permits.

The fair value of net identifiable assets and goodwill arising from the acquisition are currently under assessment.

54. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2008 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 %	Proportion of nominal value of issued capital attributable to the Group %	Principal activities
Aqua Foods (Qingdao) Co., Ltd.	PRC (note a)	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	100	100	Property holding
CFG Investment S.A.C.	Peru	Registered US$1,000	78	41	Fishing and fishmeal processing
Champion Shipping Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	64	Vessel holding
Chasterton Group Limited	British Virgin Islands/Hong Kong	Ordinary US$1	100	100	Property holding
China Fishery Group Limited (note c)	Cayman Islands	Ordinary US$39,104,000	78	41	Investment holding
China Fisheries International Limited	Samoa/Worldwide	Ordinary US$1,000	78	41	Management and operation of fishing vessels and sales of fish and other marine catches
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 (AP) 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 (HP) Limited	Hong Kong/ Worldwide	Ordinary HK$2	100	100	Trading of processed seafood products

54. 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 %	Proportion of nominal value of issued capital attributable to the Group %	Principal activities
Europaco (QP) Limited	Samoa/Worldwide	Ordinary US$1	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	Property holding, provision of treasury and administrative services
Grandluck Enterprises Limited	Hong Kong/Hong Kong	Ordinary US$1	100	100	Property holding
National Fish and Seafood Limited	Hong Kong/Worldwide	Ordinary HK$2	100	60	Trading of frozen seafood products
National Fish & Seafood Inc.	USA/Worldwide	Ordinary US$10,000	60	60	Trading and processing of frozen seafood products
Nouvelle Foods International Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	Trading of processed seafood products
Pacific Andes Enterprises (BVI) Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	64	Trading of frozen seafood products
Pacific Andes Enterprises (Hong Kong) Limited	Hong Kong/ Worldwide	Ordinary HK$200 Non-voting deferred HK$10,000,000 (note b)	100	100	Property holding, provision of treasury and administrative services
Pacific Andes Food (Hong Kong) Company Limited	Hong Kong/ Worldwide	Ordinary HK$10,000	100	64	Trading of frozen seafood products
Pacific Andes Food Limited	PRC (note a)	Registered US$44,000,000	100	100	Seafood processing
Pacific Andes Food (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	Investment holding

54. 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 %	Proportion of nominal value of issued capital attributable to the Group %	Principal activities
Pacific Andes (Holdings) Limited (note c)	Bermuda/Singapore	Ordinary S$135,012,465	64	64	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
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	64	Trading of frozen seafood products
Paco Alpha Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	64	Vessel holding
Paco Beta Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	64	Trading of marine fuel
Paco Gamma Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	64	Vessel holding
Parkmond Group Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	64	Trading of frozen seafood products
Pelican Food Limited	British Virgin Islands/ Worldwide	Ordinary US$100	100	100	Investment holding
Qingdao Canning Foodstuff Co. Ltd.	PRC (note a)	Registered US$12,100,000	100	100	Seafoods processing

54. 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 %	Proportion of nominal value of issued capital attributable to the Group %	Principal activities
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	Seafoods 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.

(c) The subsidiaries are listed on the Singapore Exchange Securities Trading Limited.

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.

Except for Pacific Andes (Holdings) Limited and CFG Investment S.A.C., which has issued convertible bonds (note 38) and senior notes (note 39) respectively, none of the subsidiaries had any debt securities outstanding at the end of the year.

55. Particulars of Principal Associates

Particulars of the Group's principal associates as at 31 March 2008 are as follows:

Name	Forms of business structure	Place of incorporation	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
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 (QP) Limited	Incorporated	Republic of Cyprus	20%	Trading of processed seafood products
Pacos Trading Limited	Incorporated	Republic of Cyprus	13%*	Trading of frozen seafood products
Paco (ET) Limited	Incorporated	Republic of Cyprus	13%*	Trading of frozen seafood products
Paco (GT) Limited	Incorporated	Republic of Cyprus	13%*	Trading of frozen seafood products
Paco (HT) Limited	Incorporated	Republic of Cyprus	13%*	Trading of frozen seafood products
Sino Analytica	Incorporated	PRC	49%	Provision for testing services

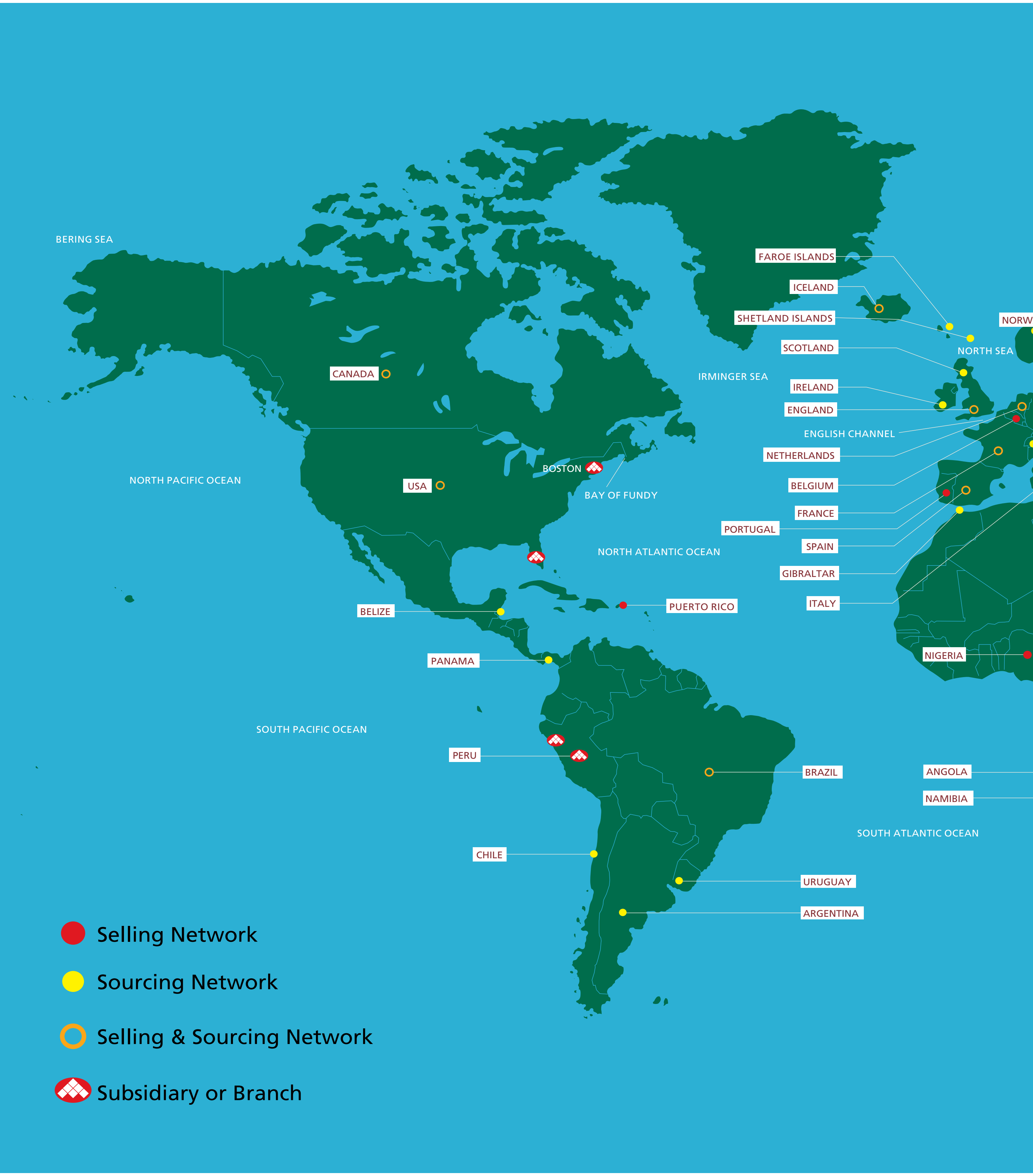
* These companies are associates of the Group as Pacos Trading Limited (Cayman), a wholly owned subsidiary of PAH, holds 20% of the equity interest of each company.

FINANCIAL SUMMARY

	Year ended 31 March				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000
RESULTS					
TURNOVER	4,393,427	5,298,276	6,156,997	8,478,584	10,017,372
OPERATING PROFIT	151,056	247,006	564,868	1,012,198	920,985
SHARE OF RESULTS OF ASSOCIATES	(1,380)	(746)	(378)	376	361
	149,676	246,260	564,490	1,012,574	921,346
TAXATION	(1,446)	(3,265)	(14,286)	(19,276)	(37,078)
PROFIT FOR THE YEAR	148,230	242,995	550,204	993,298	884,268
MINORITY INTERESTS	(36,600)	(79,767)	(367,146)	(682,525)	(511,359)
	111,630	163,228	183,058	310,773	372,909

	At 31 March				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	3,267,036	4,682,270	6,532,323	10,135,001	14,261,197
TOTAL LIABILITIES	(1,669,074)	(2,890,367)	(3,933,272)	(6,233,396)	(8,492,318)
SHAREHOLDERS' FUNDS	1,597,962	1,791,903	2,599,051	3,901,605	5,768,879
MINORITY INTERESTS	(366,484)	(396,654)	(1,018,652)	(1,759,219)	(2,275,412)
	1,231,478	1,395,249	1,580,399	2,142,386	3,493,467

OUR GLOBAL NETWORK



QIQIHAR
JIAMUSI
HARBIN
MUDANJIANG
YANJI
CHANGCHUN
TONGHUA
FUSHUN
SHENYANG
YANTAI
WEIFANG
QINGDAO
ZIBO
JINAN
KAIFENG
ZHENGZHOU
ÜRÜMQI
DATON
TAIYUA
TIANJIN
DALIAN
DEZHOU
LANZHOU
XIÁN
SHANGHAI
NANCHANG
FUZHOU
XIAMEN
GUANGZHOU
BARENTS SEA
DENMARK
GERMANY
SWEDEN
LATVIA
LITHUANIA
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CYPRUS
ISRAEL
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KENYA
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AUSTRALIA
FIJI
SOUTH PACIFIC OCEAN
SYDNEY
NEW ZEALAND