Annual Report 2006

PACIFIC ANDES (HOLDINGS) LIMITED

CORPORATE MISSION

To be the leading frozen seafood supply chain manager – with a global integrated operation of sourcing, transportation and logistics – providing safe and nutritious products through responsible and sustainable fishing and harvesting practices.

CONTENTS

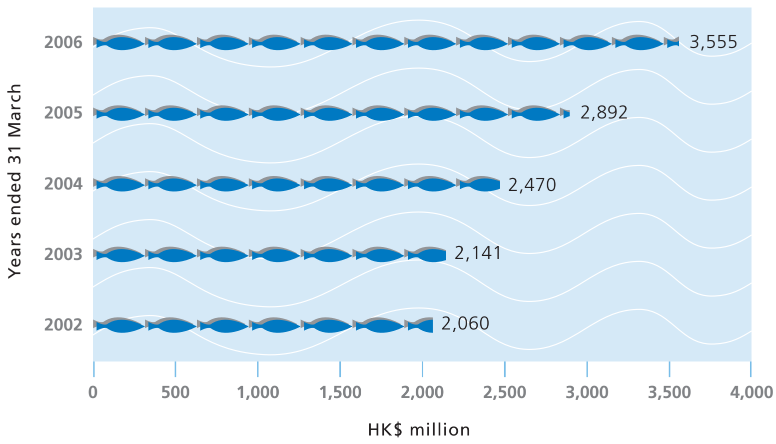
ABOUT PACIFIC ANDES (HOLDINGS) LIMITED

Pacific Andes is primarily engaged in the fishing and the supply chain management of frozen seafood products to its customers who are mostly located in the PRC, Japan, South Korea, Europe, North America and Africa. The Group has long-term strategic relationships with its suppliers in 32 countries and provides full range of logistic and shipping services to its major suppliers all over the world.

FINANCIAL HIGHLIGHTS

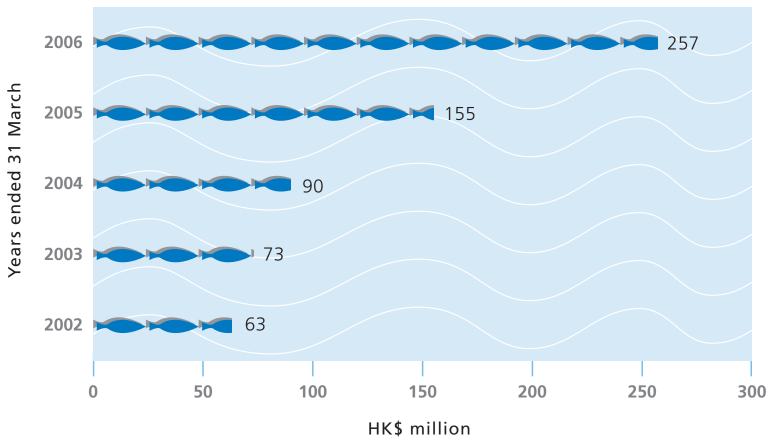
REVENUE

Revenue rose 23% to HK$3.6 billion.



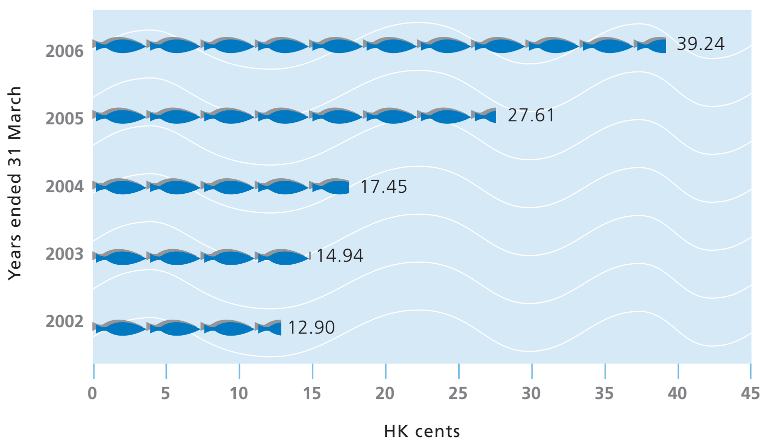
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The higher profitability reflected the profit contributions from China Fishery and the improvement in the operational efficiency upon integration with China Fishery's upstream activities. The Group's profit attributable to shareholders rose 66.4% to HK$257.4 million.



BASIC EARNINGS PER SHARE

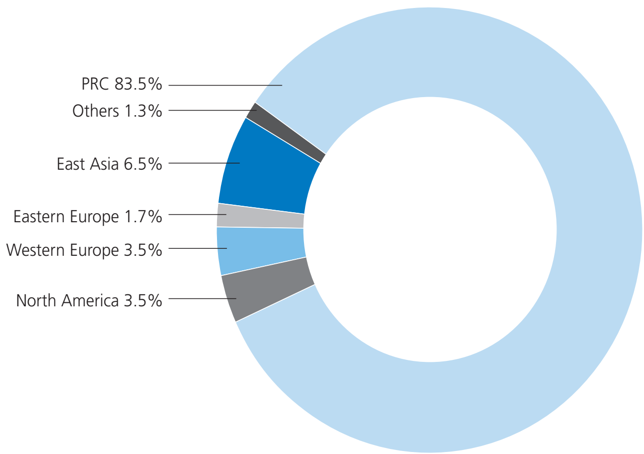
Basic earnings per share increased 42.1% to HK39.24 cents due to higher profitability.



FINANCIAL HIGHLIGHTS

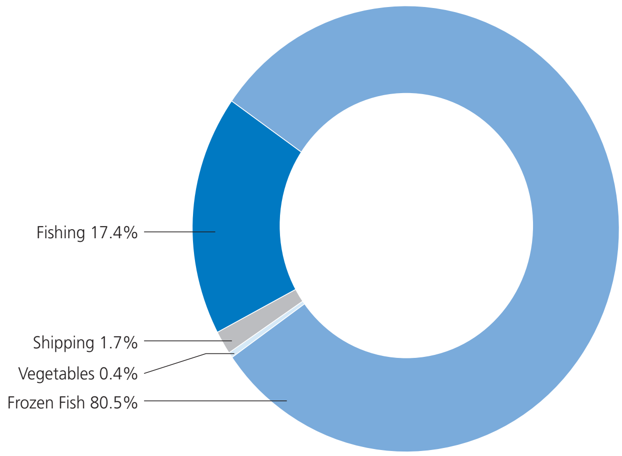
REVENUE BY GEOGRAPHICAL MIX

PRC continues to dominate as the major sales contributor accounting for 83.5% of the Group's revenue. The foray into the new market in East Asia last year continued to be a success.



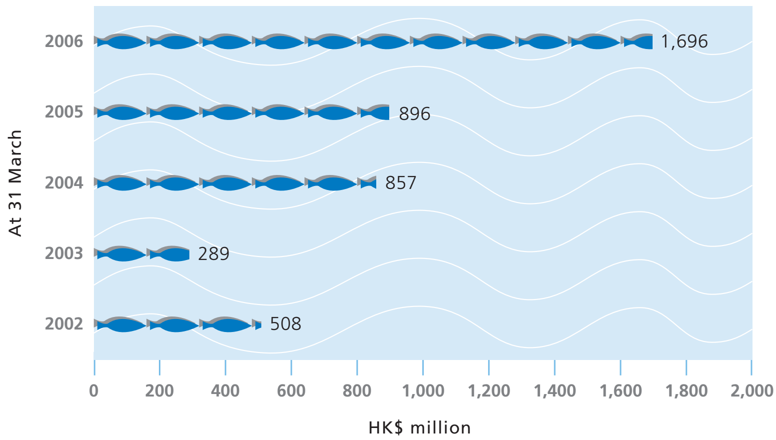
REVENUE BY PRODUCT MIX

Sales of frozen seafood remained the largest revenue contributor for the Group, growing from HK$2.6 billion in FY2005 to HK$2.9 billion or 80.5% of FY2006 total revenue. Revenue from fishing activities undertaken by China Fishery grew from HK$271.6 million to HK$759.3 million or 179.6%.



BORROWINGS

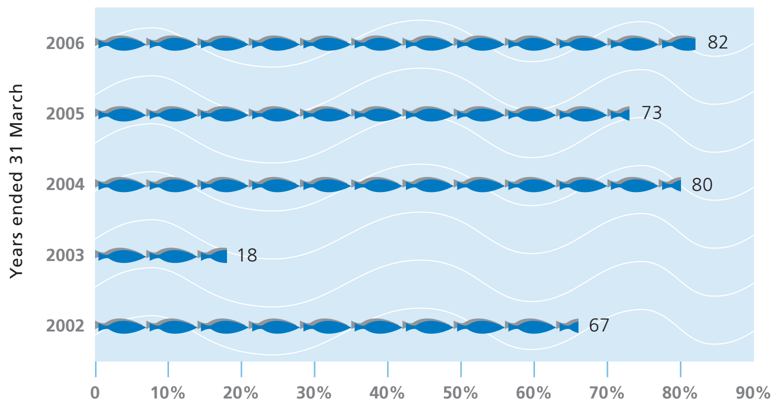
Borrowings increased in FY2006 to fund the significant expansion of the Group's businesses.



FINANCIAL HIGHLIGHTS

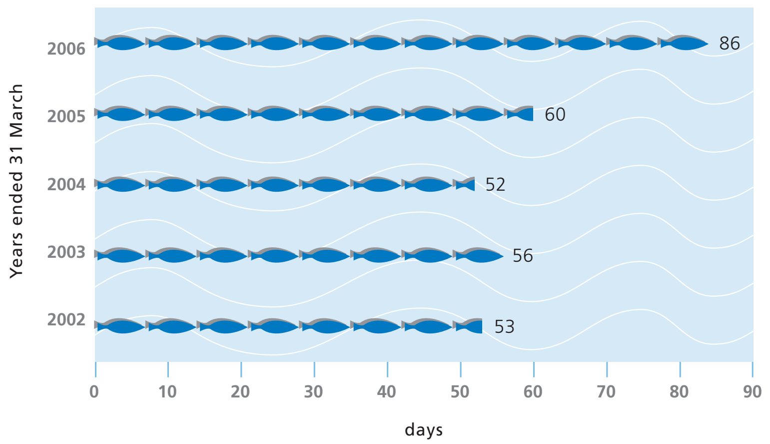
NET DEBT TO EQUITY RATIO

Net debt to equity ratio was higher, rising from 73% to 82%.



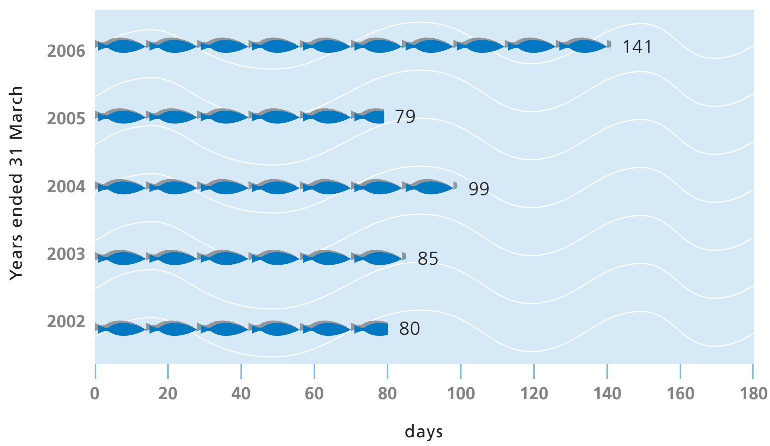
STOCK TURNOVER

Stock turnover rose from 60 days to 86 days owing to the late start of the annual fishing season in the North Pacific Ocean during the last quarter of FY2006. It led to a late delivery of products to the Group and a higher year-end inventory balance for FY2006.



DEBTORS TURNOVER

Debtors turnover increased from 79 days to 141 days. This was brought about by the same circumstances that were outlined for the increase in stock turnover days. Accordingly, a higher year-end trade receivables balance was recorded for FY2006.



A MESSAGE TO SHAREHOLDERS

On behalf of the Board of Directors of Pacific Andes (Holdings) Limited ("PAH" or "the Group"), I am pleased to report that our expansion into upstream industrial fishing activities for the development of a vertically-integrated supply chain has come to fruition in the financial year ended 31 March 2006 ("FY2006").

Since our initial investment into deep-sea fishing specialist China Fishery Group Limited ("China Fishery") in July 2004, China Fishery has become a perfect fit with PAH's existing fishery resources supply chain management businesses. Having successfully integrated China Fishery's upstream operations into the Group's well-established downstream logistics, trading and distribution operations, we are reaping significant cross synergies and economies of scale in our supply chain and gaining access to new markets and avenues of growth.

In January 2006, our combined strengths and endeavours have led to the Group kicking off the new calendar year on a high note – the Initial Public Offering ("IPO") of 57 million new China Fishery shares and inaugural listing on the Main Board of the Singapore Exchange marked yet another important milestone in our corporate annals. The IPO, priced at S$1.25 per share, was warmly received by institutional and individual investors.

With this resounding vote of confidence by investors, China Fishery proceeded to sign a new vessel operating agreement ("VOA") in February 2006. This earnings-accretive agreement resulted in the immediate doubling of its super-trawler fishing vessels to 14 for fishing in the Pacific Ocean.

As China Fishery became a listed entity, PAH recorded an exceptional gain of HK$81.3 million (S$17.0 million). However, this is only just the start of the Group unlocking the full potential of its investment in China Fishery.

With PAH's mainstay business of supplying quality frozen seafood products to customers located across the globe, in particular the People's Republic of China ("PRC"), continuing to deliver steady growth coupled with a thriving China Fishery, we ended FY2006 on an upbeat note – excluding exceptional gain, profit for the year grew 91.8% year-on-year ("y-o-y") to HK$339.2 million (S$70.9 million) on 22.9% growth in revenue to HK$3.6 billion (S$743.1 million).

The Group launched the new financial year 2007 beginning 1 April 2006 by setting into motion its strategy for expansion into Peru, South America to gain new fishing grounds and capabilities. On 14 June 2006, China Fishery announced its proposed acquisition of Alexandra S.A.C., a leading Peruvian producer and global exporter of high quality fishmeal with integrated licensed fishing fleet and fishmeal production plants.

Together with PAH's extensive logistical and global distribution network, the strengthened Group is in a unique position to leverage on this excellent opportunity to herald a new era of growth for the Group on a higher plane.

A MESSAGE TO SHAREHOLDERS

Review of the 2006 Financial Year

The Group recorded a 137.7% y-o-y jump in profit for the year to HK$420.4 million (S$87.9 million) and a 66.4% increase in profit for the year attributable to shareholders to HK$257.4 million (S$53.8 million) for FY2006 *(FY2005: HK$176.9 million (S$37.4 million); HK$154.7 million (S$32.7 million), respectively)*.

Basic earnings per share rose to HK39.24 cents (S8.20 cents) based on the weighted average number of shares in issue of 655,922,533 shares (FY2005: HK27.61 cents or S5.84 cents; 560,293,850 shares).

The Group's stellar performance in FY2006 was largely attributed to several factors. Revenue grew 22.9% y-o-y to HK$3.6 billion (S$743.1 million) from HK$2.9 billion (S$611.6 million) in FY2005. Sustained strong demand for quality frozen fish worldwide particularly in the PRC resulted in better selling prices. Increasing operational efficiency upon integration with China Fishery's upstream activities also contributed to bottom-line growth.

Higher contributions of revenue from subsidiary China Fishery were recognised, which was partly due to the required change in consolidation basis from proportionate consolidation at 51.9% as a jointly-controlled entity to full consolidation as a subsidiary effective 2QFY2006, resulting from the restructuring exercise prior to the IPO of China Fishery's shares. With effect from 1 July 2005, the Group accounted for 100% of consolidated revenue, expenses, assets and liabilities of its subsidiary China Fishery with a one-line deduction in the income statement and balance sheet for China Fishery's minority interests. This led to the increase in various line items in the income statement and balance sheet in FY2006 relative to FY2005.

Gross profit margin improved to 16.2% from 11.0% in FY2005. This was mainly attributed to better selling prices, initial contributions from China Fishery's new VOA and the effect from the change in consolidation basis. Furthermore, in 4QFY2006 the Group recorded an exceptional gain of HK$81.3 million (S$17.0 million) on China Fishery becoming a listed entity.

Excluding the one-time exceptional gain, profit for the year in FY2006 jumped by 91.8% to HK$339.2 million (S$70.9 million) while profit attributable to shareholders less exceptional gain rose 13.9% to HK$176.1 million (S$36.8 million).

On a geographical segmentation basis, the PRC remained the Group's largest market accounting for HK$3.0 billion (S$620.5 million), or 83.5% of Group revenue in FY2006. Our foray into Korea continued to be a success in FY2006 – sales surged to HK$208.4 million (S$43.6 million) or 5.9% of total revenue, compared to HK$79.2 million (S$16.7 million) in FY2005. All other markets also saw a rise in revenue contributions with the exception of Japan, as sales to this market is limited to highly seasonal seafood items such as Alaskan Pollock roe.

By business activity, the Group's core frozen fish trading and distribution business remained the largest revenue contributor accounting for 80.5% of Group revenue or HK$2.9 billion (S$597.9 million). Fishing operations undertaken by China Fishery accounted for 17.4% or HK$620.2 million (S$129.6 million). Complementary shipping agency and services income contributed HK$60.9 million (S$12.7 million) or 1.71% of revenue, while revenue from vegetable products continued to decrease, to HK$13.5 million (S$2.8 million).

Selling and distribution expenses and administrative expenses rose 32.0% and 45.5% respectively, in part due to the aforementioned change in consolidation basis for China Fishery and expanded business activities. Finance costs increased 108.6% to HK$102.8 million (S$21.5 million) in line with higher borrowings and the current higher interest rate environment.

The contribution from the vegetable business, including farming and processing of vegetable products, has been insignificant due to difficulties in obtaining appropriate farmland in the PRC. Thus, the Group ceased the cultivation and processing of vegetables to concentrate on the sourcing and distribution of vegetable products. This resulted in one-time impairment loss amounting to approximately HK$11.5 million (S$2.4 million) from the write-down of related assets and inventories, which has been charged under other operating expenses.

As at 31 March 2006, net asset value per share was HK$1.94 (S$0.41) compared to HK$1.68 (S$0.36) as at 31 March 2005.

Trade receivables and inventories as at 31 March 2006 increased 79.4% to HK$1.4 billion (S$287.7 million) and 57.9% to HK$836.3 million (S$174.8 million) respectively. These increases were brought about by the late start of fishing activities in the North Pacific Ocean in 4QFY2006 compared to previous years, which led to the later delivery of products to the Group by fishing companies. During 1QFY2007, the majority of these trade receivables and inventories have been received or realised.

Trade payables decreased 84.5% to HK$46.1 million (S$9.6 million) while other payables decreased 50.5% to HK$56.6 million (S$11.8 million), partly due to the Group's policy to convert trade payables into trust receipts. Accordingly, the Group's net gearing as at 31 March 2006 was 82.3% compared to 73.2% a year ago.

As at 31 March 2006, cash and cash equivalents stood at HK$176.7 million (S$36.9 million) compared to HK$117.5 million (S$24.8 million) as at 31 March 2005. Net cash used in operating activities was HK$545.3 million (S$114.0 million) compared to net cash generated of HK$185.7 million (S$39.3 million) last year, due to the abovementioned circumstances impacting working capital.

Net cash used in investing activities was HK$395.5 million (S$82.7 million) versus HK$250.4 million (S$53.0 million) a year ago, largely attributed to an increase in the amount of prepayment of charter hire in respect of the new VOA entered into by China Fishery. The increase in net cash from financing activities to HK$983.3 million (S$205.6 million) compared to net cash used of HK$4.7 million (S$1.0 million) as 31 March 2005 primarily came from bank borrowings and capital contributed by the minority shareholders arising from China Fishery's IPO.

The Outlook for the Year Ahead

At this current juncture within the global fish and seafood industry, we believe there has been no other time in our corporate history for which prospects have been brighter for the Group. Our bullish sentiments are firmly underpinned by fundamental demographic factors and changing consumer preferences worldwide, augmented by fresh trends in other segments of the global fishery industry.

More importantly, our outlook has been enhanced in tandem with our present competitive position, which has been exponentially strengthened in the last two years when PAH further integrated its supply chain by investing into China Fishery.

In line with our overarching vertical integrated supply chain development strategy, the Group is making good progress in reinforcing our ability to seize new opportunities and maximising mileage from the strong uptrend in global demand for fish driven by consumers around the world becoming increasingly more health-conscious and dietary habits progressively shifting towards fish and away from other protein staples.

According to a 2004 study by the Food and Agriculture Organization of the United Nations ("FAO"), 3.6 billion people worldwide consume fish for at least 20% of their animal protein intake and global potential demand for fish is expected to grow by 50 million metric tons ("MT") from 133 million MT in 2001 to 183 million MT by 2015. However, it is highly improbable that this increase in potential demand could be totally satisfied through increases in the wild catch quantities and aquaculture production. This irreversible imbalance between demand and supply is reflected in the continual increase in the price level of fishery products and the shifting in the utilisation of under-utilised fish species from animal/agricultural feed to direct human consumption.

Therefore, the Group's strategy is to continue widening our existing vertically integrated supply chain which starts from the harvesting of marine resources, to managing logistics, marketing and direct distribution of different fishery products harvested or sourced globally.

This strategy includes leveraging on China Fishery's proposed US$100 million acquisition of a Peruvian fishmeal manufacturer and global exporter, Alexandra S.A.C and its two subsidiaries, which own and operate four licensed fishmeal processing plants, together with 13 fishing vessels.

We believe that this synergistic investment offers short-term and mid-term opportunities and commercial benefits for the Group through:

- Establishing a key operational position in Peru, the world's largest producer of fishmeal;
- Providing controlled access to fishing vessels to expand our fishing grounds in the Peruvian exclusive economic zone, which is one of the most productive fishing areas in the world;
- Extending and diversifying our current product mix to also include Peruvian anchovy-based fishmeal and fish products; and
- Allowing us to take advantage of the growth in the PRC, the largest consumer of fishmeal in the world for use in its expanding aquaculture industry.

On the sales and distribution segments of our supply chain, the PRC, represents a high-growth market with substantial upside potential. The PRC's fish consumption per capita was estimated to be 25.6 kilograms ("kg") in 2003 versus 11.5 kg in 1990, and FAO projects demand to reach 34.3 kg by 2030. PAH has already been accounting for approximately a quarter of the PRC'S total import value of frozen fish. Coupled with China Fishery's rapidly expanding upstream operations, the Group is now in a stronger position to capitalise on the sustained robust demand for fish in the PRC.

The strategy of widening the existing supply chain will enhance the Group's consolidated earnings and shareholder returns going forward. Accordingly, we expect the Group to achieve better performance in FY2007 compared to FY2006 barring any unforeseen external circumstances.

Last but not least, I wish to inform shareholders that the board of directors has proposed a final dividend of S1.82 cents per share (tax not applicable) for FY2006, which is higher than the S1.63 cents per share paid for FY2005. This is in accordance with the Group's policy of distributing dividends of not less than one-third of the net profits attributable to shareholders (excluding exceptional item) and is subject to shareholders' approval at the coming Annual General Meeting.

In closing, we wish to acknowledge the invaluable contributions from all our customers, shareholders, business partners, bankers and all members of the Group, whose combined efforts have facilitated the Group's successful endeavours through the years.

We look forward to your continual support as we power full steam ahead on our corporate mission. We envisage Pacific Andes becoming the leading frozen seafood supply chain manager with a globally integrated sourcing, transportation and logistics operations, providing safe and nutritious products through responsible and sustainable fishing and harvesting practices.

DIRECTORS' PROFILE

Executive Directors

Mr Ng Joo Puay, Frank, 43, is the managing director of the Company. He is responsible for overall corporate policy making, corporate strategic planning, development and investment. Mr Ng graduated from Loyola University in New Orleans, Louisiana, in the U.S., majoring in business administration. He has over 17 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 Joo Siang, 47, is the founding member and the executive director of the Company. He is also the managing director of the parent company, Pacific Andes International Holdings Limited. He is responsible for overall corporate policy making, strategic planning, development, investment and management of the Group. Mr Ng retired from the Company in 2003, but later rejoined and was re-appointed as an executive director on 8 February 2006.

Mr. Ng graduated from Louisiana State University, Baton Rouge, Louisiana in the U.S., majoring in international trade and finance, and has over 20 years experience in the trading of seafood products.

Madam Teh Hong Eng, 70, is the executive director of the Company responsible for general administration and strategic planning. She joined the Group in 1986 and has over 29 years experience in administration and financial investments. Madam Teh was last re-elected a Director on 18 August 2003.

Mr Ng Joo Kwee, 45, is the executive director of the Company responsible for the overall sourcing, sales and marketing of frozen seafood products in the PRC. Mr Ng studied in the U.S. 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 and was last re-elected a Director on 29 July 2004.

Mr Cheng Nai Ming, 42, is the finance director for the Group. He sits on the Audit Committee. He is responsible for corporate finance as well as overall financial management and planning. Mr Cheng graduated from the University of Hong Kong majoring in social science and is an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company in early 1994, Mr Cheng was with an international accounting firm in Hong Kong for over 6 years.

Non-Executive Directors

Mr Ng Swee Hong, 72, is the founder of the Company, and served as Chairman until September 1995. Mr Ng advises on overall policy of the Group and has over 40 years experience in the trading of commodities and other products, including more than 20 years experience in the seafood business. Mr Ng was re-appointed as the Chairman of the Company on 15 March 2002.

Mr Bertie Cheng Shao Shiong, 69, was appointed as Independent Director of the Company in December 1997. With effect from 27 January 2006, he was appointed as the Chairman of the Audit Committee.

Mr Cheng holds and has held directorships, in various companies, listed and unlisted. Currently, he is the Chairman of TeleChoice International Limited. He is also a Director of Hong Leong Finance Limited, Singapore Petroleum Company Ltd, Tee International Limited, SHC Capital Ltd, Thomson Medical Centre Limited and CFM Holdings Limited.

Mr Cheng holds a Bachelor of Arts Degree in Economics (Honours) from the University of Malaya in Singapore. He received the Public Administration Medal (Silver) in 1984 and the Public Service Medal in 2001.

Non-Executive Directors – Continued

Lt-Gen (Ret) Ng Jui Ping, 57 was appointed as an independent director of the Company and as the Chairman of the Nominating and Remuneration Committee of the Company on 27 January 2006.

Lt-Gen Ng had a distinguished 30-year military career which culminated with him being the Chief of Defence Force, Singapore from 1992 to 1995 and before that, Chief of Army, Singapore from 1990 to 1992. He was conferred numerous awards in his military career for distinguished service to Singapore, including the Meritorius Service Medal (Military) in 1995. He has also been conferred prestigious awards by many countries for his contributions. After his retirement from the Armed Forces, Lt-Gen Ng chose the entrepreneurial route and listed the company he co-founded on the SGX Mainboard in Jan 2000. He has since sold the company and now heads his own Consulting business.

Lt-Gen Ng holds a Master of Arts degree in History from Duke University, USA. He also completed the Advanced Management Programme in Harvard Business School, Harvard University, USA.

Alternate Directors

Ms Ng Puay Yee, 33, was appointed as an alternate director to Mdm Teh Hong Eng on 15 March 2002. She is also an executive director of the parent company, Pacific Andes International Holdings Limited. She is responsible for sourcing of frozen seafood products for sale in the PRC market. She is also responsible for the international sales and marketing of frozen seafood products to markets other than the PRC. Ms Ng graduated from Indiana University at Bloomington, USA majoring in Mass Communication. Ms Ng joined the Group in 1995.

Mr Chan Tak Hei, 36, was appointed as an alternate director to Mr Ng Joo Kwee on 15 March 2002. He is also the finance director of the Company's indirect non-wholly owned Singapore listed subsidiary, China Fishery Group Limited. Mr Chan graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy and is a fellow member of the Association of Chartered Certified Accountants. Prior joining the Group in 1995, he was working with an international accounting firm for more than four years.

CORPORATE INFORMATION

Board of Directors

EXECUTIVE:

Ng Joo Puay, Frank *(Managing Director)*
Ng Joo Siang
Teh Hong Eng
Ng Joo Kwee
Cheng Nai Ming

NON-EXECUTIVE:

Ng Swee Hong *(Chairman)*
Bertie Cheng Shao Shiong *(Independent)*
Lt-Gen (Ret) Ng Jui Ping *(Independent)*

ALTERNATE DIRECTORS:

Ng Puay Yee *(Alternate Director to Teh Hong Eng)*
Chan Tak Hei *(Alternate Director to Ng Joo Kwee)*

AUDIT COMMITTEE

Bertie Cheng Shao Shiong *(Chairman)*
Lt-Gen (Ret) Ng Jui Ping
Cheng Nai Ming

NOMINATING COMMITTEE

Lt-Gen (Ret) Ng Jui Ping *(Chairman)*
Bertie Cheng Shao Shiong
Cheng Nai Ming

REMUNERATION COMMITTEE

Lt-Gen (Ret) Ng Jui Ping *(Chairman)*
Bertie Cheng Shao Shiong
Cheng Nai Ming

Company Secretary

Julie Koh Ngin Joo

Solicitors

David Lim & Partners

Auditors

Deloitte & Touche
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809
Partner in charge: Wong-Yeo Siew Eng
Date of appointment: 23 May 2002

Principal Bankers

Hang Seng Bank Ltd
HSBC
Rabobank International
Standard Chartered Bank (HK) Ltd

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda
Tel: 441-295-2244
Fax: 441-292-8666

Principal Office

Hong Kong Plaza
Rooms 3201-3210
188 Connaught Road West
Hong Kong
Tel: 852-2547 0168
Fax: 852-2858 2764
Email: ir@pacificandes.com

Singapore Office

61 Robinson Road #09-05
Robinson Centre
Singapore 068893

Principal Registrars & Transfer Office in Bermuda

Reid Management Limited
4th Floor, Windsor Place
Hamilton HM11
Bermuda

Branch Registrars & Transfer Office in Singapore

Lim Associates (Pte) Ltd
10 Collyer Quay #19-08
Ocean Building
Singapore 049315
Tel: 65-6536 5355
Fax: 65-6536 1360

REPORT OF THE DIRECTORS

The directors present their annual report and the audited consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 March 2006.

Directors

The directors of the Company in office at the date of this report are:

Executive directors:

Ng Joo Puay, Frank – Managing Director	
Ng Joo Siang	(Appointed on 8 February 2006)
Teh Hong Eng	
Ng Joo Kwee	
Cheng Nai Ming	
Ng Puay Yee	(Alternate director to Teh Hong Eng)
Chan Tak Hei	(Alternate director to Ng Joo Kwee)

Non-executive directors:

Ng Swee Hong – Chairman	
Bertie Cheng Shao Shiong	
Lt-Gen (Ret) Ng Jui Ping	(Appointed on 27 January 2006)

Dr Ong Chit Chung was a non-executive director and Chairman of the Audit Committee until his resignation on 25 January 2006.

In accordance with the provisions of the Company's bye-laws, Teh Hong Eng, Lt-Gen (Ret) Ng Jui Ping and Ng Joo Siang retire and, being eligible, offer themselves for re-election. All other directors continue in office.

The term of office of each non-executive director is the period up to his re-appointment or retirement by rotation in accordance with the Company's bye-laws.

Share Capital and Debentures

Details of movements in the share capital of the Company are set out in Note 29 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

The Company and its subsidiaries have not issued any debentures during the year and have no outstanding debentures at the end of the year.

Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the options mentioned below.

Directors' Interests in Shares or Debentures

(i) Shares and Warrants

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company except as follows:

Name of director and Company in which interests is held	Direct: At beginning of year/ date of appointment if later	Direct: At end of year	Deemed: At beginning of year/ date of appointment if later	Deemed: At end of year
The Company	Ordinary shares of S$0.20 each			
Bertie Cheng Shao Shiong	–	800,000	–	–
Lt-Gen (Ret) Ng Jui Ping	56,250 (note a)	56,250	–	–
Intermediate holding company, Pacific Andes International Holdings Limited	Ordinary shares of HK$0.10 each			
Ng Joo Siang				
– shares	–	–	422,000 (note b)	622,000 (note c)
– warrants	–	–	84,400 (note b)	84,400 (note c)
Ng Puay Yee				
– shares	1,176,000	1,176,000	–	–
– warrants	235,200	235,200	–	–
Cheng Nai Ming				
– shares	1,745,280	3,745,280	–	–
– warrants	349,056	349,056	–	–
Lt-Gen (Ret) Ng Jui Ping				
– shares	200,000 (note d)	200,000	–	–
– warrants	40,000 (note d)	40,000	–	–
Subsidiary, China Fishery Group Limited	Ordinary shares of US$0.10 each			
Chan Tak Hei	20,000 (note e)	20,000	–	–

As at 31 March 2006, Ng Swee Hong, Ng Joo Puay, Frank, Ng Joo Siang, Teh Hong Eng, Ng Joo Kwee and Ng Puay Yee through N.S. Hong Investment (BVI) Limited, owns 50.82% of Pacific Andes International Holdings Limited ("PAIH"). PAIH owns 65.06% of the Company which indirectly owns 51.9% of China Fishery Group Limited. These shareholdings remained the same as at 21 April 2006 except N.S. Hong Investment (BVI) Limited owns 50.28% of PAIH.

Note:

a) As at date of appointment as independent non-executive director on 27 January 2006, Lt-Gen (Ret) Ng Jui Ping owns 56,250 shares.

b) As at date of appointment as executive director on 8 February 2006, these shares and warrants are held under the name of the spouse of Ng Joo Siang.

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

d) As at date of appointment as independent non-executive director on 27 January 2006, Lt-Gen (Ret) Ng Jui Ping owns these shares and warrants.

e) These placement shares were subscribed on 25 January 2006.

Directors' Interests in Shares or Debentures – Continued

(ii) Directors' rights to acquire shares in the intermediate holding company

The directors had personal interests in options to subscribe for shares in Pacific Andes International Holdings Limited, the intermediate holding company of the Company, as follows:

Name of directors	Exercise price	Exercisable period	Options outstanding as at beginning of financial year	Options exercised during the year	Options outstanding as at end of financial year
	HK$		No. of shares	No. of shares	No. of shares
Cheng Nai Ming	0.9440	21 August 2000 to 20 August 2006	4,000,000	(4,000,000)	–

During the year, there were no share options granted by Pacific Andes International Holdings Limited to the directors.

(iii) There are no movements in the interest of directors in shares and the directors' rights to acquire shares as stated in paragraphs (i) and (ii) respectively from the end of the financial year to 21 April 2006.

Options and Warrants Over Shares of the Company

(a) (i) The Company had in place a share option scheme known as the Pacific Andes (Holdings) Limited Employees' Share Option Scheme (the "ESOS"), which had been approved by the shareholders of the Company at a Special General Meeting on 15 September 1997.

At a Special General Meeting held on 31 August 2001, the shareholders of the Company approved a new share option scheme known as the Pacific Andes (Holdings) Share Option Scheme 2001 (the "2001 Scheme") and terminated the ESOS on the same day.

Options granted under the ESOS prior to its termination continue to be exercisable in accordance with the rules of ESOS.

(ii) The members of the Committee administering the 2001 Scheme (the "2001 Scheme Committee") are Ng Joo Puay, Frank and Cheng Nai Ming.

(iii) Participants of the 2001 Scheme are detailed below:

(a) Directors and employees of the Company and its subsidiaries

Participants of the Scheme	Options granted during the financial year	Aggregate options granted since commencement of the 2001 Scheme to end of financial year	Aggregate options exercised since commencement of the 2001 Scheme to end of financial year	Aggregate options outstanding at 31 March 2006	At 21 April 2006
	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares
Bertie Cheng Shao Shiong	–	800,000	(800,000)	–	–

No options have been granted to directors and employees of the subsidiaries.

Options and Warrants Over Shares of the Company – Continued

(iii) – Continued

(b) Controlling Shareholders and its associates, directors and employees of the parent company and its subsidiaries and executive directors and employees of the Company's associated companies

No options have been granted under the 2001 scheme to this group of participants since the commencement of the 2001 Scheme.

(iv) The aggregate number of ordinary shares over which options may be granted pursuant to the 2001 Scheme, when added to the number of ordinary shares issued and issuable in respect of all options granted under the 2001 Scheme shall not exceed 15 per cent of the issued share capital of the Company on the date preceding the grant of the options.

No participant has received 5% or more of the total number of options available under the 2001 Scheme.

(v) The Subscription Price of the 2001 Scheme is determined as detailed below:

(a) Subscription Price

Subject to adjustment pursuant to the rules of the Scheme, the Subscription Price for each Scheme Share on the exercise of a Market Price Option shall be the average of the last dealt prices for a Share, as determined by reference to the daily official list made available by the Singapore Exchange Securities Trading Limited, for the three consecutive Trading Days immediately preceding the Offering Date of that Option, rounded up to the nearest whole cent (the "Market Price").

The Subscription Price for each Scheme Share in respect of which an Incentive or Discount Price Option is exercisable shall be the Market Price (as determined above), subject to a discount, if any, as may be determined by the 2001 Scheme Committee in its absolute discretion, provided that the maximum discount which may be given in respect of that Option shall not exceed 20 per cent of the initial Subscription Price in respect of Incentive Price Option, or of the Market Price for Discount Price Option.

(b) Adjustments

In the event of a variation in the issued share capital of the Company (whether by way of a capitalisation or rights issue or a reduction, subdivision or consolidation of the Shares) the Subscription Price, the par value, class and/or the number of Shares comprised in the Option to the extent unexercised, or over which Options may be granted, may be adjusted in such manner as the 2001 Scheme Committee may determine to be appropriate, and except in relation to a capitalisation issue, upon the written confirmation by the Auditors or other qualified financial consultants appointed by the 2001 Scheme Committee (acting only as experts and not as arbitrators) that, in their opinion, such adjustment is fair and reasonable.

Notwithstanding the above, no adjustment to the Subscription Price shall be made if, as a result, the Subscription Price shall fall below the par value of a Share or the number of Shares.

(vi) No Share Options under the 2001 Scheme were granted during the financial year under review and no Share Options were granted with exercise prices set at a discount to the market price of the Company's Shares.

Other than as disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Options and Warrants Over Shares of the Company – Continued

(b) On 11 June 2002, an issue of warrant was made on the basis of one warrant for every two existing shares then held on 11 June 2002. Each warrant entitles the holder to subscribe for one ordinary share of S$0.20 each at the exercise price of S$0.20 per share at any time from the date of issue up to and including 20 June 2005. During the year, 41,587,644 new shares were issued as a result of exercise of these warrants.

No warrants are held by directors of the Company from the beginning of financial year (1 April 2005) up to and including the expiry date of warrants on 20 June 2005.

Directors' Interest in Contracts of Significance

Other than as disclosed in Note 37 to the financial statements and Report on Corporate Governance, there was no contract of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, existing at the end of the year or at any time during the year.

Auditors

The auditors, Messrs. Deloitte & Touche, have expressed their willingness to accept reappointment.

On behalf of the Board

Ng Joo Puay, Frank
Managing Director

Cheng Nai Ming
Finance Director

11 July 2006

STATEMENT OF THE DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet of the Company set out on pages 28 to 74 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2006 and of the results, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board

Ng Joo Puay, Frank
Managing Director

Cheng Nai Ming
Finance Director

11 July 2006

REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "Board") of the Company are committed to ensuring high standards of corporate governance through effective transparency and disclosure. The Company has adopted practices that are modelled after the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited (the "SGX-ST").

In line with the benchmark set by the Code of Corporate Governance (the "Code") as reviewed by the Singapore Council on Corporate Disclosure and Governance whose recommendations to revise the Code have been accepted by the Singapore Government in July 2005 ("the revised Code"), the Company is in the course of implementing practices to comply with the revised Code which will take effect in 2007. Where there are deviations from the Code, appropriate explanations have been provided.

Board of Directors

Principle 1: Board's Conduct of its Affairs

The Board provides direction to the management of the Company and approves major investment and key capital expenditure decisions, apart from fulfilling its statutory duties, to ensure that the Group's strategies are in the interests of the Company and its shareholders.

To facilitate effective management, certain functions have been delegated by the Board to various Board Committees. Each Board Committee operates under clearly defined terms of reference. The Chairmen of the respective Committees will report to the Board the outcome of the Committee meetings.

The Board met four times in FY2006.

Ad-hoc meetings are convened when circumstances require. The attendance of the directors at meetings of the Board and Board Committees during the year (1 April 2005 to 31 March 2006) is disclosed as follows:

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name of directors	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Ng Swee Hong	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Ng Joo Puay	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Teh Hong Eng (Alternate: Ng Puay Yee)	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Ng Joo Kwee (Alternate: Chan Tak Hei)	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Ng Joo Siang (1)	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cheng Nai Ming	4	4	5	5	2	2	2	2
Dr. Ong Chit Chung (2)	4	3	5	3	2	1	2	1
Bertie Cheng Shao Shiong	4	4	5	5	2	2	2	2
Lt-Gen (Ret) Ng Jui Ping (3)	4	1	5	2	2	1	2	1

N/A Not applicable

Board of Directors – Continued

Note:

(1) Appointed as an executive director with effect from 8 February 2006

(2) Resigned as independent non-executive director with effect from 25 January 2006

(3) Appointed as an independent non-executive director with effect from 27 January 2006

All directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions. Where possible and when opportunity arises, the non-executive directors will be invited to locations where the Group operates to enable them to obtain a better perspective of the business and enhance their understanding of the Group's operations.

Principle 2: Board Composition and Balance

The Board comprises 5 executive directors, 3 non-executive directors and 2 alternate directors. Two of the non-executive directors are independent. The executive directors have extensive experience in the frozen seafood and shipping industry and the non-executive directors are well established in their respective professions.

The Board's structure, size and composition is reviewed annually by the Nominating Committee ("NC") who is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Group's operations to facilitate effective decision-making. The majority of the Board comprises executive directors. The NC is satisfied that the Board comprises directors who as a group provide core competencies such as industry knowledge, strategic planning experience, customer based experience and knowledge in finance, accounting, business and management experience, necessary to meet the Company's performance targets. The NC will constantly examine its size with a view to determining its impact upon its effectiveness.

Details of directors' qualifications and experiences are set out on pages 10 and 11 (Directors' Profile) of this report.

Principle 3: Chairman and Managing Director

Although Ng Swee Hong, the Chairman of the Company is the father of Ng Joo Puay, Frank, Managing Director ("MD"), there is a clear division of responsibilities between the Chairman and the MD. This structure ensures that both power and authority are not excessively vested on either the Chairman or MD and it minimises the influence of any single person on the Group. The separation of roles of Chairman of the Board and Managing Director is to ensure that the working of the Board and the executive responsibility of the Group's business are kept distinct, increasing accountability and capacity of the Board for independent decision-making.

The Chairman bears responsibility for the workings of the Board and ensures the integrity and effectiveness of the governance process of the Board.

The MD is the most senior executive in the Group and is responsible for ensuring the execution of strategic goals and the day-to-day management of the Group.

Principle 4: Board Membership

The directors who held office during the year and up to the date of this report are disclosed on page 13 (Report of the Directors) of this report. Their profiles are disclosed on pages 10 and 11 (Directors' Profile) of this report.

Board of Directors – Continued

Principle 6: Access to Information

Board members are provided with adequate and timely information prior to board meetings, and on an on-going basis. The Board has separate and independent access to the Company's senior management and company secretary, should there be queries on the affairs of the Group.

Should the directors, whether as a group or individually, require independent professional advice, the Company will bear the expenses incurred if such advice is required to enable the directors to discharge their duties professionally.

The company secretary attends board meetings and is responsible for ensuring that Board procedures are followed and that applicable rules and regulations (in particular the SGX-ST listing rules) are complied with.

Board Committees

Principle 11: Audit Committee

The Audit Committee ("AC") comprises three members, the majority of whom, including its Chairman, are independent of management for the purposes of Rule 704(8) of the Listing Manual of SGX-ST. The committee members are as follows:

Independent Non-executive directors:
Bertie Cheng Shao Shiong *(Chairman)*
Lt-Gen (Ret) Ng Jui Ping (Appointed on 27 January 2006)

Executive director:
Cheng Nai Ming

The Company has adopted and has complied with the principles of corporate governance under the Code in relation to the roles and responsibilities of the AC.

The profile of the AC members is set out on pages 10 and 11 (Directors' Profile) of this report. The Board is of the view that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

Although not all the AC members are independent directors, the Board is of the view that AC is independent as a majority of the AC is independent and the cost of bringing an additional independent director is not justifiable to the Company.

As a sub-committee of the Board, it assists the Board in discharging its responsibility to safeguard assets, maintain adequate accounting records and develop and maintain an effective system of internal controls.

Board Committees – Continued

Principle 11: Audit Committee – Continued

The AC held five meetings during the financial year to review the following:

(1) the proposed scope of the internal audit functions and the scope of work of the external auditors and the results of their audit;

(2) the Group's financial and accounting policies;

(3) the balance sheet of the Company and the consolidated financial statements of the Group before their submission to the Board and the Auditors' Report on those financial statements;

(4) the quarterly and annual announcements of the Group's results and the financial position of the Company and the Group;

(5) the requirements for approval and disclosure of interested persons transactions, and where necessary, review and seek approval for interested person transactions;

(6) the independence of the external auditors; and

(7) the recommendation to the Board for the nomination of Deloitte & Touche ("D&T") as external auditors, subject to shareholders' approval, at the forthcoming annual general meeting of the Company.

In performing its functions, the AC:

(1) has met with the external auditors without the presence of the Company's management;

(2) has explicit authority to investigate any matter within its terms of reference;

(3) has full access to and cooperation from the management and has full discretion to invite any director and executive officer to attend its meetings; and

(4) has been given reasonable resources to enable it to discharge its functions properly.

The AC has also reviewed all non-audit services provided by D&T, and is of the view that such services would not affect their independence.

Principle 7: Remuneration Matters

Principle 8: Level and Mix of Remuneration

The Remuneration Committee ("RC") comprises a majority of non-executive directors, who are independent of Management and free from any business or other relationships:

Independent Non-executive directors:
Lt-Gen (Ret) Ng Jui Ping *(Chairman)* (Appointed on 27 January 2006)
Bertie Cheng Shao Shiong

Executive director:
Cheng Nai Ming

Board Committees – Continued

Principle 8: Level and Mix of Remuneration – Continued

The role of the RC is to:

(a) review and recommend to the Board in consultation with the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the executive directors and senior executives/ divisional directors (those reporting directly to the Managing Director) of the Group including those employees related to the executive directors and controlling shareholders of the Group;

(b) administer and recommend to the Board in consultation with the Chairman of the Board, the grant of options in respect of the Company's share option schemes and to do all acts necessary in connection therewith; and

(c) establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate directors and key executives.

As part of its review, the RC will cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances bonuses, options and benefits-in-kind. The Company has a formal and transparent process for fixing the directors' fees for individual directors, which are subject to shareholders' approval at the Annual General Meeting ("AGM") of the Company. The RC shall ensure that the remuneration package of employees related to executive directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities. No director is involved in deciding his own remuneration.

The aim of the RC is to motivate and retain good executives and ensure that the Group is able to attract the best talent in the market in order to maximise shareholders' value.

Details of the Company's share option scheme are disclosed on pages 15 to 17 of the Annual Report.

Remuneration

Other than Ng Swee Hong, each of the Executive Directors, namely, Ng Joo Puay, Frank, Teh Hong Eng, Ng Joo Kwee and Cheng Nai Ming, has a service agreement with the Company, which will continue thereafter unless terminated for cause or by either party giving at least one year's written notice (other than the service agreement of Cheng Nai Ming which requires at least six months' written notice).

Principal 9: Disclosure on Remuneration

The Board is of the view that disclosure of individual director's remuneration by name and disclosure of remuneration of the top 5 key executives (who are not directors) would not be the interest of the Company due to the confidential nature of such information for competitive reasons.

Directors' Remuneration

The remuneration for the year ended 31 March 2006 is shown below:

	No. of directors in remuneration bands	
	2006	2005
Remuneration Bands		
S$500,000 and above	–	–
S$250,000 to below S$500,000	4	4
Below S$250,000	7	5
Total	11	9

Board Committees – Continued

Principal 9: Disclosure on Remuneration – Continued

The RC and the Board are of the view that the remuneration of the directors is adequate but not excessive in order to attract retain and motivate them to run the Company successfully.

Employees' Remuneration

The remuneration paid to each of the top five executives per annum (in terms of salary and who are not directors of the Company) was less than S$250,000.

There were no employees of the Company who are immediate family members of a director or the Chairman and whose remuneration exceed S$150,000.

Principal 5: Board Performance

The Nominating Committee ("NC") comprises a majority of non-executive directors, who are independent of Management and free from any business or other relationships:

Independent Non-executive directors:
Lt-Gen (Ret) Ng Jui Ping *(Chairman) (Appointed on 27 January 2006)*
Bertie Cheng Shao Shiong

Executive director:
Cheng Nai Ming

The role of the NC is to:

(a) review and make recommendations to the Board on all board appointments;

(b) review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;

(c) determine the independence of the Board;

(d) assess the effectiveness of the Board and the academic and professional qualifications of each individual director; and

(e) review and recommend Directors who will be retiring by rotation, and Directors to be re-elected at each Annual General Meeting.

In accordance with the Code of Corporate Governance and the Company's Bye-laws, each Director (other than the Chairman and/or Managing Director) will have to retire at least once every three years by rotation and all newly appointed Directors will have to retire at the next Annual General Meeting. The retiring Directors are eligible to offer themselves for re-election.

The Nominating Committee had recommended the re-appointment of three Directors, Teh Hong Eng, Lt-Gen (Ret) Ng Jui Ping and Ng Joo Siang, at the forthcoming Annual General Meeting. The Board has also accepted the Nominating Committee's recommendation, and Teh Hong Eng, Lt-Gen (Ret) Ng Jui Ping and Ng Joo Siang will be offering themselves for re-election.

The NC has conducted a Board performance evaluation to assess the effectiveness of the Board in FY2006 and is satisfied that sufficient time and attention are given by the Directors to the affairs of the Group.

Board Committees – Continued

Principle 12: Internal Controls

Principle 13: Internal Audit

While no system of internal controls can provide absolute assurance against material loss or financial misstatement, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information used within the business and for publication are timely and reliable. There is clearly defined delegation of authority from the Board of Directors to the operating companies. Procedures are in place to identify major business risks and evaluate potential financial effects, as well as for the authorisation of sales contracts, capital expenditure and investments.

The Company has set up its own internal audit department in June 2006.

Principle 10: Accountability

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

The Board is accountable to the shareholders and the Company is in regular, effective and fair communication with shareholders. The Company has invested in external & internal resources to ensure timely, fair and detailed disclosure of information is made to the public in compliance with SGX-ST guideline.

Material information is disseminated to the SGX-ST on a timely manner. The Company has participated in a leading external investor relations program on www.shareinvestor.com where shareholders are encouraged to sign up for regular updates about the Company.

In addition to the communication channels described above, the Company has made quarterly announcements of the Group's financial results since financial year 2004 in compliance with new disclosure requirements.

All shareholders of the Company receive the Annual Report of the Company and notice of AGM within the mandatory period. Participation of shareholders is encouraged at the Company's general meetings. The Board (including the Chairman of the respective Board Committees), management, as well as the external auditors attend the Company's AGM to address any question that shareholders may have.

Dealing in Securities

The Company has adopted a Code of Best Practices on Securities Transactions that is in line with the Best Practices Guide issued by the SGX-ST. The code sets out the implication of insider dealings of shares and provide guidance to officers on dealing in the Company's shares. All directors and officers of the Company who have access to price-sensitive information are required to observe this code and are required to confirm their compliance annually.

Interested Person Transactions ("IPT") and Shareholders' Mandate

The Company has also announced the IPTs entered into by the Company during the financial year ended 31 March 2006, pursuant to the Shareholders' Mandate approved by the shareholders at the Special General Meeting ("SGM") held on 28 July 2005. The announcement was made on 23 May 2006.

Interested Person Transactions ("IPT") and Shareholders' Mandate – Continued

The following are details of the aggregate value of interested person transactions for FY2006 undertaken pursuant to a shareholders' general mandate given under Rule 920(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited and approved by the Audit Committee.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Pacific Andes International Holdings Limited and its subsidiaries				
Administrative expenses	–	–	19,654	14,340
Guarantees given to banks in respect of banking facilities utilized by subsidiaries of Pacific Andes International Holdings Limited	–	8,609	–	–
Interest expense	89	206	–	–
China Fishery Group Limited and its subsidiaries				
Purchase of catches of seafood	–	–	139,160	79,730
Sale of bunker and other vessel supplies	–	–	17,956	5,838

The current Shareholders' Mandate will be expiring on 27 July 2006, being the date of the forthcoming SGM of the Company. The Company is proposing to seek shareholders' approval at the SGM to be held on 27 July 2006, to renew the Shareholders' Mandate pursuant to Chapter 9 of the SGX-ST Listing Manual. The Shareholders' Mandate for IPTs as approved by Shareholders at the SGM shall, unless revoked or varied by the Company in general meeting, continue in force until the next AGM.

MATERIAL CONTRACTS

No material contracts of the Company or its subsidiaries involving the interests of the Chairman or any Director or controlling shareholders subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

RISK MANAGEMENT POLICIES AND PROCESSES

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

REPORT OF THE AUDITORS

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

We have audited the consolidated financial statements of the Group and the balance sheet of Pacific Andes (Holdings) Limited for the financial year ended 31 March 2006 set out on pages 28 to 74. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2006 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

DELOITTE & TOUCHE
Certified Public Accountants

Wong-Yeo Siew Eng
Partner

Singapore
11 July 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	NOTES	THE GROUP 2006 HK$'000	2005 HK$'000
Revenue	3	3,554,746	2,892,035
Cost of sales		(2,979,557)	(2,575,157)
Gross profit		575,189	316,878
Other operating income	4	4,653	3,513
Selling and distribution expenses		(42,401)	(32,121)
Administrative expenses		(78,970)	(54,260)
Other operating expenses		(11,503)	(5,086)
Exceptional item – Gain on dilution of interest in subsidiary	22	81,261	–
Finance costs	5	(102,793)	(49,277)
		425,436	179,647
Share of results of associates	16	(310)	293
Profit before taxation	6	425,126	179,940
Taxation	8	(4,711)	(3,073)
Profit for the year		420,415	176,867
Attributable to:			
Equity holders of the Company		257,375	154,684
Minority interests		163,040	22,183
		420,415	176,867
Earnings per share	9		
Basic		39.24 cents	27.61 cents
Diluted		39.01 cents	25.45 cents
Proposed dividend per share	10	8.86 cents	7.79 cents

See accompanying notes to financial statements.

BALANCE SHEETS

As at 31 March 2006

		THE GROUP		THE COMPANY	
		2006	2005	2006	2005
	NOTES	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	114,485	47,722	–	–
Investment properties	12	22,900	20,700	–	–
Goodwill	13	105,293	105,293	–	–
Deferred charter hire	14	604,890	175,692	–	–
Interests in subsidiaries	15	–	–	903,724	834,306
Interests in associates	16	60	370	–	–
Other intangible assets	17	2,728	2,728	–	–
		850,356	352,505	903,724	834,306
CURRENT ASSETS					
Inventories	18	836,313	529,716	–	–
Trade receivables	19	1,376,174	622,905	–	–
Trade receivables with insurance coverage	20	1,186	144,780	–	–
Other receivables and prepayments	21	315,672	413,324	–	–
Current portion of deferred charter hire	14	107,640	22,670	–	–
Amount due from a jointly-controlled entity	22	–	41,816	–	–
Advances to suppliers	23	–	15,628	–	–
Bills receivable		107,210	188,970	–	–
Tax recoverable		549	–	–	–
Pledged deposits		70	858	–	–
Bank balances and cash	24	176,681	117,499	13	7,482
		2,921,495	2,098,166	13	7,482
CURRENT LIABILITIES					
Trade payables	25	46,123	296,558	–	–
Other payables	25	56,609	114,452	–	–
Income tax payable		6,675	2,817	–	–
Amounts due to Pacific Andes International Holdings Limited and its subsidiaries	26	2,682	4,250	–	–
Bank advances drawn on bills and discounted trade receivables with insurance coverage		117,856	74,496	–	–
Current portion of interest-bearing bank borrowings	27	1,558,135	891,356	–	–
		1,788,080	1,383,929	–	–
NET CURRENT ASSETS		1,133,415	714,237	13	7,482

BALANCE SHEETS

As at 31 March 2006

		THE GROUP		THE COMPANY	
		2006	2005	2006	2005
	NOTES	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	27	137,609	4,519	–	–
Deferred tax liabilities	28	570	240	–	–
		138,179	4,759	–	–
NET ASSETS		1,845,592	1,061,983	903,737	841,788
CAPITAL AND RESERVES					
Share capital	29	576,595	537,209	576,595	537,209
Reserves		709,774	502,568	327,142	304,579
Attributable to equity holders of the Company		1,286,369	1,039,777	903,737	841,788
Minority interests		559,223	22,206	–	–
TOTAL EQUITY		1,845,592	1,061,983	903,737	841,788

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium HK$'000	Revaluation reserve HK$'000	Currency exchange translation reserve HK$'000	Goodwill HK$'000	Retained profits HK$'000	Minority interests HK$'000	Total HK$'000
THE GROUP								
Balance at 1 April 2004	463,024	24,272	33	(18)	(24,883)	378,792	23	841,243
Exercise of warrants	74,185	–	–	–	–	–	–	74,185
Gain on revaluation of investment properties	–	–	900	–	–	–	–	900
Deferred tax liability arising on revaluation of investment properties	–	–	(130)	–	–	–	–	(130)
Final dividend of FY2004	–	–	–	–	–	(31,082)	–	(31,082)
Profit for the year	–	–	–	–	–	154,684	22,183	176,867
Balance at 31 March 2005	537,209	24,272	803	(18)	(24,883)	502,394	22,206	1,061,983
Effect of early adoption of FRS 40	–	–	(803)	–	–	803	–	–
Effect of adoption of FRS 103	–	–	–	–	24,883	(24,883)	–	–
As restated	537,209	24,272	–	(18)	–	478,314	22,206	1,061,983
Exercise of warrants	38,650	–	–	–	–	–	–	38,650
Exercise of options	736	–	–	–	–	–	–	736
Gain on revaluation of property, plant and equipment	–	–	453	–	–	–	–	453
Exchange difference on translation of the Group's overseas operations	–	–	–	(500)	–	–	–	(500)
Consolidation of a former jointly-controlled entity	–	–	–	–	–	–	135,959	135,959
Contribution from minority interests	–	–	–	–	–	–	319,279	319,279
Gain on dilution of interest in subsidiary *(Note 22)*	–	–	–	–	–	–	(81,261)	(81,261)
Final dividend of FY2005	–	–	–	–	–	(50,122)	–	(50,122)
Profit for the year	–	–	–	–	–	257,375	163,040	420,415
Balance at 31 March 2006	576,595	24,272	453	(518)	–	685,567	559,223	1,845,592

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	NOTES	THE GROUP 2006 HK$'000	2005 HK$'000
Operating activities			
Profit before income tax		425,126	179,940
Adjustments for:			
Share of results of associates		310	(293)
Interest expense		102,793	49,277
Interest income		(812)	(1,988)
Amortisation of deferred charter hire		54,417	16,566
Depreciation expenses		15,210	6,191
Gain on dilution of interest in subsidiary		(81,261)	–
Impairment loss on property, plant and equipment		6,162	–
Loss on disposal of property, plant and equipment		–	1,973
Gain on revaluation of land and buildings		(780)	–
Gain on revaluation of investment properties		(988)	–
Operating cash flows before movements in working capital		520,177	251,666
Inventories		(306,597)	(204,151)
Trade receivables, other receivables and prepayments		(431,038)	60,706
Advances to suppliers		15,628	(15,628)
Amounts due from a jointly-controlled entity		60,511	(42,279)
Bills receivable		81,760	55,956
Trade and other payables		(381,915)	129,350
Cash (used in) generated from operations		(441,474)	235,620
Interest paid		(102,793)	(49,277)
Income tax paid		(1,072)	(649)
Net cash (used in) from operating activities		(545,339)	185,694
Investing activities			
Interest received		812	1,988
Purchase of property, plant and equipment		(85,317)	(6,064)
Purchase of investment properties		(1,212)	–
Prepayment of charter hire	34(b)	(390,000)	(105,253)
Net cash outflow arising on acquisition of a jointly-controlled entity	13	–	(141,077)
Net cash inflow arising from consolidation of a former jointly-controlled entity	22	78,888	–
Net cash inflow arising on acquisition of subsidiaries	32	1,310	–
Net cash used in investing activities		(395,519)	(250,406)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

		THE GROUP	
		2006	2005
	NOTES	HK$'000	HK$'000
Financing activities			
Dividend paid		(50,122)	(31,082)
Proceeds from issue of shares		39,386	74,185
Net cash (repaid to) advanced from Pacific Andes International Holdings Limited and its subsidiaries		(1,568)	3,050
Capital contributed by minority shareholders		319,279	–
Bank advances drawn on bills and discounted trade receivables with insurance coverage		43,360	(89,327)
Bank borrowings raised, net of repayments		632,166	39,383
Decrease (increase) in pledged deposits		788	(858)
Net cash from (used in) financing activities		983,289	(4,649)
Exchange difference arising in consolidation		(880)	–
Net increase (decrease) in cash and cash equivalents		41,551	(69,361)
Cash and cash equivalents at beginning of the year		117,499	186,860
Cash and cash equivalents at end of the year		159,050	117,499
Being:			
Bank balances and cash		176,681	117,499
Bank overdrafts	27	(17,631)	–
		159,050	117,499

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1. General

The Company is an exempted company incorporated in Bermuda with limited liability. Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is in Hong Kong. The Company's shares are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Its immediate holding company is Clamford Holding Limited, a company incorporated in the British Virgin Islands. Its intermediate holding company is Pacific Andes International Holding Limited ("PAIH") a company incorporated in Bermuda and with its shares listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is N. S. Hong Investment (BVI) Limited, a company incorporated in the British Virgin Islands.

The Company acts as an investment holding company and provides corporate management services to group companies. Its subsidiaries are principally engaged in global sourcing, transportation and supply of frozen seafood products, fishing, provision of fishing management services for fishing vessels, provision of shipping and agency services and the cultivation, processing and supply of vegetables. Details of the principal activities of the subsidiaries are set out in Note 38. The associates (Note 16) are engaged in trading of frozen fish products.

These financial statements are presented in Hong Kong dollars consistent with the presentation currency of its holding companies.

The balance sheet of the Company and the consolidated financial statements of the Group were authorised for issue by the Board of Directors on 11 July 2006.

2. Significant Accounting Policies

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Financial Report Standards ("FRS").

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 January 2005. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements.

During the financial year, the Group has early adopted FRS 40 *Investment Property*. All investment properties are measured at fair value with changes in fair values recognised directly in the income statement for the period in which they arise. In the preceding years, investment properties were accounted under FRS 25 *Accounting for Investments* and revaluation surplus or deficit were recorded in the revaluation reserve except when the reserve was insufficient to cover a revaluation deficit, in which case the amount by which the revaluation deficit exceeds the amount in the revaluation reserve was charged to the income statement. Where a deficit had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. With the early adoption of FRS 40, the amount held in the revaluation reserve as at 1 April 2005 was transferred to retained profits in accordance with the transitional provisions of FRS 40. The early adoption of FRS 40 has resulted in the revaluation surplus for the year amounting to HK$988,000 being recognised in the income statement. The early adoption of FRS 40 is to align the accounting treatment with that adopted by the intermediate holding company, Pacific Andes International Holdings Limited.

2. Significant Accounting Policies – Continued

Basis of accounting – continued

At the date of authorisation of these financial statements, the following FRSs and INT FRSs were issued but not effective:

FRS 40	–	Investment Property
FRS 106	–	Exploration for and Evaluation of Mineral Resources
FRS 107	–	Financial Instruments: Disclosures
INT FRS 104	–	Determining whether an Arrangement contains a Lease
INT FRS 105	–	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	–	Liabilities Arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment
INT FRS 107	–	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	–	Scope of FRS 102
INT FRS 109	–	Reassessment of Embedded Derivatives

Amendments to the following:

FRS 1	–	Presentation of Financial Statements on Capital Disclosures
FRS 19	–	Employee Benefits on Actuarial Gains and Losses, Group Plans and Disclosures
FRS 21	–	The Effects of Changes in Foreign Exchange Rates on net investment in a foreign operation
FRS 39	–	Recognition and measurement on hedge accounting provisions, fair values option and financial guarantee contracts
FRS 101	–	First-time Adoption of Financial Reporting Standards – Comparative Disclosures for FRS 106 Exploration for and Evaluation of Mineral Resources
FRS 104	–	Insurance Contracts on financial guarantee contracts and Implementation Guidance

Consequential amendments were also made to various standards as a result of these new/revised standards.

The directors anticipate that the adoption of these FRSs, INT FRSs and amendments to FRSs that were issued but not yet effective until future periods will not have a material impact on the consolidated financial statements of the Group except for effects of early adoption of FRS 40 as disclosed above.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries and jointly-controlled entity are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition of 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 in line with those used by other members of the Group.

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

2. Significant Accounting Policies – Continued

Basis of consolidation – continued

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests 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 its share of those losses.

A jointly-controlled entity is an entity through which the Group and another party or parties undertake an economic activity which is subject to joint control (that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control) by a contractual agreement. The Group reports its interest in the jointly-controlled entity using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly-controlled entity are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Where the Group transacts with its jointly-controlled entity, unrealised profits and losses are eliminated to the extent of the Group's interest in the jointly-controlled entity except when unrealised losses provide evidence of an impairment of the assets transferred.

Associates are entities over which the Group exercises significant influence and that is neither a subsidiary nor a jointly-controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these 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 net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised. 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.

In the Company's financial statements, investments in subsidiaries, associates and jointly-controlled entity are carried at cost less any impairment in net recoverable value that has been recognised in the income statement.

Business combination

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 that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

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 the consolidated income statement.

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.

2. Significant Accounting Policies – Continued

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.

Sale of goods is recognised when goods are delivered and title has passed.

Revenue from the sale of fishes and other marine catches is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction can be measured reliably.

Shipping and agency service income are recognised when the shipping and agency services are rendered.

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

Rental income from properties let under operating leases is recognised on a straight-line basis over the terms of the respective leases.

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

Property, plant and equipment

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of such land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in income statement, in which case the increase is credited to income statement to the extent of decrease previously charged to the income statement. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to income statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued land and buildings is charged to income statement. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

Construction in progress is stated at cost which includes all development expenditure and other direct costs. Construction in progress is not depreciated until the relevant assets are ready for their intended use. Cost of completed construction work is transferred to the appropriate category of property, plant and equipment. Any impairment loss is deducted from the carrying amount and charged to income statement.

Property, plant and equipment, other than revalued assets and construction in progress are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. Significant Accounting Policies – Continued

Property, plant and equipment – continued

Leasehold land is amortised over the relevant lease terms and the cost or revalued amounts of the buildings is depreciated using the straight-line method, over twenty-five years or the lease term if shorter.

Depreciation is charged so as to write down the cost of vessels to their estimated residual values over their estimated useful lives at 20% per annum, using the straight-line method.

Depreciation is charged so as to write off the cost of property, plant and equipment (other than assets revalued during the year) over their estimated useful lives using the reducing balance method, at the following rates per annum:

Furniture and fixtures	30%
Office equipment	40%
Motor vehicles	40%
Plant and machinery	20% – 40%

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceed and the carrying amount of the asset and is recognised in the income statement.

Investment properties

Investment properties are held on a long-term basis for investment potential and income.

Investment properties are stated at annual valuation on an open market value for existing use basis. Professional valuations are obtained at least once in 3 years. With effect from 1 April 2005, the Group has early adopted FRS 40 *Investment Property*. All investment properties are measured at fair value with changes in fair values recognised directly in the income statement for the period in which they arise. In the preceding years, investment properties were accounted under FRS 25 *Accounting for Investments* and revaluation surplus or deficit were recorded in the revaluation reserve except when the reserve was insufficient to cover a revaluation deficit, in which case the amount by which the revaluation deficit exceeds the amount in the revaluation reserve was charged to the income statement. Where a deficit had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. With the early adoption of FRS 40, the amount held in the revaluation reserve as at 1 April 2005 was transferred to retained profits in accordance with the transition provisions of FRS 40.

Deferred charter hire

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

Club memberships

Club memberships which have infinite life are stated at cost less any impairment in net recoverable value.

2. Significant Accounting Policies – Continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Foreign currency transaction and translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date 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 retranslation of monetary items are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Goodwill

Goodwill arising on the acquisition of a subsidiary, associate or a jointly-controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

2. Significant Accounting Policies – Continued

Goodwill – continued

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Impairment of assets excluding goodwill

At each balance sheet date, the Group and the Company review the carrying amounts of their assets to determine whether there is any indication than these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Significant Accounting Policies – Continued

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade, bills and other receivables

Trade, bills and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank as well as fixed deposits that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. They are stated net of bank overdrafts.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company and the Group 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 Company and of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables and amounts due to Pacific Andes International Holdings Limited and its subsidiaries

Trade and other payables and amounts due to Pacific Andes International Holdings Limited and its subsidiaries are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group or the Company has a present obligation as a result of a past event where it is probable that the Group and the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

2. Significant Accounting Policies – Continued

Taxation

Income tax expense 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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate 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, associates and jointly-controlled entity, 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Operating leases

Rentals payable under operating leases are charged as expenses 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 also spread on a straight-line basis over the lease term.

Retirement benefits scheme

Payments to defined contribution retirement benefit plans are charged as an expense when they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. Significant Accounting Policies – Continued

Share-based compensation

The Group issued equity-settled share-based payments to certain directors. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations.

Adoption of FRS 102 Share-based Payment does not have any material effect on the financial statements for the current year or prior periods.

3. Revenue and Segment Information

Business segments

For management reporting purposes, the Group is organised into four operating divisions, sales of frozen seafood, fishing, shipping and agency services and sales of vegetables. These divisions are the basis on which the Group reports its primary segment information.

Sales of seafood comprise sale of fish and other seafood products. Fishing comprises income from fishing activities and the provision of fishing management services to fishing vessels. Shipping and agency servicing income comprise income from charter hire services, sales of marine fuel oil and provision of packaging materials to fish suppliers. Sale of vegetables comprises income from the cultivation, processing and sale of vegetables.

Segment sales and expense: Segment sales and expense are the sales and operating expense reported in the Group's income statement that are directly attributable to a segment and the relevant portion of such sales and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, prepayments, advances, inventories, deferred charter hire, investment properties and property, plant and equipment, net of allowances and provisions. Capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year and comprises purchase of property, plant and equipment and prepayment of deferred charter hire directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable, accrued expenses and bank borrowings.

Inter-segment transfers: Segment sales and expenses include transfers between business segments. Inter-segment sales are charged at cost plus a percentage profit mark-up. These transfers are eliminated on consolidation.

Investments in associates: Income from associates are allocated as they are specifically attributable to business segments, and correspondingly the investments in associates are included as segment assets of the Group.

3. Revenue and Segment Information – Continued

Business segments – continued

Information on business segments are presented below:

By Product Category	Sales of frozen seafood HK$'000	Fishing HK$'000	Shipping and agency services HK$'000	Sales of vegetables HK$'000	Elimination HK$'000	Consolidated HK$'000
THE GROUP						
2006						
INCOME STATEMENT						
External sales	2,860,156	620,172	60,934	13,484	–	3,554,746
Intersegment sales	–	139,160	17,956	–	(157,116)	–
Total revenue	2,860,156	759,332	78,890	13,484	(157,116)	3,554,746
Segment result	285,973	292,910	(35,606)	(7,616)		535,661
Other income						1,780
Administrative expenses						(78,970)
Other operating expenses						(11,503)
Exceptional item – Gain on dilution of interest in subsidiary						81,261
Finance costs						(102,793)
						425,436
Share of results of associates	(310)	–	–	–	–	(310)
Profit before taxation						425,126
Taxation						(4,711)
Profit for the year						420,415
BALANCE SHEET						
Segment assets	2,388,353	1,298,945	73,652	10,352	–	3,771,302
Unallocated corporate assets						549
Consolidated total assets						3,771,851
Segment liabilities	134,846	82,174	5,199	1,051	–	223,270
Unallocated corporate liabilities						1,702,989
Consolidated total liabilities						1,926,259
OTHER INFORMATION						
Capital expenditure	1,806	403,832	70,667	224	–	476,529
Depreciation	2,492	655	8,307	3,756	–	15,210
Amortisation of deferred charter hire	–	54,417	–	–	–	54,417
Interests in associates	60	–	–	–	–	60
Impairment of property, plant and equipment recognised in income statement	–	–	–	6,162	–	6,162

3. Revenue and Segment Information – Continued

Business segments – continued

Information on business segments are presented below:

By Product Category	Sales of frozen seafood HK$'000	Fishing HK$'000	Shipping and agency services HK$'000	Sales of vegetables HK$'000	Elimination HK$'000	Consolidated HK$'000
THE GROUP						
2005						
INCOME STATEMENT						
External sales	2,643,829	191,884	31,312	25,010	–	2,892,035
Intersegment sales	–	79,730	5,838	–	(85,568)	–
Total revenue	2,643,829	271,614	37,150	25,010	(85,568)	2,892,035
Segment result	206,255	82,364	2,781	(3,130)		288,270
Administrative expenses						(54,260)
Other operating expenses						(5,086)
Finance costs						(49,277)
						179,647
Share of results of associates	293	–	–	–	–	293
Profit before taxation						179,940
Taxation						(3,073)
Profit for the year						176,867
BALANCE SHEET						
Segment assets	1,972,663	425,650	19,488	32,870	–	2,450,671
Segment liabilities	400,259	85,990	601	2,906	–	489,756
Unallocated corporate liabilities						898,932
Consolidated total liabilities						1,388,688
OTHER INFORMATION						
Capital expenditure	5,623	105,354	–	340	–	111,317
Depreciation	2,013	12	74	4,092	–	6,191
Amortisation of deferred charter hire	–	16,566	–	–	–	16,566
Interests in associates	370	–	–	–	–	370

3. Revenue and Segment Information – Continued

Geographical segments

Geographical locations of the customers of the Group are organised in accordance with their parent company's country of origin which principally comprises Hong Kong and other regions in the People's Republic of China ("PRC"), East Asia, North America, Western Europe, Eastern Europe and other parts of the world.

The segment assets and additions to property, plant and equipment, investment properties and deferred charter hire are analysed by the geographical area in which the assets are located.

Information on geographical segments are presented below:

	Revenue		Carrying amounts of segment assets		Additions to property, plant and equipment, investment properties and deferred charter hire	
Geographical segments	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Hong Kong and other regions in PRC	2,968,423	2,540,012	2,726,572	1,896,961	16,329	6,064
North America	124,916	106,958	–	504	–	–
Western Europe	125,192	44,854	57,638	9,011	–	–
Eastern Europe	60,934	27,078	900,367	443,253	460,200	105,253
East Asia	231,495	159,609	85,915	100,757	–	–
Others	43,786	13,524	1,359	185	–	–
	3,554,746	2,892,035	3,771,851	2,450,671	476,529	111,317

4. Other Operating Income

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Other operating income comprises:		
Administrative income charged to associates	1,043	729
Interest income	812	1,988
Rental income from properties	625	376
Gain on revaluation of land and buildings	780	–
Gain on revaluation of investment properties	988	–
Sundry income	405	420
	4,653	3,513

5. Finance Costs

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Interest on borrowings:		
Bank borrowings	102,704	49,071
Amounts due to PAIH and its subsidiaries	89	206
	102,793	49,277

6. Profit before Taxation

Profit before taxation has been arrived at after charging (crediting):

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Directors' emoluments	8,078	6,928
Contributions to retirement benefit scheme, net of forfeitures	167	138
Staff costs, excluding directors' emoluments and retirement benefits contributions	5,180	8,480
Crew wages	84.056	28,177
Non-audit fee paid to auditors of the Company	788	436
Amortisation of deferred charter hire	54,417	16,566
Depreciation of property, plant and equipment	15,210	6,191
Impairment of property, plant and equipment (included in other operating expenses)	6,162	–
Foreign currency exchange adjustment loss (gain)	1,648	(611)
Compensation on early termination of lease agreement	–	3,113
Allowance for inventories	5,329	2,087
Cost of inventories included in cost of sales	2,475,851	2,394,211

7. Directors' and Key Management Personnel's Emoluments

Directors' and key management personnel's emolument

The emoluments of directors and other members of key management during the year was follows:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Short-term benefits	7,843	6,752
Post-employment benefits	235	176
Total	8,078	6,928

The emoluments of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trend.

Included in the emoluments of directors and other members of key management of HK$8,078,000 (2005: HK$6,928,000) is an amount of HK$3,263,000 (2005: HK$2,976,000) charged by PAIH and its subsidiaries as administrative expense, which was calculated in accordance with the management agreement signed on 3 September 1996 and updated by a supplemental agreement dated 22 July 2003.

8. Taxation

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
The charge comprises:		
Profit for the year		
– Hong Kong	(3,000)	(3,650)
– other jurisdictions	(2,000)	–
Over provision in respect of previous years		
– Hong Kong	619	543
	(4,381)	(3,107)
Deferred tax (Note 28)	(330)	34
	(4,711)	(3,073)

8. Taxation – Continued

The income tax expense varied from the amount of income tax expense determined by applying the Hong Kong profits tax rate of 17.5% (2005:17.5%) to profit before income tax as a result of the following differences:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Hong Kong Profits tax at statutory rate	(74,397)	(31,490)
Non-taxable items	70,006	27,424
Over provision in respect of previous years	619	543
Effect of different tax rates of subsidiaries operating in other jurisdictions	(939)	450
Total Hong Kong profits tax at effective tax rate	(4,711)	(3,073)

Taxation in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

9. Earnings Per Share

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

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Earnings attributable to shareholders of the Company	257,375	154,684
Weighted average number of ordinary shares used in calculation of basic earnings per share	655,922,533	560,293,850
Effect of dilutive potential ordinary shares in respect of:		
Share options	77,568	365,217
Warrants	3,806,676	47,191,462
Weighted average number of ordinary shares used in calculation of diluted earnings per share	659,806,777	607,850,529

The Company has no outstanding options (2005: 800,000) and no outstanding warrants (2005: 43,837,652) at the balance sheet date.

10. Proposed Dividend

The proposed first and final dividends amount to approximately HK$58,704,000 (2005: HK$50,122,000) based on 662,215,616 shares in issue as at the date of the report (Note 29). In accordance with FRS 10, these proposed dividends are not recorded as liabilities until such time when they are approved by shareholders at the annual general meeting.

11. Property, Plant and Equipment

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Plant and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP								
COST OR VALUATION								
At 1 April 2004	19,967	3,510	7,622	8,105	47,043	32,306	1,769	120,322
Additions arising from acquisition of a jointly-controlled entity	–	3	–	–	–	–	–	3
Additions	–	5,458	264	–	–	277	65	6,064
Disposals	–	(1,993)	–	–	–	–	(1,762)	(3,755)
Adjustment on asset revaluation	(500)	–	–	–	–	–	–	(500)
At 31 March 2005	19,467	6,978	7,886	8,105	47,043	32,583	72	122,134
Comprising:								
At cost	–	6,978	7,886	8,105	47,043	32,583	72	102,667
At valuation	19,467	–	–	–	–	–	–	19,467
	19,467	6,978	7,886	8,105	47,043	32,583	72	122,134
At 1 April 2005	19,467	6,978	7,886	8,105	47,043	32,583	72	122,134
Additons arising from consolidation of a former jointly-controlled entity	–	788	–	461	–	–	–	1,249
Additions	10,181	504	2,812	610	70,200	1,010	–	85,317
Reclassification	–	–	–	–	(2,233)	2,305	(72)	–
Adjustment on asset revaluation	419	–	–	–	–	–	–	419
Exchange realignment	–	12	–	–	–	843	–	855
At 31 March 2006	30,067	8,282	10,698	9,176	115,010	36,741	–	209,974
Comprising:								
At cost	–	8,282	10,698	9,176	115,010	36,741	–	179,907
At valuation	30,067	–	–	–	–	–	–	30,067
	30,607	8,282	10,698	9,176	115,010	36,741	–	209,974

11. Property, Plant and Equipment – Continued

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Plant and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION								
At 1 April 2004	–	2,724	6,890	7,263	40,201	13,425	–	70,503
Depreciation	500	1,036	285	334	74	3,962	–	6,191
Disposals	–	(1,782)	–	–	–	–	–	(1,782)
Adjustment on asset revaluation	(500)	–	–	–	–	–	–	(500)
At 31 March 2005	–	1,978	7,175	7,597	40,275	17,387	–	74,412
At 1 April 2005	–	1,978	7,175	7,597	40,275	17,387	–	74,412
Additions arising from consolidation of a former jointly-controlled entity	–	36	–	8	–	–	–	44
Depreciation	814	1,429	645	364	8,170	3,788	–	15,210
Adjustment on asset revaluation	(814)	–	–	–	–	–	–	(814)
Reclassification	–	–	–	–	(2,087)	2,087	–	–
Exchange realignment	–	11	–	–	–	464	–	475
At 31 March 2006	–	3,454	7,820	7,969	46,358	23,726	–	89,327
IMPAIRMENT								
Impairment loss recognised in the year ended 31 March 2006 and balance at 31 March 2006	–	–	–	–	–	6,162	–	6,162
CARRYING AMOUNT								
At 31 March 2006	30,067	4,828	2,878	1,207	68,652	6,853	–	114,485
At 31 March 2005	19,467	5,000	711	508	6,768	15,196	72	47,722

During the year, the Group carried out a review of the recoverable amount of its vegetables processing plant and equipment used in the Group's vegetables business segment upon the Group's cessation of cultivation and processing of vegetables to concentrate on the sourcing and distribution of vegetables products. The review led to the recognition of impairment loss of HK$6,162,000 that has been recognised in the income statement. The recoverable amount of the relevant assets has been determined on the basis of their value in use.

11. Property, Plant and Equipment – Continued

The carrying amount of land and buildings represents land and buildings in Hong Kong with more than 50 years of lease remaining at the balance sheet date.

The leasehold land and buildings situated in Hong Kong were revalued by BMI Appraisals Limited, a firm of independent professional valuers, on an open market value basis as at 31 March 2006 (2005: 31 March 2005).

Certain land and building have been pledged to secure a mortgage loan of the Group (Note 36).

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

	2006 HK$'000	2005 HK$'000
Cost	34,398	24,217
Accumulated depreciation	(2,510)	(1,902)
Carrying amount	31,888	22,315

12. Investment Properties

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Valuation at beginning of year	20,700	19,800
Additions	1,212	–
Adjustment on asset revaluation	988	900
Valuation at end of year	22,900	20,700

The investment properties were valued at HK$22,900,000 by BMI Appraisals Limited, a firm of independent professional valuers, on an open market value basis as at 31 March 2006 (2005: 31 March 2005).

The carrying value of investment properties shown above comprises:

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Investment properties in the PRC under:		
long leases	14,800	13,800
medium leases	8,100	6,900
	22,900	20,700

Long leases refer to the leases with terms of more than 50 years remaining at the balance sheet date and medium leases refer to leases with terms of 50 years or less remaining at the balance sheet date.

13. Goodwill

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
At beginning of year	105,293	–
Arising on acquisition of a jointly-controlled entity	–	105,293
At end of year	105,293	105,293

The goodwill and net cash outflow arising from acquisition of interest in a jointly-controlled entity in 2005 were determined as follows:

	HK$'000
Fair value of net assets acquired:	
Property, plant and equipment	3
Deferred charter hire	214,928
Trade receivables, other receivables and prepayments	46,560
Bank balances and cash	30,056
Trade and other payables	(225,244)
Amounts due to a jointly-controlled entity	(463)
	65,840
Goodwill arising on consolidation	105,293
Total consideration	171,133
Satisfied by:	
Cash	171,133
Net cash outflow arising on acquisition:	
Cash consideration	(171,133)
Bank balances and cash acquired	30,056
	(141,077)

Additional information relating to the jointly-controlled entity are provided in Note 22.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to fishing operations of the Group.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 6.73%. The rate used to discount the forecast cash flows from China Fishery Group Limited is 6.97%.

14. Deferred Charter Hire

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Total deferred charter hire	804,960	214,928
Less: accumulated amortisation	(92,430)	(16,566)
	712,530	198,362
Included as current assets	(107,640)	(22,670)
Included as non-current assets	604,890	175,692
Accumulated amortisation:		
At beginning of year	16,566	–
Consolidation of a former jointly-controlled entity	21,447	–
Amortisation during the year	54,417	16,566
At end of year	92,430	16,566

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 with two companies (2005: one company) to prepay fixed charter hire for 14 vessels (2005: 7 vessels) for a period of 10 years. To secure the prepayments and to ensure that the counterparties comply with their obligations under the vessel operating agreements, the counterparties executed the following 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, pursuant to the terms of the Charges and the Debentures, CFIL shall 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 vessel operating agreements, 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 vessel operating agreements, the Charges, the Debentures or any other security granted in favour of CFIL by the counterparties.

15. Interests in Subsidiaries

	THE COMPANY	
	2006 HK$'000	2005 HK$'000
Amounts due from subsidiaries	903,724	834,306

Particulars of the subsidiaries at 31 March 2006 are set out in Note 38. The amounts due from subsidiaries are denominated in Hong Kong dollars, unsecured, bear interest at variable rates ranging from 3.20% to 7.76% (2004: 1.20% to 8.55%) per annum and repayable on demand. Management does not expect any demand to be made for payment within the next twelve months. Interest rates are determined on monthly basis.

The directors of the Company are of the opinion that the carrying amount of the amount due from subsidiaries approximates their fair value.

16. Interests in Associates

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Share of net assets	60	370
Comprising:		
Unquoted equity shares, at cost	3	3
Share of post-acquisition profits	57	367
	60	370

As at 31 March 2006, the Group had interests in the following associates:

Name of entity	Place/country of incorporation or registration/operation	Percentage of equity interest and voting power held 2006 %	2005 %	Principal activities
Pacos Trading Limited	Republic of Cyprus/Worldwide	20	20	Trading of frozen fish products
Paco (ET) Limited	Republic of Cyprus/Worldwide	20	20	Trading of frozen fish products
Paco (GT) Limited	Republic of Cyprus/Worldwide	20	20	Trading of frozen fish products
Paco (HT) Limited	Republic of Cyprus/Worldwide	20	20	Trading of frozen fish products

All the associates are audited by a member firm of Deloitte Touche Tohmatsu, of which Deloitte & Touche, Singapore is a member.

16. Interests in Associates – Continued

Summarised financial information in respect of the Group's associates is set out below:

	2006 HK$'000	2005 HK$'000
Total assets	62,429	9,682
Total liabilities	(62,131)	(7,833)
Net assets	298	1,849
Group's share of associates' net assets	60	370
Revenue	93,510	120,130
(Loss) profit for the year	(1,550)	1,463
Group's share of associates' (loss) profit for the year	(310)	293

17. Other Intangible Assets

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Club memberships, at cost	2,728	2,728

18. Inventories

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Inventories at cost consist of the following:		
Frozen seafood	833,519	516,810
Fuel	1,767	4,585
Vegetables	925	7,440
Others	102	881
	836,313	529,716

19. Trade Receivables

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Outside parties receivables	1,319,682	617,285
Associates (Note 16)	56,492	5,620
	1,376,174	622,905

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

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
United States dollars	–	1,034

20. Trade Receivables with Insurance Coverage

THE GROUP

Discounted trade receivables which are covered by credit insurances amounting to HK$1,186,000 (2005: HK$2,226,000) have been assigned to certain banks for trade receivables discounting facilities granted to the Group.

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

	2006	2005
	HK$'000	HK$'000
United States dollars	88	768
British pounds	–	509
	88	1,277

21. Other Receivables and Prepayments

	THE GROUP 2006 HK$'000	THE GROUP 2005 HK$'000
Other receivables	180,724	2,425
Deferred expenditure	51	7,714
Prepayments for fish	134,897	403,185
	315,672	413,324

As at 31 March 2005, deferred expenditure includes share of expenditure of HK$1,757,000 incurred by the then jointly-controlled entity relating to its initial public offering ("IPO") of shares on the exchange of the Singapore Exchange Securities Trading Limited. This included fees of HK$185,000 for the services of the auditors in the role of reporting accountant for the IPO.

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

	THE GROUP 2006 HK$'000	THE GROUP 2005 HK$'000
United States dollars	286	245
Chinese Renminbi	18	–
Hong Kong dollars	176	–
Singapore dollars	17	–
	497	245

22. Amounts Due from a Jointly-controlled Entity

The details of the jointly-controlled entity acquired in 2005 (Note 13) are as follows:

Name of jointly controlled entity	Principal activities/Country of incorporation/Operations	Effective equity interest held by Group 2006 %	2005 %
China Fisheries International Limited	Operation of fishing vessels and sales of fish and other marine catches/ Samoa/Worldwide	*	36.93

* Following the restructuring exercise on 30 June 2005 in conjunction with China Fishery's IPO, China Fishery acquired the entire issued capital of China Fisheries International Limited ("CFIL"). Pursuant to the restructuring exercise, the shareholders' agreement governing the joint-control of CFIL was terminated on 30 June 2005. Upon termination of the shareholders' agreement, the Group has effective control of voting power over all the shares of China Fishery Group Limited ("China Fishery") which are held by Super Investment Limited ("Super Investment"). This is because Zhonggang Fisheries Limited ("Zhonggang") and Golden Target Pacific Limited ("Golden Target") owns 49.9% and 2% of the shares in Super Investment and the Company owns 70% of the shares in Zhonggang and 100% of the shares in Golden Target. Effective from 30 June 2005, China Fishery and its various subsidiaries became subsidiaries of the Group by virtue of the Group's ability to control voting power of Super Investment over all shares in China Fishery (Note 38). After the restructuring exercise and prior to the IPO of China Fishery, Super Investment held 100% of the equity in CFIL.

All revenue, expenses, assets and liabilities of China Fishery and its subsidiaries are fully consolidated in the Group's accounts. The 63.07% share of the net operating results and net assets of China Fishery held by other shareholders are deducted as minority interests.

On the IPO of China Fishery and the issue of new shares to the public on 24 January 2006. Super Investment held 84.26% of the equity in CFIL through China Fishery and the Group's beneficial interest in the shares of China Fishery was diluted from 36.93% to 31.12% resulting in an exceptional gain of HK$81,261,000.

The fair values of the additional net assets acquired from the change in status of CFIL from a jointly-controlled entity to a subsidiary are as follows:

	THE GROUP HK$'000
Property, plant and equipment	1,205
Deferred charter hire	178,585
Trade receivables, other receivables and prepayments	35,558
Amount due from a jointly-controlled entity	18,695
Bank balances and cash	78,888
Trade and other payables	(26,900)
Interest-bearing bank borrowings	(150,072)
Minority interests	(135,959)
Total consideration	–
Less: bank balances and cash acquired	78,888
Net cash inflow arising on acquisition	78,888

The amounts due from the joint-controlled entity were unsecured, interest-free and repayable on demand. The amount was fully repaid during the financial year.

22. Amounts Due from a Jointly-controlled Entity – Continued

The following amounts were included in the financial statements of the Group for the financial year ended 31 March 2005 as a result of proportionate consolidation of the jointly-controlled entity. The results of the jointly-controlled entity was proportionately accounted for since 12 July 2004, the effective date of acquisition of joint control.

	THE GROUP
	2005
	HK$'000
Current assets	102,762
Non-current assets	175,780
Current liabilities	(131,110)
Net assets	147,432
Revenue	271,614
Expenses	(190,019)
Profit before taxation	81,595
Taxation	–
Profit for the year	81,595

23. Advances to Suppliers

THE GROUP

The Group's advances to a supplier were unsecured and bore interest at 10% per annum, compounded monthly. These advances were repaid during the financial year.

24. Bank Balances and Cash

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank	173,431	117,248	13	7,482
Cash on hand	3,250	251	–	–
	176,681	117,499	13	7,482

Bank balances and cash comprises cash held by the Group. The carrying amounts of these assets approximate their fair values.

The interest rates on cash placed with financial institutions ranged from 0.25% to 2.75% per annum.

24. Bank Balances and Cash – Continued

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

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
United States dollars	741	8,511	1	7,414
Chinese Renminbi	63	–	–	–
British pounds	–	35	–	–
Euro	437	–	–	–
Hong Kong dollars	162	85	–	–
Singapore dollars	21	6	2	–
	1,424	8,637	3	7,414

25. Trade Payables/Other Payables

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

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
United States dollars	1,035	906
Chinese Renminbi	1,641	–
British pounds	–	54
Euro	581	–
Hong Kong dollars	2,560	41
Singapore dollars	4,578	–
	10,395	1,001

26. Amounts due to Pacific Andes International Holdings Limited and its Subsidiaries

THE GROUP

The amounts due are denominated in Hong Kong dollars, unsecured, repayable on demand and bear interest at the funding cost of PAIH (Note 1) and its subsidiaries at rates ranging from 3.20% to 4.81% (2005: 1.20% to 2.96%) per annum.

27. Interest-Bearing Bank Borrowings

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Interest-bearing bank borrowings comprise:		
Trust receipt loans and short-term bank loans	1,673,559	890,673
Mortgage loans	4,554	5,202
Bank overdrafts	17,631	–
	1,695,744	895,875
Analysed as:		
Secured	4,554	5,202
Unsecured	1,691,190	890,673
	1,695,744	895,875
Repayable as follows:		
On demand or within one year	1,558,135	891,356
In the second year	134,410	699
In the third year	735	720
In the fourth year	769	742
In the fifth year	802	768
After five years	893	1,590
	1,695,744	895,875
Less: Amount due for settlement within one year included under current liabilities	(1,558,135)	(891,356)
Amount due after one year	137,609	4,519

Details of the secured long-term bank borrowings as at 31 March 2006 are set out below:

Final maturity/ settlement date	**Effective interest rate per annum**	**No. of future instalments**	**Principal**
			HK$'000
27.4.2012	2.75%	73	4,554
Less: Amount repayable within one year shown as part of current liabilities			(659)
Amount due after one year			3,895

Information on securities for the mortgage loans is provided in Note 36. 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.

The unsecured borrowings bear interest at variable rates ranging from 5.96% to 7.76% (2005: 3.13% to 5.75%) per annum.

The directors estimate that the fair values of the bank borrowings approximate their carrying amounts as the Groups's borrowing rate approximates the market rate available at balance sheet date.

28. Deferred Tax Liabilities

The following are the major deferred tax liabilities recognised and movements thereon during the current year:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
THE GROUP			
At 1 April 2005	46	194	240
Charge to income statement for the year (Note 8)	330	–	330
At 31 March 2006	376	194	570

29. Share Capital

	THE COMPANY	
	Number of shares @S$0.20 per share	Amounts S$'000
Authorised		
Balance at 1 April 2004	1,000,000,000	200,000
Further increase in authorised share capital	1,000,000,000	200,000
Balance at 31 March 2005 and 31 March 2006	2,000,000,000	400,000
Issued and fully paid		
Balance at 1 April 2004	541,123,249	108,225
Exercise of warrants	78,704,723	15,741
Balance at 31 March 2005	619,827,972	123,966
Exercise of warrants	41,587,644	8,317
Exercise of option	800,000	160
Balance at 31 March 2006	662,215,616	132,443

	THE COMPANY	
	2006 HK$'000	2005 HK$'000
Balance at beginning of year	537,209	463,024
Exercise of warrants	38,650	74,185
Exercise of options	736	–
Balance at end of year	576,595	537,209

The Company has one class of ordinary shares which carries no right to fixed income.

30. Share Options Scheme

Pursuant to the Company's Pacific Andes (Holdings) Share Option Scheme 2001 (the "2001 Scheme"), the directors and employees of the Company, its subsidiaries and associated companies may, at the discretion of the 2001 Scheme Committee of the Company, be granted options to subscribe for shares of the Company.

Subject to adjustment pursuant to the 2001 Scheme, the subscription price on the exercise of a Market Price Option shall be the average of the last dealt prices for a share, as determined by reference to the daily official list made available by the Singapore Exchange Securities Trading Limited, for the three consecutive trading days immediately preceding the offer date, rounded up to the nearest whole cent (the "Market Price").

The subscription price in respect of Incentive or Discount Price Option shall be the Market Price (as determined above), subject to a discount, if an, as may be determined by the 2001 Scheme Committee in its absolute discretion, provided that the maximum discount which may be given shall not exceed 20 per cent of the initial subscription price in respect of Incentive Price Option, or of the Market Price for Discount Price Option.

In the event of a variation in the issued share capital of the Company (whether by way of a capitalisation or rights issue or a reduction, subdivision or consolidation of the shares) the subscription price, the par value, class and/or the number of shares under the share options scheme to the extent unexercised, or over which options may be granted, may be adjusted in such manner as the 2001 Scheme Committee may determine to be appropriate, and except in relation to a capitalisation issue, upon the written confirmation by the Auditors or other qualified financial consultants appointed by the 2001 Scheme Committee (acting only as experts and not as arbitrators) that, in their opinion, such adjustment is fair and reasonable.

Notwithstanding the above, no adjustment to the subscription price shall be made if, as a result, the subscription price shall fall below the par value of the share.

The aggregate number of shares over which options may be granted pursuant to the 2001 Scheme, when added to the number of shares issued and issuable in respect of all options granted under the 2001 Scheme shall not exceed 15 per cent of the issued share capital of the Company on the date preceding the grant of the options.

The Company's Share Options held by directors and employees of the Company and movement during the year is as follows:

	Outstanding at beginning of year	**Exercised during the year**	**Outstanding at end of year**
Pacific Andes (Holdings) Share Option Scheme 2001	800,000	(800,000)	–

During the financial year, no options were granted under the 2001 Scheme to directors and employees of the Company, its subsidiaries and its associated companies.

31. Warrants

	Warrants with subscription price of S$0.20		
	Number	S$'000	HK$'000
Balance at 1 April 2004	122,542,375	24,508	104,463
Exercised during the year	(78,704,723)	(15,741)	(74,185)
Balance at 31 March 2005	43,837,652	8,767	30,278
Exercised during the year	(41,587,644)	(8,317)	(28,724)
Lapsed during the year	(2,250,008)	(450)	(1,554)
Balance at 31 March 2006	–	–	–

On 11 June 2002, an issue of warrant was made on the basis of one warrant for every two existing shares then held on 11 June 2002. Each warrant entitles the registered holder to subscribe for one ordinary share in the Company in cash at an initial subscription price of S$0.20, subject to adjustments, at any time from the date of issue up to and including 20 June 2005.

32. Acquisition of Subsidiaries

On 20 February 2006, the Group acquired 100% of the issued share capital of Champion Maritime Limited, Fortress Agents Limited and Pioneer Logistics Limited for cash consideration of HK$47 (US$6). These transactions were accounted for by the purchase method of accounting.

The fair values of net assets acquired in the transactions were as follows:

	HK$'000
Bank balances and cash	1,310
Other receivables and prepayments	45,427
Trade payables	(46,067)
Other payables	(670)
Total consideration, satisfied by cash	*
Less: bank balances and cash acquired	1,310
Net cash inflow arising on acquisition	1,310

* less than HK$1,000.

These subsidiaries were acquired to act as procurement agents for fishing vessel bunkers and other supplies as well as sales agents for frozen fish.

Their contribution to the Group's revenue and profit for the year for acting as procurement and sales agents for one of the vessel operating agreements entered into by China Fisheries International Limited ("CFIL") (Note 38) between the date of acquisition and the balance sheet date amounted to HK$197,295,000 and HK$131,519,000, respectively.

32. Acquisition of Subsidiaries – Continued

No disclosure is made of the contribution to the Group's revenue and profit had these subsidiaries been acquired since 1 April 2005 as these numbers included operations which ceased upon their acquisition by the Group. Upon their acquisition by the Group, the activities of these subsidiaries were restricted to acting as procurement and sales agents for CFIL.

33. Operating Lease Arrangements

The Group as lessor

Property rental income earned during the year was HK$625,000 (2005: HK$376,000). Certain of the Group's investment properties have committed tenants for the next year.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2006 HK$'000	2005 HK$'000
Within one year	620	359

Leases for premises are negotiated for an average term of 1 year and rentals are fixed for an average of 1 year.

The Group as lessee

	2006 HK$'000	2005 HK$'000
Minimum lease payments under operating leases in respect of rented premises and charter hire recognised as an expense in the year	143,144	72,342

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises for each of the following periods:

	2006 HK$'000	2005 HK$'000
Within one year	2,023	2,094
In the second to fifth year inclusive	5,932	6,338
After five years	27,372	29,566

At 31 March 2006, the Group has additional commitment to pay future variable charter hire of fishing vessels based on 20% of future annual operating profits of 14 fishing vessels (2005: 7) for the future periods up to 31 December 2015 (2005: 31 December 2013) under the terms of the vessel operating agreements.

Leases for premises are negotiated for a term of 3 to 30 years and rentals are fixed for an average of 2 years.

34. Commitments

(a)

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
At the balance sheet date, the Group and the Company had contingent liabilities as follows:				
Bills discounted with recourse, unsecured	–	88,352	–	–
Guarantees given to bankers in respect of banking facilities utilised by				
(i) subsidiaries				
– secured	–	–	4,554	5,202
– unsecured	–	–	1,809,046	1,346,744
(ii) subsidiaries of an intermediate holding company PAIH				
– secured	–	10,420	–	10,420
– unsecured	–	–	–	–
	–	98,772	1,813,600	1,362,366

The Company also issued an unlimited guarantee to bankers in respect of general banking facilities granted to subsidiaries.

The secured facilities provided to the Group's subsidiary and the subsidiaries of an intermediate holding company are secured by land and buildings held by the Group and PAIH.

(b) As at 31 March 2006, a subsidiary has exercised an option under a vessel operating agreement to prepay fixed charter hire for 7 fishing vessels for an initial 10 year period by placing a non-interest bearing deposit of HK$390 million (US$50 million). The balance of HK$249.6 million (US$32 million) is payable by November 2006. In the event that the full amount to be prepaid is not settled, the deposit shall be deemed to be a prepayment of fixed charter hire under the vessel operating agreement. Accordingly, the HK$390 million (US$50 million) deposit has been recognised as deferred charter hire (Note 14).

35. Contingent Liabilities

Feoso (Singapore) Private Limited ("Feoso") has issued a writ of summons against PAIH, two employees (the "Employees") of PAIH and Ever Bright Energy Co. Ltd ("Ever Bright") on 21 June 2005 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 (equivalent to approximately HK$28,930,000) plus interest, costs and other ancillary relief. Ever Bright was formerly an indirectly wholly-owned subsidiary of the Company. The Group disposed its interest in the subsidiary on 31 January 2000.

PAIH's legal advisors are still at the preliminary stage of investigating the claim and in the process of instructing counsel to advise on the matter. However, their preliminary view is that PAIH has a good defense and the case is likely to be resolved in PAIH's favour.

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

36. Pledge of Assets

At 31 March 2006, the Group had pledged land and buildings with aggregate net carrying values of approximately HK$19.5 million (2005: HK$19.5 million) to secure the mortgage loans of the Group granted by certain banks.

Deposits amounting to HK$70,000 (2005: HK$858,000), comprise proceeds from discounting export invoices are pledged to a bank to secure an export invoice discounting facility granted to the Group.

37. Holding Company and Related Companies Transactions

(a) During the year, the Group carried out significant transactions with the subsidiaries of PAIH as follows:

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Interest expenses paid to PAIH and its subsidiaries Note (i)	89	206
Administrative expenses paid to PAIH and its subsidiaries Note (ii)	19,654	14,340

Notes:

(i) The interest expenses were calculated on a monthly basis at interest rates ranging from 3.20% to 4.81% (2005: 1.20% to 2.96%) per annum on the outstanding amounts due to PAIH and its subsidiaries.

(ii) The administrative expenses paid to PAIH and its subsidiaries, were calculated in accordance with the management agreement signed on 3 September 1996 and updated by a supplemental agreement dated 22 July 2003.

(b) At the balance sheet date, the total amount of guarantees given by the Group and the Company in respect of banking facilities (utilise and unutilised) granted to subsidiaries of PAIH are as follows:

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Guarantees given to bankers	–	14,175	–	14,175
Joint and several cross guarantees given to bankers	46,800	46,800	46,800	46,800
	46,800	60,975	46,800	60,975

(c) The amount of loans drawn by subsidiaries of PAIH which are covered by guarantees provided by the Group and the Company are disclosed in Note 34.

(d) At the balance sheet date, the total amount of guarantees given by PAIH in respect of banking facilities (utilised and unutilised) granted to the subsidiaries of the Group amounted to HK$494,340,000 (2005: HK$450,940,000).

37. Holding Company and Related Companies Transactions – Continued

(e)

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Bank advances drawn by the Group on discounted trade receivables with insurance coverage of:		
– associates of the Group	10,600	6,100
The above advances are secured by trade receivables of:		
– associates of the Group	11,800	6,800

38. Particulars of Subsidiaries

Details of the Company's subsidiaries at 31 March 2006 are as follows:

Name	Place/country of incorporation or registration/ operation	Percentage of equity interest		Proportion of voting power held		Principal activities	Cost of investment
		2006	2005	2006	2005		
		%	%	%	%		HK$'000
Admired Agents Limited[(1)(6)]	British Virgin Islands/ Worldwide	24.9	*	80	*	Agent for procurement of provisions and supplies for the Group	–
Alliance Capital Enterprises Limited[(2)]	Hong Kong/PRC	100	100	100	100	Property holding	–
Andes Agency Limited[(2)]	Hong Kong/ Worldwide	100	100	100	100	Inactive (formerly ship chartering agency)	–
CFG Investment SAC[(4)(5)(6)]	Peru	31.12	–	100	–	Investment holding	–
CFG Peru Investment Pte Limited[(4)(5)(6)]	Singapore	31.12	–	100	–	Investment holding	–
Champion Maritime Limited[(1)(4)(6)]	British Virgin Islands/ Worldwide	31.12	–	100	–	Procurement agent for fishing vessel bunkers and other supplies as well as sales agent for frozen fish	–
Chanery Investment Inc.[(1)(6)]	British Virgin Islands/ Worldwide	31.12	*	100	–	Agent for procurement of provisions and supplies for the Group	–

38. Particulars of Subsidiaries – Continued

Name	Place/country of incorporation or registration/ operation	Percentage of equity interest		Proportion of voting power held		Principal activities	Cost of investment
		2006	2005	2006	2005		
		%	%	%	%		HK$'000
China Fisheries International Limited[(1)(6)]	Samoa/Worldwide	31.12	*	100	*	Management and operation of fishing vessels and sale of fish and other marine catches	–
China Fishery Group Limited[(1)(3)(4)(6)]	Cayman Islands	31.12	–	84.26	–	Investment holding	–
Concept China Investment Limited[(2)]	Hong Kong/PRC	100	100	100	100	Property holding	–
Conred Limited[(2)]	Hong Kong/PRC	100	100	100	100	Property holding	–
Davis Limited[(2)]	Hong Kong/PRC	100	100	100	100	Property holding	–
Emerald Nirwana Sdn Bhd[(2)]	Malaysia	100	100	100	100	Inactive	–
Excel Concept Limited[(1)(6)]	British Virgin Islands/ Worldwide	24.9	*	80	*	Agent for sales of fish and other marine catches	–
Fantastic Buildings Limited[(2)]	British Virgin Islands/ Hong Kong	100	100	100	100	Property holding	–
Fortress Agents Limited[(1)(4)(6)]	British Virgin Islands/ Worldwide	31.12	–	100	–	Procurement agent for fishing vessel bunkers and other supplies as well as sales agent for frozen fish	–
Golden Target Pacific Limited[(2)]	British Virgin Islands/ Worldwide	100	100	100	100	Investment holding	–
Lions City Investment Inc.[(2)]	British Virgin Islands	100	100	100	100	Investment holding	–
Metro Islands International Limited[(1)(6)]	British Virgin Islands	24.9	*	80	*	Agent for sales of fish and procurement of provisions and supplies for the Group	–
Natprop Investments Limited[(2)]	Cook Islands/Worldwide	100	100	100	100	Ship repairing agency	–
New Millennium Group Holdings Limited[(2)]	British Virgin Islands/ Worldwide	100	100	100	100	Trading of frozen vegetable	–

38. Particulars of Subsidiaries – Continued

Name	Place/country of incorporation or registration/ operation	Percentage of equity interest		Proportion of voting power held		Principal activities	Cost of investment
		2006	2005	2006	2005		
		%	%	%	%		HK$'000
Pacific Andes Enterprises (BVI) Limited[2]	British Virgin Islands/ Worldwide	100	100	100	100	Trading of frozen seafood products	–
Pacific Andes Food (Hong Kong) Company Limited[2]	Hong Kong	100	100	100	100	Trading of frozen seafood products	–
Pacific Andes Vegetables, Inc.[2]	British Virgin Islands/ PRC	100	100	100	100	Investment holding	–
Paco Alpha Limited[2]	British Virgin Islands/ Worldwide	100	100	100	100	Inactive	–
Paco Beta Limited[2]	British Virgin Islands/ Worldwide	100	100	100	100	Trading of marine fuel	–
Paco Gamma Limited[2]	British Virgin Islands/ Worldwide	100	100	100	100	Vessel holding	–
Paco Delta Limited[2]	British Virgin Islands/ Worldwide	100	100	100	100	Inactive	–
Paco Sigma Limited[2]	British Virgin Islands/ Worldwide	100	100	100	100	Trading agent	–
Paco ST (Pte) Limited[1]	Singapore	100	100	100	100	Inactive	–
Pacos Trading Limited[2]	Cayman Islands	100	100	100	100	Trading of frozen seafood products	–
Parkmond Group Limited[2]	British Virgin Islands/ Worldwide	100	100	100	100	Trading of frozen seafood products	–
Pioneer Logistics Limited[1][4][6]	British Virgin Islands/ Worldwide	31.12	–	100	–	Procurement agent for fishing vessel bunkers and other supplies as well as sales agent for frozen fish	–
Qingdao Pacific Andes Farm Co. Limited[2]	PRC	100	100	100	100	Plantation of vegetable	–

38. Particulars of Subsidiaries – Continued

Name	Place/country of incorporation or registration/ operation	Percentage of equity interest		Proportion of voting power held		Principal activities	Cost of investment
		2006	2005	2006	2005		
		%	%	%	%		HK$'000
Qingdao New Millennium Food Co., Limited[2]	PRC	100	100	100	100	Frozen vegetable processing	–
Quality Food (Singapore) Pte. Limited[1]	Singapore	100	100	100	100	Not yet commenced business	–
Smart Group Limited[1][4][6]	Cayman Islands	31.12	–	100	–	Investment holding	–
Super Investment Limited[2][4]	Cayman Islands	36.93	–	51.9	–	Investment holding	–
Superb Choice International Limited[1][6]	British Virgin Islands/ Worldwide	31.12	*	100	–	Agent for sales of fish and other marine catches	–
Richtown Development Limited[2]	British Virgin Islands/ Hong Kong	100	100	100	100	Investment holding	**
Well Hope International Limited[2]	British Virgin Islands	100	100	100	100	Inactive	–
Zhonggang Fisheries Limited[2]	PRC	70	70	70	70	Investment holding	–
							**

Notes:

* China Fisheries International Limited and its subsidiaries became subsidiaries of the Group with effect from 30 June 2005 (Note 22).

** Less than HK$1,000.

(1) Audited by Deloitte & Touche, Singapore.

(2) Audited by overseas practices of Deloitte Touche Tohmatsu.

(3) Listed on the Singapore Exchange Securities Trading Limited in January 2006.

(4) Acquired during the financial year.

(5) Dormant and not required to be audited in the country of incorporation.

(6) China Fishery Group Limited is considered a subsidiary for the reasons stated in Note 22. All the entities listed above in which the Group has less than 50% equity interest are subsidiaries of China Fishery Group Limited.

39. Financial Risks and Management

(a) Credit risk

The Group's credit risk is primarily attributable to its bank balances, trade and other receivables and bills receivable. Cash is placed with creditworthy financial institutions. The trade and other receivables presented in the balance sheet are net of allowances for doubtful receivables, if any, estimated based on prior year experience and the current economic condition. The Group has no concentration of credit risk.

The Group manages credit risk by arranging for credit insurance when appropriate.

(b) Interest rate risk

The Group is exposed to interest rate risk through the impact of changes in interest rates on interest-bearing debts and bank balances.

The interest rates and terms of repayment of the interest-bearing debts of the Group are disclosed in Notes 26 and 27.

The interest rates on cash placed with financial institutions are disclosed in Note 24.

(c) Foreign currency risk

The Group has limited exposure to foreign currency risk as the Group's transactions are denominated mainly in the functional currencies of the respective entities and are managed as far as possible by natural hedges of matching assets and liabilities. The Group is exposed to translation risk on its investment in foreign subsidiaries. This is regularly monitored. The Group does not enter into financial derivative instruments to hedge its foreign currency risk.

(d) Liquidity risk

The Group has sufficient funds to finance its ongoing working capital requirements, and when necessary, draws on its available credit facilities.

(e) Other risk

The Group has prepaid HK$804,960,000 of charter hire fees for 14 fishing vessels, the benefits of which are to be realised over 10 years ending in 2015. The Group mitigates risk relating to obligations of the counterparties in respect of the prepayment arrangements and the vessel operating agreements through the security documents set out in Note 14.

(f) Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities recorded in the financial statements and determined in accordance with the accounting policies disclosed in Note 2 approximate their respective fair values.

40. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management is of the opinion that there are no matters of critical judgements that have significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill and deferred charter hire

Determining whether goodwill and deferred charter hire are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and deferred charter hire have 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 and deferred charter hire are not impaired. As at 31 March 2006, the carrying amounts of goodwill and deferred charter hire are HK$105,293,000 and HK$712,530,000 (2005: HK$105,293,000 and HK$198,362,000), respectively.

41. Events after the Balance Sheet Date

Subsequent to the financial year end, the Group:

(a) acquired 100% of the issued capital of Procesadora Del Carmen S.A., a company incorporated in Peru who principally engaged in fishing operations in the Peruvian waters for cash consideration of HK$34,710,000 (US$4,450,000); and

(b) entered into a conditional share purchase agreement to acquire 100% of the issued capital of Alexandra S.A.C. and its subsidiaries, Pesquera Victor S.A.C. and Pesquera Flor de Ilo S.R.L.. The 3 entities are all incorporated in Peru and are engaged in the extraction, production, transformation, industrialisation and commercialisation of hydrobiological resources and related products such as fishmeal and oil. The cash consideration for this transaction is HK$780 million (US$100 million) subject to the completion of due diligence. Completion of the transactions are subject to certain precedent conditions.

Although the consideration for the acquisition of Procesadora Del Carmen S.A. Note (a) has been determined, management is in the process of preparing the financial information of Procesadora Del Carmen S.A. as at the completion date to determine the fair value of the identifiable net assets acquired. Since the fair value of the identifiable net assets of Procesadora Del Carmen S.A. have not yet been finalised, in the opinion of the directors of the Company, it is impracticable to disclose the relevant information required under FRS 103.

SUPPLEMENTARY INFORMATION

The reporting currency of the Group is in Hong Kong dollars. The Singapore dollars equivalent of the income statement and balance sheet of the Group is provided as Supplementary Information for shareholders and investors in Singapore.

Income Statement

For the year ended 31 March 2006

	THE GROUP (Unaudited) 2006 S$'000	2005 S$'000
Revenue	743,096	611,605
Cost of sales	(622,856)	(544,592)
Gross profit	120,240	67,013
Other operating income	973	743
Selling and distribution expenses	(8,864)	(6,793)
Administrative expenses	(16,508)	(11,475)
Other operating expenses	(2,405)	(1,076)
Exceptional item – Gain on dilution of interest in subsidiary	16,987	–
Finance costs	(21,488)	(10,421)
	88,935	37,991
Share of results of associates	(65)	63
Profit before taxation	88,870	38,054
Taxation	(985)	(650)
Profit for the year	87,885	37,404
Attributable to:		
Equity holders of the Company	53,803	32,713
Minority interests	34,082	4,691
	87,885	37,404
Earnings per share		
Basic (Singapore cents)	8.20	5.84
Diluted (Singapore cents)	8.15	5.38
Proposed dividend per share (Singapore cents)	1.82	1.63

Balance Sheet

As at 31 March 2006

	THE GROUP (Unaudited) 2006 S$'000	2005 S$'000
NON-CURRENT ASSETS		
Property, plant and equipment	23,932	10,092
Investment properties	4,787	4,378
Goodwill	22,011	22,267
Deferred charter hire	126,448	37,155
Interests in associates	13	78
Other intangible assets	570	577
	177,761	74,547
CURRENT ASSETS		
Inventories	174,826	112,024
Trade receivables	287,680	131,731
Trade receivables with insurance coverage	248	30,618
Other receivables and prepayments	65,989	87,410
Current portion of deferred charter hire	22,501	4,794
Amounts due from a jointly-controlled entity	–	8,843
Advances to suppliers	–	3,305
Bills receivable	22,411	39,963
Tax recoverable	115	–
Pledged deposits	15	181
Bank balances and cash	36,934	24,849
	610,719	443,718
CURRENT LIABILITIES		
Trade payables	9,642	62,716
Other payables	11,834	24,204
Income tax payable	1,395	596
Amounts due to Pacific Andes International Holdings Limited and its subsidiaries	561	899
Bank advances drawn on bills and discounted trade receivables with insurance coverage	24,637	15,754
Current portion of interest-bearing bank borrowings	325,718	188,503
	373,787	292,672
NET CURRENT ASSETS	236,932	151,046

Balance Sheet

As at 31 March 2006

	THE GROUP (Unaudited) 2006 S$'000	2005 S$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	28,766	956
Deferred tax liabilities	119	51
	28,885	1,007
NET ASSETS	385,808	224,586
CAPITAL AND RESERVES		
Share capital	132,443	123,966
Reserves	136,463	95,924
Attributable to equity holders of the Company	268,906	219,890
Minority interests	116,902	4,696
TOTAL EQUITY	385,808	224,586

* Exchange rate
Year 2006: S$1 = HK$4.7837
Year 2005: S$1 = HK$4.7286

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION AS AT 15 JUNE 2006

Authorised Share Capital	:	S$200,000,000.00
Issued and fully paid-up capital	:	S$132,443,123.20
Class of shares	:	Ordinary share of S$0.20 each
Voting rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	N0. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	74	2.31	32,609	0.00
1,000 – 10,000	1,820	56.77	11,968,530	1.81
10,001 – 1,000,000	1,288	40.17	58,267,961	8.80
1,000,001 and above	24	0.75	591,946,516	89.39
TOTAL	3,206	100.00	662,215,616	100.00

SUBSTANTIAL SHAREHOLDINGS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Clamford Holding Limited	426,172,402	64.36	4,645,000	0.70
Pacific Andes International Holdings Limited	–	–	430,817,402	65.06
N. S. Hong Investment (BVI) Limited	–	–	430,817,402	65.06
Value Partners Limited	–	–	47,335,000	7.15
Cheah Cheng Hye	–	–	47,335,000	7.15

Notes:

Deemed Interest of 4,645,000 shares of Clamford Holding Limited comprises of the following:

Name	No. of shares
UOB Kay Hian Pte Ltd	4,645,000

Deemed Interest of 47,335,000 shares of Value Partners Limited comprises of the following:

Name	No. of shares
Citibank Nominees Singapore Pte Ltd	6,005,000
HSBC (Singapore) Nominees Pte Ltd	32,045,000
Raffles Nominees Pte Ltd	3,661,000
Morgan Stanley Asia (Singapore) Securities Pte Ltd	5,624,000

SUBSTANTIAL SHAREHOLDINGS – Continued

(As recorded in the Register of Substantial Shareholders)

Pacific Andes International Holdings Limited holds a total of 430,817,402 shares by virtue of its deemed interest in the shares held by Clamford Holding Limited.

N.S. Hong Investment (BVI) Limited holds a total of 430,817,402 shares by virtue of its deemed interest in the shares held by Pacific Andes International Holdings Limited.

Cheah Cheng Hye holds a total of 47,335,000 shares by virtue of his deemed interest in the shares held by Value Partners Limited.

	NAME	NO. OF SHARES	%
1	Clamford Holding Limited	426,172,402	64.36
2	HSBC (Singapore) Nominees Pte Ltd	38,157,000	5.76
3	UOB Kay Hian Pte Ltd	19,948,023	3.01
4	Citibank Nominees Singapore Pte Ltd	17,932,000	2.71
5	Raffles Nominees Pte Ltd	15,689,000	2.37
6	Morgan Stanley Asia (Singapore) Securities Pte Ltd	14,119,000	2.13
7	DBS Nominees Pte Ltd	12,260,000	1.85
8	Merrill Lynch (Singapore) Pte Ltd	6,467,000	0.98
9	Phillip Securities Pte Ltd	5,502,500	0.83
10	OCBC Securities Private Ltd	4,791,999	0.72
11	DBS Vickers Securities (S) Pte Ltd	4,676,000	0.71
12	Kwek Leng Beng	4,220,000	0.64
13	Boey Mun Hoi or Lai Yuet Yuk	3,935,000	0.59
14	Citibank Consumer Nominees Pte Ltd	3,781,000	0.57
15	Fong Lit Lee David	2,450,000	0.37
16	Chan Kwee Soon	1,800,000	0.27
17	Kim Eng Securities Pte Ltd	1,629,000	0.25
18	ING Nominees (Singapore) Pte Ltd	1,485,000	0.22
19	CIMB-GK Securities Pte Ltd	1,377,469	0.21
20	United Overseas Bank Nominees Pte Ltd	1,260,123	0.19
	TOTAL	587,652,516	88.74

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

34.94% of the company Company's shares are held in hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of PACIFIC ANDES (HOLDINGS) LIMITED ("the Company") will be held at The Casuarina, Suite A, The Raffles Hotel, 1 Beach Road, Singapore 189673 on Thursday, 27 July 2006 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 March 2006 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of Singapore 1.82 cents per ordinary share (tax not applicable) for the year ended 31 March 2006 2005: Singapore 1.63 cents per ordinary share (tax not applicable). **(Resolution 2)**

3. To re-elect Mdm Teh Hong Eng retiring by rotation pursuant to Bye-law 105 of the Company's Bye-laws. **(Resolution 3)**

4. To re-elect the following Directors retiring by rotation pursuant to the Bye-law 108(A) of the Company's Bye-laws:

   Lt-Gen (Ret) Ng Jui Ping **(Resolution 4)**
   Mr Ng Joo Siang **(Resolution 5)**

   Lt-Gen (Ret) Ng Jui Ping will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Chairman of the Remuneration and Nominating Committees and will be considered Independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To approve the payment of Directors' fees of S$71,500 for the year ended 31 March 2006 (2005: S$71,500). **(Resolution 6)**

6. To approve the payment of Directors' fees of HK$480,000 (equivalent to S$100,341) for the year ending 31 March 2007, to be paid yearly in arrears. **(Resolution 7)**

7. To re-appoint Deloitte & Touche as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

9. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law or the Bye-laws of the Company to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities. See Explanatory Note (i) **(Resolution 9)**

10. **Authority to allot and issue shares under the Pacific Andes (Holdings) Share Option Scheme 2001**

That the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Pacific Andes (Holdings) Share Option Scheme 2001 ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme established by the Company. See Explanatory Note (ii) **(Resolution 10)**

By Order of the Board
Julie Koh Ngin Joo
Company Secretary

Singapore, 12 July 2006

Explanatory Notes:

(i) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law or the Bye-laws of the Company to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company at the time of the passing of this resolution.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion or exercise of convertible securities or the exercise of share options on issue at the time when this proposed Ordinary Resolution is passed and (b) any subsequent consolidation or subdivision of shares.

(ii) The Ordinary Resolution 10 proposed in item 10 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares in the Company subject to the maximum number of shares prescribed under the terms and conditions of the Scheme.

Note:

(1) a member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) The instrument appointing the proxy must be lodged at the office of the Singapore share transfer agent, Lim Associates (Pte) Ltd at 10, Collyer Quay, #19-08, Ocean Building, Singapore 049315 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.

(3) A member of the Company which is a corporation is entitled to appoint its authorized representative or proxy to vote on its behalf.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Pacific Andes (Holdings) Limited (the "Company") will be closed from 9 August 2006* to 11 August 2006 (both dates inclusive) for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Transfer Agent, Lim Associates (Pte) Ltd, 10 Collyer Quay #19-08, Ocean Building, Singapore 049315 up to 5.00 p.m. on 8 August 2006 will be registered to determine shareholders' entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 8 August 2006 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 27 July 2006 will be made on 22 August 2006.

* 9 August 2006 is a public holiday in Singapore.