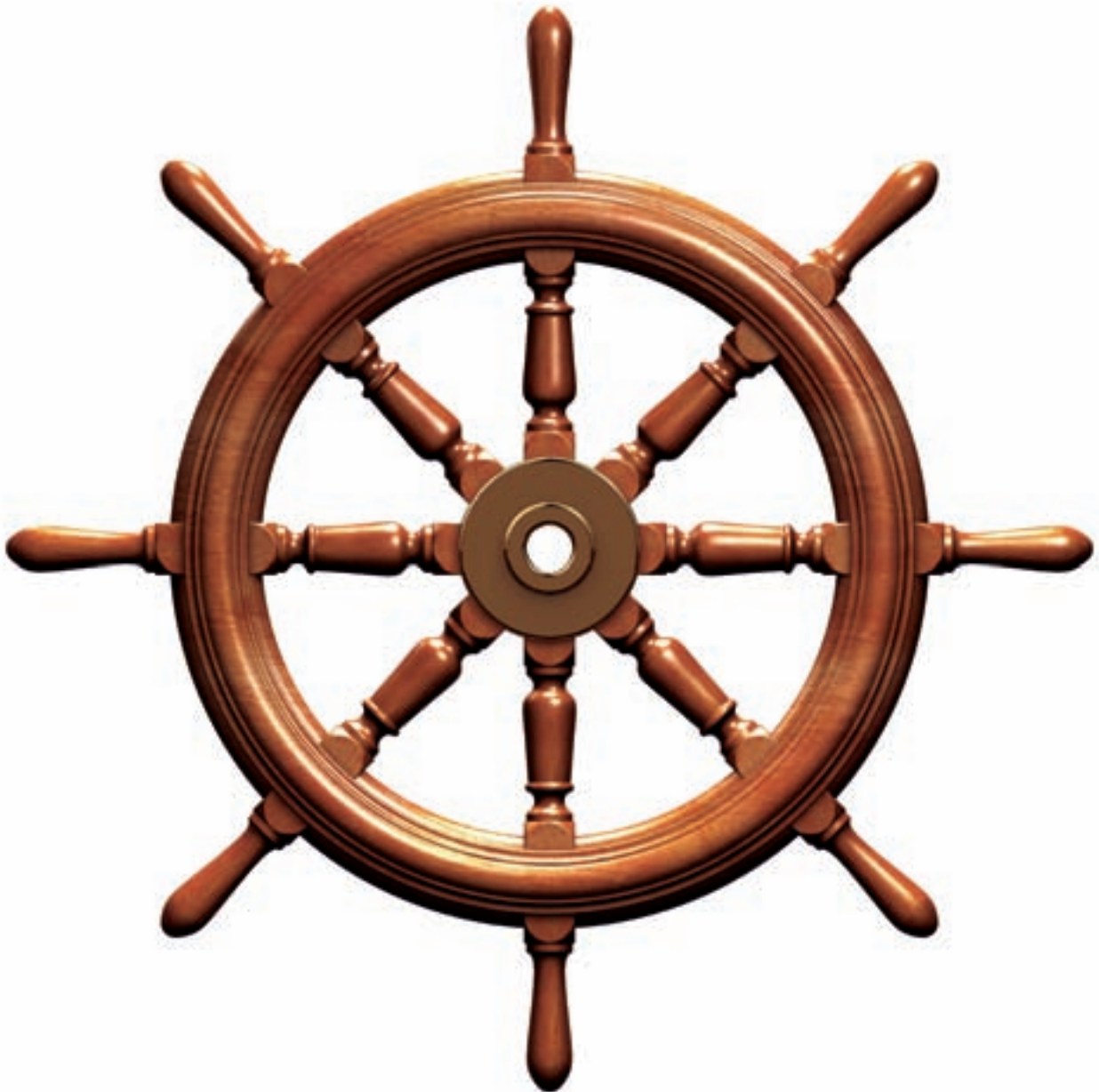


**CHINA
FISHERY**
GROUP LIMITED

ANNUAL REPORT 2008



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CORPORATE MISSION

As a leading global industrial fishing company, China Fishery Group is committed to securing access to under-utilised and abundant ocean resources to meet the growing needs of health and value-conscious consumers worldwide. We will continue to offer a responsibly-derived range of quality staple food products via our fishing, on-board processing and fishmeal production operations.

CORPORATE PROFILE

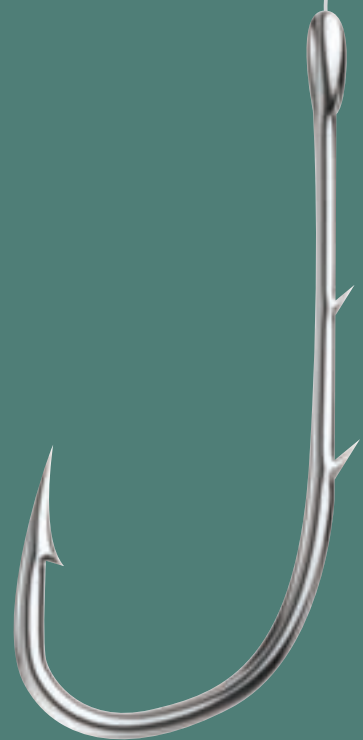
Listed on the Singapore Exchange Mainboard in 2006, China Fishery Group Limited (“China Fishery”) is a global and integrated industrial fishing company with rights to fish in some of the world’s most important fishing grounds.

Employing state-of-the-art technology on-board its vessels, China Fishery harvests, onboard processes and delivers high quality catch to consumers the world over.

In 2006, China Fishery also established fishmeal processing operations in Peru, where it has fishmeal processing plants and purse-seine fishing vessels deployed strategically along Peru’s coastal areas.

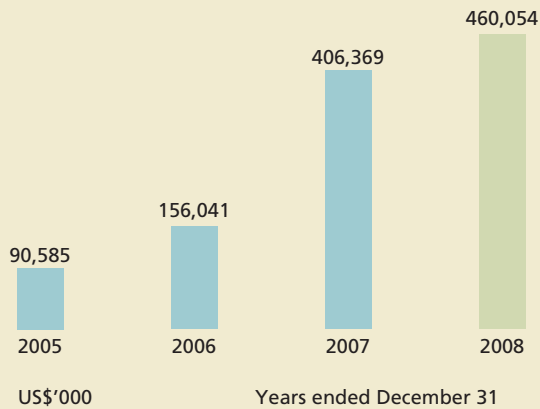
Riding on an ever-growing global demand for fish, China Fishery is committed to continually securing access to under-utilised and abundant ocean resources, and fulfilling the needs of health and value-conscious consumers through sustainable fishing practices.

Financial Highlights



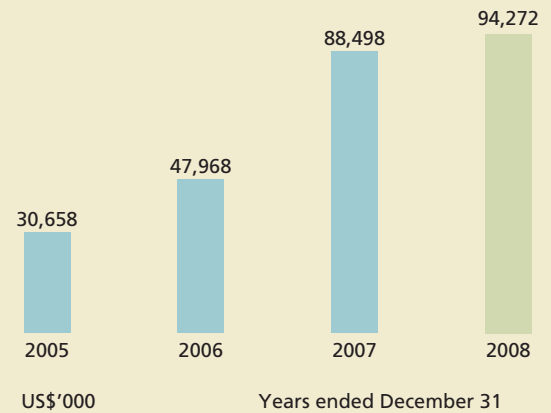
Turnover

Turnover grew at a CAGR of 71.9% from FY2005 to FY2008 was mainly attributable to more Vessel Operating Agreements and contribution from acquired fishmeal operations.



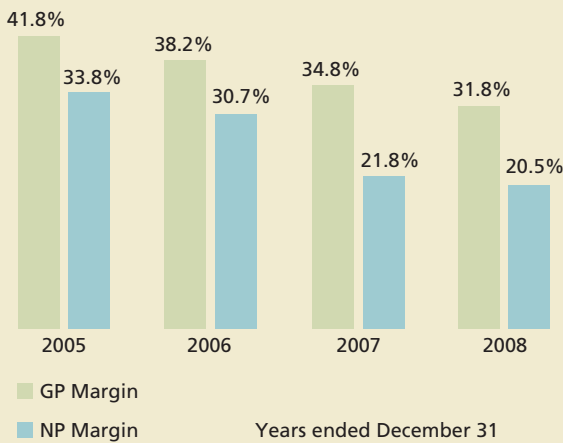
Net Profit

From FY2005 to FY2008, the Group has achieved consistent growth in net profit with a CAGR of 45.4%.



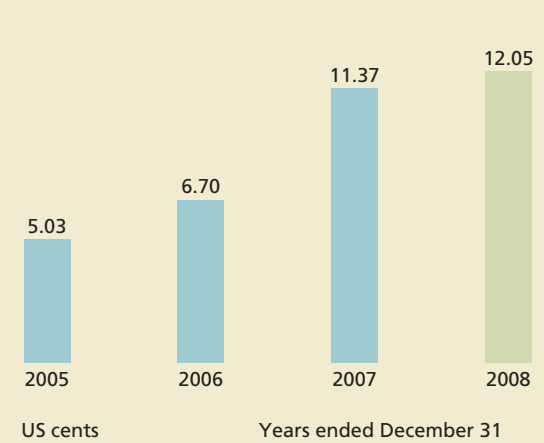
Profit Margins

The incorporation of our fishmeal operations which is entirely debt-financed and the different fee structure of our fourth Vessel Operating Agreement impacted the Group's profit margin trends.



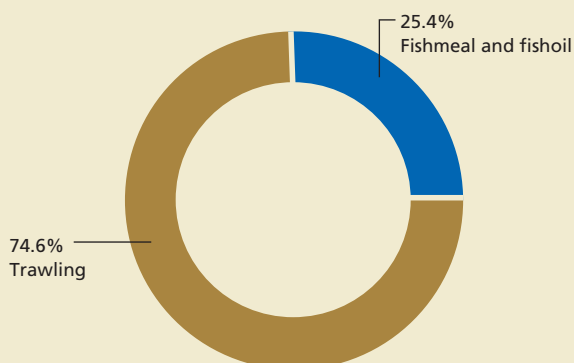
Basic Earnings per Share

Basic earnings per share reached US12.05 cents in FY2008, up from US5.03 cents in FY2005, reflecting the continuous and sustained growth achieved by the Group.



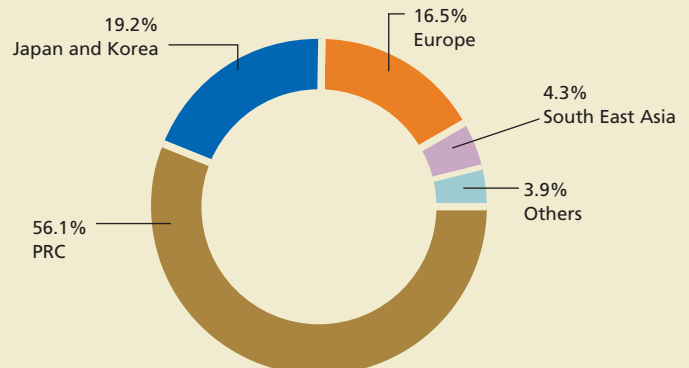
Revenue by Business Segment

Trawling was the largest sales contributor for the Group, accounting for 74.6% of the Group's total revenue in FY2008, while fishmeal and fishoil accounted for the balance 25.4%.



Revenue by Geographical Segment

The People's Republic of China ("the PRC") was the Group's largest market, accounting for 56.1% of the Group's total revenue in FY2008, including both fish and fishmeal sales. Japan & Korea formed the second largest market, accounting for 19.2% on sales of fish and premium fish products.



A Message to Investors



Dear Valued Investors,

On behalf of your Board of Directors ("Board"), I am pleased to deliver the annual report of China Fishery Group Limited ("China Fishery" or "the Company") and its subsidiaries (collectively "China Fishery Group" or "the Group") for the financial year ended December 31, 2008 ("FY2008").

2008 was a year of steady progress for China Fishery. Our business maintained growth amidst a sluggish global business environment, reflecting the resilient nature of the fishing industry, and the success of our business strategy of continuously striving to increase access to sustainable fish resources. The Group has also successfully achieved organic growth and a greater market share in its operating markets. In addition, we have embarked on building new initiatives with sustainable and high growth prospects to further strengthen our overall business model.

Operational Review

In FY2008, we further expanded our fishing and processing capabilities in Peru and executed a strategic move to tap the rich but relatively unexplored fishing grounds in the South Pacific Ocean.

Expanded Fishing and Fishmeal Operations in Peru

We acquired 5 additional purse-seine fishing vessels and 1 fishmeal processing plant, bringing the Group's total Peruvian fleet to 39 purse-seine fishing vessels and 8 fishmeal processing plants.

As anticipated in our growth strategy since 2006, we are pleased to see the fruits of our expansion efforts in Peru as the long-awaited Individual Transferable Quota ("ITQ") system will be implemented in the first fishing season of 2009. Under the ITQ system, fishing quotas are henceforth allocated to fishing companies operating in the country. In the light of our expanded capacity, we have been allocated fishing rights representing approximately 5% share of Peru's total allowable catch, and this quota share will be valid for 10 years. The change in fishing system is expected to benefit China Fishery, in allowing us to fish up to our quota share and at our own pace, thereby optimising fleet and plant operating efficiency and utilisation.

Expanded Trawling Operations to the South Pacific Ocean

In line with the Group's core business strategy of continuously striving to increase access to abundant and sustainable fish resources to meet the growing needs of health and value-conscious consumers worldwide, the Group executed a strategic move to tap the rich but relatively unexplored fishing grounds in the South Pacific Ocean by deploying two super-trawlers to this region towards the end of 2008. Our fleet harvests mainly the Chilean Jack Mackerel, an under-utilised fish which is sold to the African market.

Financial Review

The Group achieved satisfactory financial growth in the face of a global financial crisis and record high oil prices. In FY2008, Group total revenue increased by 13.2% to US\$460.1 million. Profit attributable to shareholders amounted to US\$94.3 million, representing a 6.5% increase over the US\$88.5 million of 2007. Basic earnings per share reached 12.1 US cents, an increase from 11.4 US cents in 2007.

As a temporary measure to conserve cash under current exceptional circumstances due to the global financial crisis, your Board has proposed a bonus issue on the basis of one bonus share, credited as fully paid for every ten existing issued shares, subject to the approval of the Stock Exchange of Singapore Limited and shareholders at an extraordinary general meeting.

Prospects and Outlook

Fishing quota systems in major fishing grounds around the world ensure the sustainable growth and development of ocean resources, thus the supply of wild caught fish continues to remain under control at sustainable levels with no growth. Global demand for fish would, however, continue to grow steadily supported by a growing population and dietary preference for fish as a healthy life-style choice.

Although the global economic situation in 2009 is likely to worsen as a result of the credit crunch which has crippled global financial markets, the Group is encouraged with the increase in demand for fish and fish products in the more affordable price range as consumers become more cost-conscious and switch to less expensive alternatives. This trend is favourable for the Group as our fish products are well-suited to meet this demand.

A Message to Investors

The implementation of the ITQ system is expected to further facilitate the success of the Group's operations in Peru. Under this system, the Group can enhance the utilisation and operating efficiency of its fishing fleet and fishmeal processing plants through better control of fishing and production schedules. In addition to being favourable to the Group's business operations, this preferred system is beneficial to the long-term sustainability of the region's fish resources.

Building on our core development strategy, more upgraded fishing vessels will be deployed to the South Pacific Ocean in FY2009. Though the direct contribution to earnings from this newly established operation is unlikely to be immediate, the potential beyond 2009 is expected to be promising. Expansion into the South Pacific fishing ground will further strengthen the Group's overall business and position the Group for continued and steady growth.

Riding on an ever-growing global demand for fish, China Fishery is committed to continually securing access to under-utilised and abundant ocean resources, and fulfilling the needs of health and value-conscious consumers through sustainable fishing practices. We will continue to leverage our unique competencies and our position as the world's leading industrial fishing company to exploit suitable business opportunities that may arise. In view of the abovementioned factors and planned developments, the Group is well-positioned to further enhance shareholder value and achieve steady growth ahead.

Appreciation

I welcome Mr Tan Ngiap Joo to the Board and would like to express my appreciation to my fellow Directors for their unstinting support, co-operation and counsel. I would also like to acknowledge the contribution made by the late Dr Ong Chit Chung who passed away on July 14, 2008. Dr Ong, who served as a Board member since the listing of China Fishery, had always provided valuable advice and guidance.

Last but not least, I wish to express my gratitude for the support rendered by all our stakeholders, including customers, business partners, bankers, advisers, shareholders, staff and crew members. On behalf of your Board, I extend my sincere appreciation and thanks. With your continued support, we look forward to another successful year.

Ng Joo Kwee
Executive Chairman

April 8, 2009

Management Discussion on Financials

Revenue

For FY2008, total revenue increased 13.2% to US\$460.1 million. The increase reflects the success of the Group's organic growth and new acquisitions.

By operations, trawling and fishmeal processing accounted for 74.6% and 25.4% of total revenue respectively. Trawling operations enjoyed a year of satisfactory growth with turnover increasing by 18.5%, a reflection of the increase in catch volume and fish prices during the year under review. Turnover from fishmeal operations increased marginally by 0.01% due to the softening of fishmeal prices in FY2008.

From a geographical perspective, the PRC remains the Group's key market, representing 56.1% of the Group's total revenue, sales of fish and premium fish products to Japan and Korea accounted for 19.2%, while sales of fillet and fishmeal to Europe accounted for 16.5%. Sales to other markets, mainly in South East Asia and South America accounted for 8.2% of total revenue.

Profit

Gross profit increased 3.5% to US\$146.3 million from US\$141.3 million. Gross profit margin decreased slightly from 34.8% to 31.8% due to oil price spikes in 2008, which significantly increased fuel cost in its fishing operations. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased 5.1% to US\$155.0 million from US\$147.5 million. Net profit after tax was US\$94.3 million, a 6.5% increase from US\$88.5 million. As the Group benefited from further economies of scale and higher operating efficiencies during the year, net profit margin reduced by only 1.3% to 20.5% despite the surge in fuel cost.

Cost of sales increased 27.6% to US\$41.8 million, mainly attributable to the surge in fuel costs. The ratio of fuel cost to total sales rose from 14.0% in FY2007 to 17.8% in FY2008.

Finance costs increased 16.4% to US\$31.2 million due to expanded scale of operations and higher cost of funding. Selling expenses rose by 32.0% to US\$15.6 million, due mainly to higher fuel costs leading to higher transportation expenses. The Group's expanded distribution network for its fishmeal products also contributed to higher logistic costs.

Balance Sheet

As at December 31, 2008, the Group's total assets stood at US\$717.9 million, comprising US\$580.6 million in non-current assets and US\$137.3 million in current assets. Total liabilities amounted to US\$382.1 million, comprising about 73.0% or US\$279.0 million in non-current liabilities and 27.0% or US\$103.1 million in current liabilities.

The Group had a debt-to-total assets ratio of 44.2% compared to 45.3% as at December 31, 2007. It also maintained US\$7.6 million in cash and bank balances as at the end of the reporting period.

Assets

Current assets increased to US\$137.2 million from US\$119.1 million as at December 31, 2007. This was due to higher trade and bills receivables and inventories recorded, in line with the Group's expanded Peruvian fishmeal operations.

Non-current assets increased to US\$580.6 million from US\$528.9 million. This was attributed to the acquisition of a fishmeal processing plant and several fishing vessels in Peru.

Liabilities

Current liabilities decreased to US\$103.1 million from US\$113.9 million. This was due mainly to the decrease in trade payables in the Group's trawling operations, which was largely attributable to the trade deposits received from customers to secure fish supply during the fishing seasons in FY2007.

Bank borrowings repayable within one year amounted to US\$69.5 million (comprising inventory loans of US\$35.1 million, term and revolving loans of US\$29.8 million and finance leases of US\$4.6 million), which were approximately 21.9% of total borrowings. The inventory loans are fully backed by the Group's fishmeal inventories and/or letters of credit received from customers.

Non-current liabilities amounted to US\$279.0 million, which comprised mainly of the US\$218.6 million in senior notes issued in December 2006. The Group may from time to time seek to retire, purchase or resell its outstanding debt through cash purchases or re-sales in open market transactions, privately negotiated transactions or otherwise. Any such repurchases or re-sales would depend on prevailing market conditions, the Group's liquidity requirements and possibly other factors. The amounts involved may be material. These purchases or re-sales may be made by CFG Investment S.A.C. or its affiliates.

Total Equity

Total equity increased to US\$335.8 million from US\$252.5 million due mainly to the retention of the current year's profit.

Directors' Profile

Executive Directors

| | |
|-------------------------|--|
| MR NG JOO KWEE | 49, is the Executive Chairman of the Company, responsible for the overall management and strategic development of the Company. Mr Ng was appointed to the Board of the Company on October 31, 2005 and last re-elected as a Director of the Company on April 30, 2007. He is also the Executive Director of Pacific Andes International Holdings Limited ("PAIH"), a company listed on The Stock Exchange of Hong Kong Limited, as well as the Executive Director of Pacific Andes (Holdings) Limited ("PAH"), a company listed on the Singapore Exchange Securities Trading Limited. From 1983 to 1989, Mr Ng was president of a seafood trading and fishing company in Taiwan. In 1989, Mr Ng joined PAIH as General Manager of its China operations, overseeing for the daily operations, trading and sourcing activities. Mr Ng is a brother of Mr Ng Joo Siang. |
| MR SUNG YU CHING | 63, is the Managing Director of the Company, overseeing the operational management and business development of the Group. Mr Sung was appointed to the Board of the Company on October 31, 2005 and last re-elected as a Director of the Company on April 28, 2008. Mr Sung graduated from the marine engineering department of National Taiwan Ocean College and obtained his marine engineering licence in Taiwan. From 1990 to 1997, Mr Sung worked with a ship repairing company in Taiwan and actively participated in arranging Russian fishing vessels for repair in Taiwan. |
| MR NG JOO SIANG | 50, is an Executive Director of the Company. Mr Ng was appointed to the Board of the Company on April 25, 2006 and last re-elected as a Director of the Company on April 30, 2007. Mr Ng oversees the general management, sales and business development as well as strategic planning of the Group. He is also the Managing Director of PAIH and an Executive Director of PAH, responsible for the overall strategic planning, development, corporate policy formulation, investment and management of the Pacific Andes Group. Mr Ng graduated from the Louisiana State University in Baton Rouge, Louisiana, with a Bachelors degree in International Trade and Finance, and has over 20 years of experience in the trading of seafood products. Prior to joining PAH in 1986, Mr Ng was in the ship agency business. Mr Ng is a brother of Mr Ng Joo Kwee, the Executive Chairman. |
| MR CHAN TAK HEI | 39, is the Finance Director of the Company, responsible for the overall financial management and corporate planning of the Group. Mr Chan was appointed to the Board of the Company on February 15, 2005 and was last re-elected as a Director of the Company on April 30, 2007. 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 to joining the Group in February 2005, Mr Chan was working with PAIH as its Financial Controller since 1995. |

Independent Directors

MR LIM SOON HOCK

59, was appointed as an Independent Director of the Company on January 16, 2006 and was last re-elected as a Director of the Company on April 28, 2008. He is also the Chairman of the Audit Committee and a member of both the Nominating and Remuneration Committees. Mr Lim is best known for his work as the former Vice President and Managing Director of Compaq Computer Asia Pacific Pte Ltd, where he was the first Asian appointed to the position. From 1999 to 2003, he was the President of SITA INC Asia Pacific Pte Ltd, a multi-billion dollar global company which provides managed data services and IT solutions to the air transport industry. Other senior positions which he held include being the Chairman of the Singapore Institute of Management, Chairman of the Institute of High Performance Computing, and Chairman and Chief Executive Officer of Easycall International Pte Ltd. Mr Lim also sits on the Board of Directors of several public listed companies, government agencies and civic organisations. He is presently the Managing Director of PLAN-B ICAG Pte Ltd, a boutique corporate advisory firm. He holds a Bachelor of Engineering degree with Honours in Electrical Engineering from the University of Singapore and is a Fellow of the Institution of Engineers, Singapore, Institution of Engineering and Technology, UK and the Singapore Institute of Directors. Mr Lim was appointed a Justice of the Peace in May 2008.

MR TSE MAN BUN

66, was appointed as an Independent Director of the Company on January 16, 2006 and was last re-elected as a Director of the Company on April 25, 2006. He is also the Chairman of the Nominating Committee and a member of both the Audit and Remuneration Committees. Mr Tse has over 40 years of working experience in the banking industry apart from which, he also has an in-depth understanding of the commerce and manufacturing industries. He joined The Hongkong & Shanghai Banking Corporation Limited in 1968 and retired from the bank in December 2002. Mr Tse is currently an Executive Director of CDRS Development Group Limited and an Independent Non-Executive Director of HSBC Insurance (Asia) Limited, HSBC Life (International) Limited, Crystal International Limited and Tysan Holdings Limited. Mr Tse is also a Non-Executive Director of SEA Holdings Limited.

MR TAN NGIAP JOO

63, was appointed as an Independent Director of the Company on January 12, 2009 and is also the Chairman of the Remuneration Committee and a member of both the Audit and Nominating Committees. Mr Tan was previously the Deputy President of OCBC Bank (Singapore) Limited. Prior to this, he was a Chief Executive Officer of Bank of Singapore (Australia) Limited. Presently, he sits on the Boards of several Singapore companies. He is the Chairman and Director of United Engineers Limited and Banking Computer Services Private Limited, and a Director of BCS Information Systems Pte Ltd, British and Malayan Trustees Limited, and Embassy Mapletree Trust Management Ltd. Mr Tan holds a Bachelor of Arts degree from the University of Western Australia.

Key Management

BREDIKHIN GENNADY

is our Fleet Manager for our fishing operations in the Pacific Ocean. He is responsible for the overall management of the fishing operations in the Pacific Ocean. His responsibilities include supervision of catch discharges, monitoring of on-board supplies, and the formulation of fishing strategies. He joined our Group as a Fleet Manager of China Fisheries International Limited (“CFIL”) in 2001. Prior to joining our Group, he was involved in the fishing operations of a fishing company in Russia from 1975 to 1997, holding the post of Overseas Department Manager. Mr Bredikhin graduated from the Kaspian Marine College in 1975.

ROMAN EMELYANOV

is our Chief Port Engineer. He is responsible for the technical aspects of the fishing vessels, including the maintenance and repair of the fishing vessels. He graduated from Kamchatka State Marine University in 1994 with a Masters degree in Marine Engineering. He joined our Group as a mechanical engineer of CFIL in 2001. He was promoted to the position of Chief Port Engineer of the Company in 2002. Prior to joining our Group, he worked as an engineer at various fishing companies in Russia from 1996 to 2001.

WONG MAN YUK RAYMOND

is the Financial Controller for our Group. He is responsible for the financial management of the Group. He graduated from Hong Kong Baptist University with a Bachelor’s degree in Accountancy in 1998 and is a fellow member of the Association of Chartered Certified Accountants, and the Hong Kong Institute of Certified Public Accountants. He was with Deloitte Touche Tohmatsu from 1998 to 2003 and before leaving the firm, he held the position of Audit Senior. From 2003 until he joined the Group in October 2005, Mr Wong was with Pacific Andes International Holdings Limited as Deputy Financial Controller.

JOSE MIGUEL TIRADO MELGAR

is the General Manager of CFG Investment S.A.C.. Prior to joining the company, he was an independent investor owning fishing vessels, processing plants and a fishing vessel shipyard in Peru. Mr Tirado graduated from Bentley College in Boston, Massachusetts, in 1990 with a Bachelor’s degree in Management.

FRANCISCO JAVIER PANIAGUA JARA

a General Manager of CFG Investment S.A.C., is responsible for all corporate, legal and regulatory matters relating to our Peruvian operations. Prior to joining the Group, Mr Paniagua was an attorney with Estudio Ehecopar and in-house counsel with Banco Latino, both in Lima, Peru. He was also an attorney with Cleary, Gottlieb, Steen & Hamilton New York office. Mr Paniagua holds a Bachelor’s degree in General Studies and a Law degree, both from Pontificia Universidad Católica del Perú, and an LLM from Cornell Law School.

ISAAC FINGER

is the Chief Financial Officer of CFG Investment S.A.C., a position he has held since April 2008. Prior to joining our Peruvian subsidiary, he worked as Chief Financial Officer at Hochschild Mining PLC for 4 years. Mr Finger graduated from Universidad de Lima with a Bachelor’s degree in Industrial Engineering and has a Master of Science in Finance from the University of Rochester, New York.

Corporate Information



Board of Directors

EXECUTIVE

Ng Joo Kwee (Executive Chairman)
Sung Yu Ching (Managing Director)
Ng Joo Siang
Chan Tak Hei

NON-EXECUTIVE

Lim Soon Hock (Independent)
Tse Man Bun (Independent)
Tan Ngiap Joo (Independent) – appointed on January 12, 2009

Audit Committee

Lim Soon Hock (Chairman)
Tse Man Bun
Tan Ngiap Joo – appointed on January 12, 2009

Nominating Committee

Tse Man Bun (Chairman)
Lim Soon Hock
Tan Ngiap Joo – appointed on January 12, 2009

Remuneration Committee

Tan Ngiap Joo (Chairman) – appointed on January 12, 2009
Lim Soon Hock
Tse Man Bun

Company Secretaries

Maurice Ngai, FCS, FCIS
Yvonne Choo, FCIS

Solicitors

David Lim & Partners

Auditors

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way #32-00
DBS Building, Tower 2
Singapore 068809
Partner-in-charge: Tsia Chee Wah
Date of appointment: September 2, 2008

Principal Bankers

CITIC Ka Wah Bank Limited
HSBC
Nyi Landsbanki Island hf.
Oversea-Chinese Banking Corporation Ltd

Registered Office

Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town, Grand Cayman
Cayman Islands

Principal Office

Rooms 3312-3314
Hong Kong Plaza
188 Connaught Road West
Hong Kong
Tel: 852-2548 2666
Fax: 852-2548 9666
Email: ir@chinafish.com

Cayman Islands Registrar and Share Transfer Agent

Appleby Corporate Services (Cayman) Ltd
Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town, Grand Cayman
Cayman Islands

Singapore Share Transfer Agent

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758
Tel: 65-6323 6200
Fax: 65-6323 6990

Report on Corporate Governance

The Directors are committed to maintaining a high standard of corporate governance within the Group and China Fishery Group Limited (the "Company") and confirm that the Company has adhered to the principles and guidelines as set out in the Code of Corporate Governance 2005 (the "Code") unless otherwise specified.

Board Matters

Principle 1: Board's Conduct of its Affairs

The Board oversees the business affairs of the Company and assumes responsibility for the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices.

The Board is supported by the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC").

The Board conducts regular scheduled meetings at least four times a year and meets as and when warranted by particular circumstances between these scheduled meetings. The Company's Articles of Association provide for meetings to be held via telephone and video conferencing.

The Company has in place orientation programmes for newly appointed Directors to ensure that they are familiar with the Group's structure, its business and operations. Newly appointed Directors are expected to participate in the orientation programmes which include meetings with the Chairman/Managing Director and the Finance Director to obtain in-depth information and an understanding of the business. The Company has also set aside a training budget for its Directors to attend relevant courses and seminars. The Company encourages its Directors to update themselves on new laws, regulations and changing commercial risks.

Board approval is required for matters likely to have a material impact on the Group's operations as well as matters other than in the ordinary course of business.

Details of Directors' attendance at Board and Board committees meetings held in FY2008 are summarised in the table below:

| | Board | AC | RC | NC |
|-----------------------------|----------|----------|----------|----------|
| Ng Joo Kwee | 3 | – | – | – |
| Sung Yu Ching | 3 | – | – | – |
| Ng Joo Siang | 4 | – | – | – |
| Chan Tak Hei | 4 | – | – | – |
| Dr Ong Chit Chung (i) | 2 | 3 | 1 | 1 |
| Lim Soon Hock | 4 | 5 | 1 | 2 |
| Tse Man Bun | 3 | 4 | 1 | 2 |
| Total held in FY2008 | 4 | 5 | 1 | 2 |

Note:

(i) The late Dr Ong Chit Chung passed away on July 14, 2008, and accordingly ceased as Director as well as Chairman of the AC, NC and RC.

Principle 2: Board Composition

The Board comprises 7 Directors. The Board is of the view that its current size is appropriate, taking into account the nature and scope of operations of the Group.

As at the date of this report, the Board comprises the following Directors:

Executive Directors:

Ng Joo Kwee (Executive Chairman)
Sung Yu Ching (Managing Director)
Ng Joo Siang
Chan Tak Hei

Non-executive independent Directors:

Lim Soon Hock
Tse Man Bun
Tan Ngiap Joo (appointed on January 12, 2009)

The NC, which reviews the independence of each Director on an annual basis, adopts the Code's definition of what constitutes an independent Director.

As a group, the Directors bring with them a broad range of expertise and experience in areas such as accounting, finance, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. The diversity of the Directors' experience allows for the useful exchange of ideas and views. The profile of all Board members is set out in the section entitled 'Directors' Profile' of this Annual Report.

The Non-executive Directors constructively challenge Management and assist in the development of proposals on strategy. The Non-executive Directors also review the performance of Management in meetings.

Principle 3: Chairman and Managing Director

Ng Joo Kwee is the Executive Chairman of the Company. Mr Ng is one of the founders of the Group and plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. Mr Ng is responsible for the workings of the Board and ensures the integrity and effectiveness of the governance process of the Board.

The Company's Managing Director ("MD") is Sung Yu Ching, who is responsible for the day-to-day running of the Group and the quality, quantity and timeliness of information flow between the Board and Management.

There is a clear division of responsibilities between the Chairman and the MD. This ensures a balance of power and authority at the top, as no one individual represents a considerable concentration of power. The roles of Chairman and MD are separate to ensure an appropriate balance of power, increased accountability and greater capacity to the Board for independent decision making.

All major decisions made by the Executive Chairman and MD are endorsed by the Board. Their performance and appointments to the Board are reviewed periodically by the NC and their remuneration packages are reviewed periodically by the RC. Both the NC and RC comprise Independent non-executive directors. As such, the Board believes that there are adequate safeguards in place against an unbalanced concentration of power and authority in any single individual.

Principle 4: Board Membership

The Directors who held office during the financial year and as at the date of this report are disclosed on page 14 (Corporate Information) and page 23 (Report of the Directors) of this Annual Report respectively. Profiles of Directors as at the date of this report are disclosed on pages 10 and 11 (Directors' Profile) of this Annual Report.

Principle 5: Board Performance

Nominating Committee

The NC, regulated by a set of written terms of reference, comprises 3 members, all of whom are non-executive independent Directors. The members of the NC as at the date of this report are as follows:

Tse Man Bun (Chairman; appointed on January 12, 2009)

Lim Soon Hock

Tan Ngiap Joo

The NC is currently chaired by Tse Man Bun, a non-executive independent Director not associated with any substantial shareholder.

The principle functions of the NC stipulated in its terms of reference are summarised as follows:

- (a) Reviews and makes recommendations to the Board on all board appointments;
- (b) Reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustment that are deemed necessary;
- (c) Determines the independence of the Board;
- (d) Makes recommendations to the Board for the continuation of services by any director who has reached the age of 70 (seventy) or otherwise;
- (e) Assesses the effectiveness of the Board and the academic and professional qualifications of each individual director;
- (f) Decides whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the director has multiple Board representations; and
- (g) Reviews and recommends Directors retiring by rotation for re-election at each Annual General Meeting ("AGM").

The NC had reviewed the independence of each Director for the financial year ended December 31, 2008 in accordance with the Code's definition of independence and is satisfied that at least one-third of the Board comprised non-executive independent Directors.

The NC had adopted a formal system of evaluating the performance of the Board as a whole. This process involves the completion of a questionnaire by Board members. A summary of findings is prepared following the return of the completed questionnaires for the review and deliberation by the NC. The Chairman of the NC confers with the Chairman of the Board on the findings, and the appropriate follow-up actions necessary. A Board performance evaluation was carried out to assess and evaluate the Board's composition, size and expertise, timeliness of Board information as well as Board accountability and processes.

Report on Corporate Governance

In accordance with the Company's Articles of Association, each Director retires at least once every three years by rotation and all newly-appointed Directors retire at the next AGM following their appointments. The retiring Directors are eligible to offer themselves for re-election. The NC had recommended the re-appointment of the following Directors who will be retiring at the forthcoming AGM:

- (1) Ng Joo Kwee
- (2) Tse Man Bun
- (3) Tan Ngiap Joo

The Board had accepted the NC's recommendation and accordingly, the above-mentioned Directors will be offering themselves for re-election.

The NC has in place a process for the selection and appointment of new Directors.

Principle 6: Access to Information

All Directors have independent access to the Group's senior management and the Company Secretary. All Directors are provided with complete and adequate information prior to Board meetings and on an ongoing basis. The Company Secretary provides secretarial support and assistance to the Board and ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary or her representative attends all Board and Board committee meetings.

The Directors may seek independent professional advice to fulfill their duties and such cost will be borne by the Company.

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The RC, regulated by a set of written terms of reference, comprises 3 members, all of whom are non-executive independent Directors.

The members of the RC as at the date of this reports are as follows:

Tan Ngiap Joo (Chairman; appointed on January 12, 2009)
Lim Soon Hock
Tse Man Bun

The RC reviews and recommends to the Board (a) the remuneration package of each Director and senior executives of the Group, (b) fees for non-executive independent Directors subject to shareholders' approval at the AGM, and (c) all service contracts and terms of employment of the Executive Directors and senior executives. The RC also has access to external professional advice on remuneration matters, if required.

The RC had recommended to the Board an amount of HK\$720,000 (equivalent to US\$92,308 or S\$133,200) as Directors' fees for the year ending December 31, 2009, to be paid monthly in arrears. The Board will table this recommendation at the forthcoming AGM for shareholders' approval.

Directors' fees payable to the non-executive independent Directors are set in accordance within a remuneration framework and in consideration of the contribution, effort, time incurred and responsibilities of the non-executive independent Directors.

Executive Directors do not receive Directors' fees.

The remuneration for the Executive Directors and senior executives comprises a basic salary plus any other fixed allowances and an annual performance bonus tied to the Group's performance and individual performance.

Directors' Remuneration

The remuneration for the year ended December 31, 2008 is shown below:

| Remuneration Bands | Year 2008 No. of Directors | Year 2007 No. of Directors |
|--------------------------------|-------------------------------|-------------------------------|
| S\$500,000 and Above | 0 | 0 |
| S\$250,000 to Below S\$500,000 | 1 | 1 |
| Below S\$250,000 | 6 | 8 |
| Total | <u>7</u> | <u>9</u> |

Employees' Remuneration

The annual remuneration paid to each of the top five executives (who are not Directors of the Company) in terms of salary is less than S\$250,000 except for one executive who is paid between S\$250,000 to S\$500,000.

Although the Code recommends the disclosure of the names of individual Directors and executives within the bands of S\$250,000, the Board has not adopted this practice because it is of the view that such disclosure may be detrimental to the Company's interest as it may lead to the undue solicitation of the Group's executives given the highly competitive industry.

The existing service agreements for the Executive Directors (except for Ng Joo Siang who has an on-going service agreement with the Company's holding company), which commenced on January 25, 2006, are for a period of 5 years. The service agreement provides for termination by the Executive Directors or the Company upon giving not less than 6 months' notice in writing.

With the exception of Ng Joo Siang and Ng Joo Kwee, there were no employees of the Company who are immediate family members of a Director or the Chairman or the MD and whose remuneration exceeds S\$150,000 during the financial year under review. Ng Joo Siang, Executive Director, is the brother of Ng Joo Kwee, Executive Chairman.

The Company has in place a Share Awards Scheme (the "Scheme") administered by the RC.

All the Executive Directors, Non-Executive Directors and employees of the Group, except those who are controlling shareholders or their associates, are eligible to participate in the Scheme. Details of the Scheme are disclosed under Report of the Directors on page 23 of this Annual Report.

No grants of awards have been made under the Scheme during the financial year under review.

Principle 10: Accountability

The Board provides shareholders with a detailed and balanced explanation and analysis of the Company's performance, financial position and prospects on a quarterly basis.

Management provides the Board with management accounts of the Group's performance, position and prospects on a regular basis.

Principle 11: Audit Committee

The AC, regulated by a set of written terms of reference, comprises 3 non-executive independent Directors. The members of the AC as at the date of this report are:

Lim Soon Hock (Chairman; appointed on January 12, 2009)

Tse Man Bun

Tan Ngiap Joo

Report on Corporate Governance

The Board is of the view that the AC members have adequate accounting or related financial management expertise and experience to discharge the AC's functions.

The AC meets at least four times a year and as and when deemed appropriate, to carry out its functions.

The AC has full access to and the co-operation of Management. The AC also has full discretion to invite any Director or executive officer to attend its meetings and has been given adequate resources to enable it to discharge its functions.

The AC performs the following functions:

- Reviews the annual and quarterly financial statements of the Company and the Group before submission to the Board for adoption;
- Reviews with the external auditors, their audit plans and audit reports;
- Reviews the cooperation given by Management to the external auditors;
- Nominates and reviews the appointment or re-appointment of external auditors;
- Reviews the scope and findings of the internal audit including the effectiveness of the Company's internal audit function;
- Reviews interested person transactions;
- Reviews the independence of the external auditors annually; and
- Reviews hedging policies that the Company may have with regard to the costs of bunkers and foreign exchange.

The AC reviews arrangements by which the staff may, in confidence, report possible improprieties which may cause financial or non-financial loss of the Company. The objective is to ensure that arrangements are in place, for the independent investigation of such concerns and for appropriate follow-up action.

The AC had reviewed the non-audit services provided by the external auditors, Deloitte & Touche LLP and is of the opinion that the provision of such services does not affect their independence.

Annually, the AC meets with the external auditors without the presence of Management.

The AC had recommended the re-appointment of Deloitte & Touche LLP as the Company's auditors at the forthcoming AGM.

Principle 12: Internal Controls

The Board ensures that Management maintains a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The AC reviews the adequacy of financial, operational and compliance controls and risk management policies.

The AC is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interest and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and management of business risks.

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks and takes appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The Group's financial risk management objectives and policies are outlined in the financial statements. Risk Management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This helps protect and also create shareholders' value.

Based on the information provided to the AC, nothing has come to the AC's attention to cause the AC to believe that the Group's system of internal controls and risk management processes are inadequate. The Board supports this observation.

Principle 13: Internal Audit ("IA")

The Board understands the importance of maintaining a sound system of internal controls and audit. The Company has an internal audit function which reports directly to the AC. The internal auditor has adopted the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC, on an annual basis, assesses the effectiveness of the IA function by examining the scope of the internal audit work, the independence of areas reviewed and the internal audit reports on the state of the Group's internal controls.

The AC is satisfied that the IA function is adequately resourced and has the appropriate standing within the Company to undertake its activities independently and objectively.

The AC also meets with the internal auditors without the presence of Management, annually.

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

In line with continuous disclosure obligations, the Company is committed to regular and proactive communication with its shareholders. It is the Board's policy that shareholders are informed of all major developments within the Group.

Information is communicated to shareholders on a timely basis through:

- (a) Announcements and press releases made via SGXNET on major developments of the Group;
- (b) Financial statements containing a summary of the financial information and affairs of the Group for the respective quarters and full-year which are released via SGXNET;
- (c) Annual reports sent to all shareholders; and
- (d) Notices of and explanatory notes for annual general meetings and extraordinary general meetings.

At the AGM, shareholders are given opportunities to communicate their views on matters pertaining to the Group and to participate in the meeting. Issues seeking approval of shareholders, if any, are usually tabled as separate resolutions.

The Chairmen of the AC, RC and NC as well as the external auditors will be available at the forthcoming AGM to address any queries raised by shareholders.

Securities Transactions

The Company has adopted an internal code governing dealings in securities by Directors and officers of the Company and its subsidiaries to provide guidance on dealing in the Company's shares. All Directors and officers of the Company and its subsidiaries who have access to unpublished price sensitive information are required to observe this code.

The Directors and officers have been informed not to deal in the Company's shares whilst in possession of unpublished price sensitive information and during the periods commencing at least 31 days and 14 days prior to the announcement of the Company's results for the full-year and for the three quarters respectively.

Interested Person Transactions

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the AC.

Interested person transactions for FY2008 undertaken pursuant to the shareholders' general mandate under Rule 920 of the Listing Manual of the SGX-ST are as follows.

| 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 of the Listing Manual of the SGX-ST) | Aggregate value of all interested person transactions conducted under shareholder's mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST (excluding transactions less than S\$100,000) |
|--|---|--|
| | US\$'000 | US\$'000 |
| Pacific Andes (Holdings) Limited and its subsidiaries: | | |
| Sales of catches | Nil | Nil |
| Sales of fishmeal products | Nil | 17,415 |
| Purchase of bunker and other vessel supplies | Nil | Nil |

Material Contracts

Except for the service agreements entered into with Ng Joo Kwee, Sung Yu Ching and Chan Tak Hei and the interested person transactions conducted under the general mandate given by shareholders, no material contract involving the interests of any Director or controlling shareholders of the Company has been entered into by the Company or any of its subsidiary companies in FY2008.

Risk and Management

The Company has not constituted a Risk Management Committee. However, 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. Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and AC. The Company also has in place an internal audit function.

Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended December 31, 2008.

1. DIRECTORS

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

Executive Directors:

Ng Joo Kwee – Executive Chairman
Sung Yu Ching – Managing Director
Ng Joo Siang
Chan Tak Hei

Independent Directors:

Lim Soon Hock
Tse Man Bun
Tan Ngiap Joo (Appointed on January 12, 2009)

In accordance with Articles 107 and 111 of the Company's Articles of Association, Mr Ng Joo Kwee, Mr Tse Man Bun and Mr Tan Ngiap Joo, are subject to retirement and re-election at the forthcoming Annual General Meeting respectively.

2. 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.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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 interest is held | Direct | |
|---|----------------------------------|-------------------|
| | At beginning of year | At end of year |
| The Company | Ordinary shares of US\$0.05 each | |
| Chan Tak Hei | 40,000 | 40,000 |

The director's interest in the shares of the Company at January 21, 2009 was the same at December 31, 2008.

4. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5. SHARE OPTIONS

a. Options to take up unissued shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

b. Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

c. Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

6. SHARE AWARDS SCHEME

The CFGL Share Awards Scheme ("CFGL SAS") in respect of ordinary shares in the Company was approved by the shareholders on April 30, 2007.

The CFGL SAS is administered by the Remuneration Committee, currently comprising Tan Ngiap Joo, Lim Soon Hock and Tse Mun Bun.

The Company would at its discretion and on a free-of-charge basis grant shares under the CFGL SAS to participants of the scheme. The shares will vest only after satisfactory completion of time-based targets and/or time-and-performance-based targets and shall not be more than 10 years from the date of the grant of the shares. Upon vesting, the participants may receive any or a combination of the following:

- (a) new ordinary shares credited as fully paid up;
- (b) existing shares repurchased from open market; and
- (c) cash equivalent value of such shares.

No share has been granted to participants under the CFGL SAS as at December 31, 2008.

The aggregate number of ordinary shares which may be issued under the CFGL SAS shall not exceed 10% of the issued share capital of the Company as at the date of approval of the CFGL SAS by the shareholders on April 30, 2007.

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.

7. AUDIT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE

Details of the Company's Audit Committee, Nominating Committee and Remuneration Committee are set out in the Report on Corporate Governance on page 15 of the Annual Report.

8. AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Sung Yu Ching
Managing Director

Chan Tak Hei
Finance Director

April 8, 2009

Deloitte.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHINA FISHERY GROUP LIMITED

We have audited the accompanying financial statements of China Fishery Group Limited which comprise the balance sheets of the Group and the Company as at December 31, 2008, the profit and loss statement, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 27 to 76.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with 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 December 31, 2008 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Deloitte & Touche LLP

Public Accountants and Certified Public Accountants

Singapore

April 8, 2009

Balance Sheets

December 31, 2008

| | Note | Group | | Company | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and bank balances | 7 | 7,621 | 20,359 | 24 | 86 |
| Trade receivables | 8 | 18,871 | 8,868 | – | – |
| Other receivables and prepayments | 9 | 21,056 | 27,778 | – | – |
| Prepaid income tax | | 8,288 | – | – | – |
| Deferred expenses | 10 | 25,910 | 16,549 | – | – |
| Inventories | 11 | 33,349 | 23,423 | – | – |
| Current portion of deferred charter hire | 12 | 22,133 | 22,133 | – | – |
| Total current assets | | 137,228 | 119,110 | 24 | 86 |
| Non-current assets | | | | | |
| Deferred charter hire | 12 | 196,600 | 218,734 | – | – |
| Property, plant and equipment | 13 | 244,238 | 176,839 | – | – |
| Goodwill | 14 | 64,102 | 71,544 | – | – |
| Other intangible assets | 15 | 74,189 | 60,248 | – | – |
| Associate | 16 | 1,500 | 1,500 | – | – |
| Subsidiaries | 17 | – | – | 155,067 | 150,298 |
| Total non-current assets | | 580,629 | 528,865 | 155,067 | 150,298 |
| Total assets | | 717,857 | 647,975 | 155,091 | 150,384 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities | | | | | |
| Trade payables | 18 | 14,047 | 46,021 | – | – |
| Other payables and accrued expenses | 19 | 18,533 | 19,793 | 465 | 269 |
| Income tax payable | | 975 | 582 | – | – |
| Financial guarantee contract | | – | – | 525 | 525 |
| Current portion of finance leases | 20 | 4,595 | 2,665 | – | – |
| Bank overdrafts and current portion of bank loans | 21 | 64,935 | 44,820 | – | – |
| Total current liabilities | | 103,085 | 113,881 | 990 | 794 |
| Non-current liabilities | | | | | |
| Financial guarantee contract | | – | – | 2,100 | 2,625 |
| Finance leases | 20 | 14,003 | 6,419 | – | – |
| Bank loans | 21 | 15,144 | 22,500 | – | – |
| Senior notes | 22 | 218,602 | 217,323 | – | – |
| Statutory employees' profit share | 23 | – | 6,390 | – | – |
| Deferred tax liabilities | 24 | 31,251 | 28,937 | – | – |
| Total non-current liabilities | | 279,000 | 281,569 | 2,100 | 2,625 |
| Capital and reserves | | | | | |
| Share capital | 25 | 39,104 | 39,104 | 39,104 | 39,104 |
| Share premium | | 105,235 | 105,235 | 105,235 | 105,235 |
| Revaluation reserve | 26 | 2,738 | 1,192 | – | – |
| Merger reserve | 26 | (30,503) | (30,503) | – | – |
| Retained earnings | | 219,198 | 137,497 | 7,662 | 2,626 |
| Net equity | | 335,772 | 252,525 | 152,001 | 146,965 |
| Total liabilities and equity | | 717,857 | 647,975 | 155,091 | 150,384 |

See accompanying notes to the financial statements.

Consolidated Profit and Loss Statement

Year ended December 31, 2008

| | Note | Group | |
|---------------------------------------|---------|------------------|------------------|
| | | 2008 US\$'000 | 2007 US\$'000 |
| Revenue | 27 & 28 | 460,054 | 406,369 |
| Cost of sales | | (41,755) | (32,714) |
| Charter hire expenses | | (77,345) | (77,893) |
| Vessel operating costs | | <u>(194,699)</u> | <u>(154,471)</u> |
| Gross profit | | 146,255 | 141,291 |
| Other operating income | 29 | 1,642 | 3,278 |
| Selling expenses | | (15,556) | (11,782) |
| Administrative expenses | | (12,526) | (15,681) |
| Finance costs | 30 | <u>(31,197)</u> | <u>(26,791)</u> |
| Profit before tax | | 88,618 | 90,315 |
| Income tax benefit (expense) | 31 | <u>5,654</u> | <u>(1,817)</u> |
| Profit for the year | 32 | <u>94,272</u> | <u>88,498</u> |
| Basic earnings per share (US cents) | 33 | <u>12.05</u> | <u>11.37</u> |
| Diluted earnings per share (US cents) | 33 | <u>12.05</u> | <u>11.37</u> |

See accompanying notes to the financial statements.

Statements of Changes in Equity

Year ended December 31, 2008

| | Share capital US\$'000 | Share premium US\$'000 | Revaluation reserve US\$'000 | Merger reserve US\$'000 | Retained earnings US\$'000 | Total US\$'000 |
|---|---------------------------|---------------------------|---------------------------------|----------------------------|-------------------------------|-------------------|
| Group | | | | | | |
| Balance at January 1, 2007 | 36,204 | 35,233 | 58 | (30,503) | 71,926 | 112,918 |
| Profit for the year | - | - | - | - | 88,498 | 88,498 |
| Gain on revaluation of properties recognised directly in equity | - | - | 1,134 | - | - | 1,134 |
| Total recognised income for the year | - | - | 1,134 | - | 88,498 | 89,632 |
| Issue of shares [Note 25(a)] | 2,900 | 72,062 | - | - | - | 74,962 |
| Shares issue expenses | - | (2,060) | - | - | - | (2,060) |
| Final dividend of 2.22 Singapore cents per ordinary share in respect of financial year 2006 | - | - | - | - | (5,681) | (5,681) |
| Interim dividend of 3.29 Singapore cents per ordinary share in respect of financial year 2007 | - | - | - | - | (17,246) | (17,246) |
| Balance at January 1, 2008 | 39,104 | 105,235 | 1,192 | (30,503) | 137,497 | 252,525 |
| Profit for the year | - | - | - | - | 94,272 | 94,272 |
| Gain on revaluation of properties recognised directly in equity | - | - | 1,546 | - | - | 1,546 |
| Total recognised income for the year | - | - | 1,546 | - | 94,272 | 95,818 |
| Final dividend of 2.19 Singapore cents per ordinary share in respect of financial year 2007 | - | - | - | - | (12,571) | (12,571) |
| Balance at December 31, 2008 | <u>39,104</u> | <u>105,235</u> | <u>2,738</u> | <u>(30,503)</u> | <u>219,198</u> | <u>335,772</u> |

| Share capital US\$'000 | Share premium US\$'000 | Retained earnings US\$'000 | Total US\$'000 |
|---------------------------|---------------------------|-------------------------------|-------------------|
|---------------------------|---------------------------|-------------------------------|-------------------|

Company

| | | | | |
|---|---------------|----------------|--------------|----------------|
| Balance at January 1, 2007 | 36,204 | 35,233 | 7,459 | 78,896 |
| Profit for the year | - | - | 18,094 | 18,094 |
| Issue of shares [Note 25(a)] | 2,900 | 72,062 | - | 74,962 |
| Shares issue expenses | - | (2,060) | - | (2,060) |
| Final dividend of 2.22 Singapore cents per ordinary share in respect of financial year 2006 | - | - | (5,681) | (5,681) |
| Interim dividend of 3.29 Singapore cents per ordinary share in respect of financial year 2007 | - | - | (17,246) | (17,246) |
| Balance at January 1, 2008 | 39,104 | 105,235 | 2,626 | 146,965 |
| Profit for the year | - | - | 17,607 | 17,607 |
| Final dividend of 2.19 Singapore cents per ordinary share in respect of financial year 2007 | - | - | (12,571) | (12,571) |
| Balance at December 31, 2008 | <u>39,104</u> | <u>105,235</u> | <u>7,662</u> | <u>152,001</u> |

See accompanying notes to the financial statements.

Consolidated Cash Flow Statement

Year ended December 31, 2008

| | Note | Group | |
|--|------|------------------|------------------|
| | | 2008 US\$'000 | 2007 US\$'000 |
| Operating activities | | | |
| Profit before income tax | | 88,618 | 90,315 |
| Adjustments for: | | | |
| Allowance for doubtful trade receivables | | 1,908 | 42 |
| Amortisation of deferred charter hire | | 22,134 | 22,133 |
| Amortisation of senior notes issuing expenses | | 1,279 | 1,280 |
| Depreciation expense | | 13,048 | 8,224 |
| Loss (gain) on disposal of property, plant and equipment | | 5 | (412) |
| Interest expense | | 29,918 | 25,511 |
| Interest income | | (17) | (1,676) |
| | | <hr/> | <hr/> |
| Operating cash flows before movements in working capital | | 156,893 | 145,417 |
| Trade receivables | | (11,123) | 5,476 |
| Other receivables and prepayments | | 14,868 | 50,969 |
| Deferred expenses | | (9,361) | (8,848) |
| Inventories | | (8,019) | (9,171) |
| Trade payables | | (31,995) | 32,289 |
| Other payables and accrued expenses | | (14,228) | (16,190) |
| Statutory employees' profit share | | – | (1,780) |
| | | <hr/> | <hr/> |
| Cash generated from operations | | 97,035 | 198,162 |
| Interest paid | | (33,156) | (20,804) |
| Income tax paid | | (6,920) | (4,533) |
| | | <hr/> | <hr/> |
| Net cash from operating activities | | <u>56,959</u> | <u>172,825</u> |
| Investing activities | | | |
| Purchase of property, plant and equipment (Note A) | | (41,962) | (69,174) |
| Proceeds from disposal of property, plant and equipment | | 7 | – |
| Acquisition of subsidiaries | 34 | (19,734) | (42,626) |
| Purchase of fishing permits | | – | (16,034) |
| Prepayment of charter hire | | – | (150,000) |
| Acquisition of associate | | – | (1,500) |
| Interest received | | 17 | 1,676 |
| | | <hr/> | <hr/> |
| Net cash used in investing activities | | <u>(61,672)</u> | <u>(277,658)</u> |

Consolidated Cash Flow Statement
Year ended December 31, 2008

| | Group | |
|---|-------------------------|-------------------------|
| | 2008 | 2007 |
| Note | US\$'000 | US\$'000 |
| Financing activities | | |
| Net proceeds from issuing shares | – | 72,902 |
| Additions of bank loans | 80,534 | 94,652 |
| Repayment of bank loans | (65,643) | (71,320) |
| Obligations under finance leases | (8,213) | (7,485) |
| Dividends paid | (12,571) | (22,927) |
| | <u> </u> | <u> </u> |
| Net cash (used in) from financing activities | (5,893) | 65,822 |
| | <u> </u> | <u> </u> |
| Net decrease in cash and cash equivalents | (10,606) | (39,011) |
| Cash and cash equivalents at beginning of year | 18,227 | 57,238 |
| | <u> </u> | <u> </u> |
| Cash and cash equivalents at end of year | <u> 7,621</u> | <u> 18,227</u> |
| Cash and cash equivalents consist of: | | |
| Cash at bank (Note 7) | 6,081 | 19,856 |
| Cash on hand (Note 7) | 1,540 | 503 |
| Bank overdrafts (Note 21) | – | (2,132) |
| | <u> </u> | <u> </u> |
| | <u> 7,621</u> | <u> 18,227</u> |
| Note A | | |
| Purchase of property, plant and equipment | 56,662 | 72,015 |
| Less: Property, plant and equipment purchased under finance lease arrangements | (14,700) | (2,841) |
| | <u> </u> | <u> </u> |
| Cash payments on purchase of property, plant and equipment | <u> 41,962</u> | <u> 69,174</u> |

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2008

1. GENERAL

The Company is incorporated in Cayman Islands with its principal place of business in the Republic of China and registered office at Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands. The Company's shares are listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in United States dollars and all values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and associate are disclosed in Notes 17 and 16 to the financial statements respectively.

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended December 31, 2008 were authorised for issue by the Board of Directors on April 8, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the financial statements and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS").

Adoption of New and Revised Standards

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2008. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRSs relevant to the Group and Company were issued but not effective:

| | | |
|-------------|---|---|
| FRS 1 | – | Presentation of Financial Statements (Revised) |
| FRS 23 | – | Borrowing Costs (Revised) |
| FRS 108 | – | Operating Segments |
| INT FRS 111 | – | FRS 102 – Group and Treasury Share Transactions |

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

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRSs issued but not effective at the date of authorisation of these financial statement in future periods will not have a material on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

| | | |
|--------------|---|---|
| <i>FRS 1</i> | – | <i>Presentation of Financial Statements (Revised)</i> |
|--------------|---|---|

FRS 1 (Revised) will be effective for annual periods beginning on or after January 1, 2009, and will change the basis for presentation and structure of the financial statements. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs.

| | | |
|---------------|---|----------------------------------|
| <i>FRS 23</i> | – | <i>Borrowing Costs (Revised)</i> |
|---------------|---|----------------------------------|

FRS 23 (Revised) will be effective for annual periods beginning or after January 1, 2009 and eliminates the option available under the previous version of FRS 23 to recognise all borrowing costs immediately as an expense. An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. As the change in accounting policy is to be applied prospectively, there will be no impact on amounts reported for 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

FRS 108 – Operating Segments

FRS 108 will be effective for annual financial statements beginning on or after January 1, 2009 and supersedes FRS 14 – Segment Reporting. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, FRS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 108, the identification of the Group's reportable segments may change.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In the Company's financial statements, investment in subsidiaries is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

Common Control Business Combination outside the Scope of FRS 103

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The restructuring exercise in 2005 resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of FRS 103 *Business Combinations*. For such common control business combinations, merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the financial statements of the constituent entities prior to the common control combination. The carrying amounts are included as if consolidated financial statements had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

Merger reserve represents the difference between the nominal amount of the share capital of the combining entities at the date on which it was acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations within the Scope of FRS 103

Where there is no common control prior to acquisition, 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.

Goodwill arising on consolidation 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 exceed the cost of the business combination, the excess is recognised immediately in profit or loss.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with banks and bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impaired. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by 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.

Equity instruments

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

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables when the recognition of interest would be immaterial.

Interest-bearing bank loans and senior notes are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest 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 below).

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision and the amount initially recognised less, when appropriate, cumulative amortisation. The amount amortised on a straight-line basis over the period of the guarantee is the deemed guarantee income for the issuer.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Leases

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Deferred Expenses

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

The Group pays charter hire fees based on fixed rates and variable rates based on contracted percentages of the annual operating profit attributable to the vessels procured by the Arrangers (Note 12). As the fixed portions of charter hire cost are payable during the charter hire period regardless of whether the vessels are deployed (save for certain exceptions during the earlier part of the charter hire), the Group expenses fixed charter hire cost on a time-proportionate basis to profit or loss and does not include this cost in deferred expenses. Variable charter hire costs are determined when the revenue from the sale of fish and marine products can be determined. Variable charter hire cost is accrued as an expense at the same time when revenue is recognised.

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 processing and costs to be incurred in marketing, selling and distribution.

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 profit or loss as charter hire expense proratably over the period for which the prepayment is made and the benefits are expected to accrue.

Property, Plant and Equipment

Leasehold buildings held 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment (continued)

Any revaluation increase arising on revaluation of such buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of decrease previously charged to profit or loss. A decrease in carrying amount arising on the revaluation of such buildings is charged to profit or loss 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 buildings is charged to profit or loss. On subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

Properties, plant and equipment with the exception of leasehold building are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method on the following bases:

| | | |
|--|---|--|
| Freehold and leasehold buildings | – | 33 years or the lease term of 25 years, if shorter |
| Fishing vessels | – | 10 to 17 years |
| Fishing nets | – | 4 years |
| Plant and machinery | – | 10 years |
| Vehicles | – | 20 years |
| Furniture, fittings and office equipment | – | 4 to 10 years |

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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

Goodwill

Goodwill arising on the acquisition of a subsidiary 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 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.

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, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported on the same basis as intangible assets acquired separately.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 the associate are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. 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, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

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.

Impairment of Assets excluding Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those 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 the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets excluding Goodwill (continued)

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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 profit or loss, unless the relevant asset is carried at a 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 profit or loss, 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.

Provisions

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

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of fishes and related products are recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Management fee income is recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income is recognised on a straight-line basis over the term of the relevant lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing Costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are charged as an expense as 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.

Employment 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.

Income Tax

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 profit and loss 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 (and tax laws) that have been enacted or substantively enacted in countries where the Company and 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 and associate 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 based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, 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 and 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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Transactions and Translation

The individual financial statements of each Group entity are measured and 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 and statement of changes in equity of the Company are presented in United States 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 transaction. 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 profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss 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 United States 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 foreign currency translation reserve. Such translation differences are recognised in profit or loss 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) 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the Group's accounting policies

Management did not make any material judgements that have a significant effect on the amounts recognised in the financial statements except for those affecting accounting estimates as disclosed in paragraph 3(ii).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(ii) 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.

Carrying amount of deferred charter hire

As at December 31, 2008, the carrying amount of deferred charter hire (Note 12) was US\$218,733,000 (2007: US\$240,867,000). The operation of vessels under the vessel operating agreements with the Arrangers (Note 12) have been profitable after deducting amortisation of the deferred charter hire over the periods for which the charter hires have been prepaid. Management expects the operations to remain profitable in the foreseeable future and the carrying amount of the deferred charter hire to be recoverable from future operations.

Carrying amount of fishing vessels and fishing permits

The carrying amount of fishing vessels and fishing permits was US\$50,198,000 and US\$74,189,000, respectively, as at December 31, 2008 (2007: US\$51,192,000 and US\$60,248,000). Determining whether the carrying amount of these assets can be realised requires an estimation of the value in use of the cash-generating units and a suitable discount rate in order to calculate present value. Management has evaluated these projections using assumptions on catch quantities, prices of catch and operating costs after considering efficiencies that can be achieved when the operations become part of the Group's larger operations.

With effect from January 2009, the fishing system in Peru changed from the previous "Olympic" system to "Individual Transferable Quota ("ITQ")" system which entitles fishing companies holding valid licensed fishing vessels to a share of fishing quotas determined by the authorities. Management has evaluated the impact of the quota allocation under the ITQ system and included such consideration in the estimation of the value in use. Based on these evaluations, management is of the view that the carrying amounts of the fishing vessels and fishing permits are realisable through future operations.

Carrying amount of goodwill

Goodwill arising from acquisitions of subsidiaries during the year amounting to US\$5,411,000 (2007: US\$24,710,000) is provisionally determined based on management's assessment of the fair value of assets and liabilities acquired, certain of which are contingent in nature. Information relating to the carrying amount and management's assessment of goodwill is provided in Notes 14 and 34.

Useful lives of property, plant and equipment

The carrying amounts of property, plant and equipment amounting to US\$244,238,000 (2007: US\$176,839,000) have been determined after charging depreciation on a straight-line basis over the estimated useful lives of these assets.

Components of these carrying amounts are detailed in Note 13.

Management reviews the estimated useful lives of these assets at the end of each annual reporting period and has determined that the useful lives as stated in Note 2 remain appropriate.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| Financial assets | | | | |
| Loans and receivables (including cash and bank balances) | <u>43,885</u> | <u>50,194</u> | <u>151,416</u> | <u>146,709</u> |
| Financial liabilities | | | | |
| Financial guarantee contract | – | – | 2,625 | 3,150 |
| Amortised cost | <u>348,305</u> | <u>358,025</u> | <u>465</u> | <u>269</u> |
| | <u>348,305</u> | <u>358,025</u> | <u>3,090</u> | <u>3,419</u> |

(b) Financial risk management policies and objectives

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

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

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

(i) Foreign exchange risk management

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

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

| | Group | | | | Company | | | |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Liabilities | | Assets | | Liabilities | | Assets | |
| | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| Peruvian Nuevos Soles | 38,033 | 46,766 | 23,215 | 8,869 | – | – | – | – |
| Chinese Renminbi | 608 | 606 | 226 | 1,308 | – | – | – | – |
| Hong Kong dollars | 222 | 284 | 66 | 91 | 99 | 93 | – | 55 |
| Euro | 1,161 | 949 | 355 | 2,645 | – | – | – | – |
| Singapore dollars | <u>3</u> | <u>183</u> | <u>6</u> | <u>–</u> | <u>3</u> | <u>164</u> | <u>6</u> | <u>–</u> |

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(i) Foreign exchange risk management (continued)

Foreign currency sensitivity

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

If Peruvian Nuevos Soles, the major currency, weakens or strengthens by 10% against the functional currency of each Group entity, Group profit will increase or decrease by US\$1,347,000 (2007: increase or decrease by US\$3,445,000), respectively.

(ii) Interest rate risk management

Interest-earning financial assets comprise bank balances (Note 7). Summary quantitative data of the Group's interest-bearing financial liabilities can be found in section (iv) of this Note.

The Group mitigates its exposure to changes in interest rates by locking in fixed rate borrowings through the issue of senior notes (Note 22) and use of finance leases for which rates are fixed at inception of the finance leases (Note 20). The Group's policy is to obtain the most favourable interest rates available and also by reviewing the terms of the interest-bearing liabilities to minimise the adverse effects of changes in interest rates.

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group profit for the year ended December 31, 2008 would decrease/increase by approximately US\$357,000 (2007: decrease/increase by US\$258,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(iii) Credit risk management

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

Sales of fish and other marine catches and fishmeals are made to companies which the Group has assessed to be of good credit rating through their trading and payment history as well as such commercial information which the Group obtains from time to time. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits and credit quality attributed to customers are reviewed periodically. Sales of fishmeals are covered by letters of credit issued by reputable financial institutions. Trade debtors that are neither past due nor impaired are substantially companies with good collection track record with the Group. Management considers that the credit risk associated with the Group's trade receivables has been mitigated by the above risk management practices. The recoverable amount of each individual trade receivable is reviewed at each balance sheet date and allowance is made for estimated irrecoverable amount.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(iii) Credit risk management (continued)

There is no concentration of credit risk except that 73% (2007: 70%) of the Group's receivables at the end of the financial year relate to 3 entities (2007: 5 entities).

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

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

(iv) Liquidity risk management

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

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

| | Weighted average effective interest rate % | On demand or within 1 year US\$'000 | Within 2 to 5 years US\$'000 | After 5 years US\$'000 | Adjustment US\$'000 | Total US\$'000 |
|------------------------------------|--|---|---------------------------------------|------------------------------|------------------------|-------------------|
| Group | | | | | | |
| 2008 | | | | | | |
| Non-interest bearing | – | 31,026 | – | – | – | 31,026 |
| Finance lease liabilities | 8.15% | 7,229 | 19,071 | – | (7,702) | 18,598 |
| Variable interest rate instruments | 5.09% | 67,491 | 16,146 | – | (4,415) | 79,222 |
| Fixed interest rate instruments | 9.25% | 713 | 225,144 | – | (6,398) | 219,459 |
| | | <u>106,459</u> | <u>260,361</u> | <u>–</u> | <u>(18,515)</u> | <u>348,305</u> |
| 2007 | | | | | | |
| Non-interest bearing | – | 64,298 | – | – | – | 64,298 |
| Finance lease liabilities | 9.94% | 3,354 | 7,349 | – | (1,619) | 9,084 |
| Variable interest rate instruments | 8.07% | 44,311 | 26,131 | – | (6,940) | 63,502 |
| Fixed interest rate instruments | 9.26% | 3,818 | – | 225,000 | (7,677) | 221,141 |
| | | <u>115,781</u> | <u>33,480</u> | <u>225,000</u> | <u>(16,236)</u> | <u>358,025</u> |

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(iv) Liquidity risk management (continued)

Liquidity and interest risk analyses (continued)

Non-derivative financial liabilities (continued)

| | Weighted average effective interest rate % | On demand or within 1 year US\$'000 | Within 2 to 5 years US\$'000 | After 5 years US\$'000 | Adjustment US\$'000 | Total US\$'000 |
|------------------------------|--|---|---------------------------------------|------------------------------|------------------------|-------------------|
| Company | | | | | | |
| 2008 | | | | | | |
| Non-interest bearing | - | 465 | - | - | - | 465 |
| Financial guarantee contract | - | 525 | 2,100 | - | - | 2,625 |
| | | <u>990</u> | <u>2,100</u> | <u>-</u> | <u>-</u> | <u>3,090</u> |
| 2007 | | | | | | |
| Non-interest bearing | - | 269 | - | - | - | 269 |
| Financial guarantee contract | - | 525 | 2,100 | 525 | - | 3,150 |
| | | <u>794</u> | <u>2,100</u> | <u>525</u> | <u>-</u> | <u>3,419</u> |

Non-derivative financial assets

The Group's and Company's financial assets are current and only cash at banks are interest-earning (Note 7).

(v) Other risk management

The Group prepaid US\$288 million (2007: US\$288 million) of charter hire fees for 17 vessels (2007: 17) fishing vessels, the benefits of which are to be realised over 10 to 18 years up to 2025 (2007: 10 to 18 years up to 2025). The Group mitigates the risk relating to obligations of the counterparties in respect of the prepayment arrangements and the vessel operating agreements through the security documents described in Note 12.

(vi) Fair values of financial asset and financial liabilities

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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(c) Capital risk management policies and objectives

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

The capital structure of the Group consists of debt, which comprises the borrowings disclosed in Notes 20 to 22, cash and cash equivalents and shareholders' equity.

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

The Group's overall strategy remains unchanged from 2007.

5. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Super Investment Limited, a company incorporated in Cayman Islands. Its intermediate holding company is Pacific Andes (Holdings) Limited ("PAH"), a company incorporated in Bermuda with its shares listed on the Singapore Exchange Securities Trading Limited. Its penultimate holding company is Pacific Andes International Holdings Limited, a company incorporated in Bermuda 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.

Some of the Company's transactions are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of trading transactions entered between the Group and other related companies that are not members of the Group are disclosed below:

| | Group | |
|--|--------------|----------|
| | 2008 | 2007 |
| | US\$'000 | US\$'000 |
| Sale of marine products to related companies | 17,415 | — |

Sale of marine products to related companies were transacted at prevailing market prices.

6. OTHER RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand.

During the year, Group entities entered into the following trading transactions with related parties:

China International Fisheries Hong Kong Limited ("CIFHK"):

| | Group | |
|----------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Revenue | | |
| Management fee | — | 50 |

Management fee income from CIFHK was determined in accordance with the terms of the vessel management agreement with CIFHK. The vessel management agreement was terminated with effect from February 28, 2007.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year comprise:

| | Group | |
|--------------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Short-term benefits | 1,345 | 1,264 |
| Post-employment benefits | 58 | 135 |
| | <u>1,403</u> | <u>1,399</u> |

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

7. CASH AND BANK BALANCES

| | Group | | Company | |
|--------------|------------------|------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| Cash at bank | 6,081 | 19,856 | 24 | 86 |
| Cash on hand | 1,540 | 503 | — | — |
| Total | <u>7,621</u> | <u>20,359</u> | <u>24</u> | <u>86</u> |

Cash at banks bears interest at rates ranging from 0.01% to 0.75% (2007: 0.05% to 1.85%) per annum.

7. CASH AND BANK BALANCES (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:

| | Group | | Company | |
|-----------------------|------------------|------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| Euro | 355 | 944 | – | – |
| Chinese Renminbi | 163 | 341 | – | – |
| Hong Kong dollars | 66 | 91 | – | 55 |
| Peruvian Nuevos Soles | 1,571 | 8,050 | – | – |
| Singapore dollars | <u>6</u> | <u>–</u> | <u>6</u> | <u>–</u> |

8. TRADE RECEIVABLES

| | Group | |
|-----------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Outside parties | <u>18,871</u> | <u>8,868</u> |

An allowance for estimated irrecoverable amount from the sale of goods to third parties of US\$3,031,000 (2007: US\$1,123,000) has been determined by reference to management's estimation of irrecoverable amounts. The Group has provided for receivables over 120 days based on historical experience.

Included in the Group's trade receivable balance are debtors with carrying amount of US\$1,681,000 (2007: US\$1,757,000) and US\$57,000 (2007: US\$317,000) that are less than 3 months past due and over 3 months past due that have not been provided for as at the balance sheet date, respectively. The Group does not hold any collateral over these balances and has not provided for allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The remaining trade receivables balance of US\$17,133,000 (2007: US\$6,794,000) is neither past due nor impaired.

The credit period granted on sale of goods in the Pacific Ocean and Peruvian Waters are up to 30 days and 60 days, respectively (2007: 14 days and 60 days). No interest is charged on overdue balances.

Movement in the allowance for doubtful debts:

| | Group | |
|--|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Balance at beginning of the year | 1,123 | 1,081 |
| Increase in allowance recognised in profit or loss | <u>1,908</u> | <u>42</u> |
| Balance at end of the year | <u>3,031</u> | <u>1,123</u> |

8. TRADE RECEIVABLES (continued)

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

| | Group | |
|-----------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Euro | – | 1,694 |
| Peruvian Nuevos Soles | <u>44</u> | <u>278</u> |

9. OTHER RECEIVABLES AND PREPAYMENTS

| | Group | |
|---|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Arrangers (Note 12) | 1,694 | – |
| Prepayments for fishmeal and operating expenses | 3,663 | 6,811 |
| Value added tax recoverable | 12,198 | 13,497 |
| Others | <u>3,501</u> | <u>7,470</u> |
| | <u>21,056</u> | <u>27,778</u> |

The balances with the Arrangers as of December 31, 2008 are unsecured, interest-free and represent advances to the Arrangers to pay for fishing tickets so as to be able to fish in the Pacific Ocean.

The balances with the Arrangers are stated net of amounts payable to vessel owners in respect of payments made by the vessel owners on behalf of the Group. This offset has been effected on the basis of arrangements amongst members of the Group, the vessel owners and the Arrangers.

The other receivables balances are neither past due nor impaired.

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

| | Group | |
|-----------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Chinese Renminbi | 63 | 967 |
| Euro | – | 7 |
| Peruvian Nuevos Soles | <u>13,312</u> | <u>541</u> |

10. DEFERRED EXPENSES

This comprises costs incurred in operating the fishing vessels to be recovered through subsequent sales of fish and other marine products.

11. INVENTORIES

| | Group | |
|-------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Fishmeal | 27,948 | 19,285 |
| Frozen fish | 2 | 2 |
| Packing materials | 198 | 246 |
| Supplies | 5,201 | 3,890 |
| | <u>33,349</u> | <u>23,423</u> |

Fishmeal with carrying amounts of US\$24,310,000 (2007: US\$19,285,000) have been pledged as security for the Group's bank overdrafts and inventory loans totalling US\$35,072,000 (2007: US\$23,750,000) (Note 21).

12. DEFERRED CHARTER HIRE

| | Group | |
|---|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Total deferred charter hire | 288,000 | 288,000 |
| Less accumulated amortisation | (69,267) | (47,133) |
| | <u>218,733</u> | <u>240,867</u> |
| Included as current asset | (22,133) | (22,133) |
| | <u>196,600</u> | <u>218,734</u> |
| | Group | |
| | 2008 US\$'000 | 2007 US\$'000 |
| Accumulated amortisation: | | |
| At beginning of year | 47,133 | 25,000 |
| Amortisation during the year charged as charter hire expenses | 22,134 | 22,133 |
| | <u>69,267</u> | <u>47,133</u> |

12. DEFERRED CHARTER HIRE (continued)

A subsidiary, China Fisheries International Limited ("CFIL"), entered into vessel operating agreements with two companies, Perun Limited ("Perun") and Alatir Limited ("Alatir") (collectively as "Arrangers"), to prepay fixed charter hire for 17 (2007: 17) vessels for 10 to 18 years (2007: 10 to 18 years). To secure the benefits from 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) charges of all the issued shares of Perun and Alatir (the "Charges");
- (ii) debentures over all the present and future assets of Perun and Alatir (the "Debentures"); and
- (iii) entrusted management agreements to vest upon the nominees of CFIL, the management and control of Perun and Alatir in respect of and limited to the performance and obligations of the vessel operating agreements.

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

- (i) any default by the counterparties in the due performance of any undertaking, condition or obligation on its part to be performed and observed in the vessel operating agreements, the Charges, the Debentures or any other instruments or agreements entered into 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 each of Perun and Alatir.

13. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land US\$'000 | Freehold buildings US\$'000 | Leasehold buildings US\$'000 | Fishing vessels US\$'000 | Fishing nets US\$'000 | Plant and machinery US\$'000 | Vehicles US\$'000 | Furniture, fittings and office equipment US\$'000 | Construction- in-progress US\$'000 | Total US\$'000 |
|---|------------------------------|-----------------------------------|------------------------------------|--------------------------------|-----------------------------|---------------------------------------|----------------------|---|--|-------------------|
| Group | | | | | | | | | | |
| Cost or valuation: | | | | | | | | | | |
| At January 1, 2007 | 2,422 | 11,241 | 1,359 | 27,268 | 3,112 | 45,248 | 460 | 1,958 | - | 93,068 |
| Additions | 1,366 | 3,454 | 4,817 | 13,502 | 148 | 47,794 | 229 | 705 | - | 72,015 |
| Acquired on acquisition of subsidiaries | 415 | 1,578 | - | 19,096 | 3,115 | 4,717 | 166 | 359 | - | 29,446 |
| Disposals | - | - | - | (1,523) | (162) | (1) | (17) | - | - | (1,703) |
| Adjustment on asset revaluation | - | - | 1,017 | - | - | - | - | - | - | 1,017 |
| At December 31, 2007 | 4,203 | 16,273 | 7,193 | 58,343 | 6,213 | 97,758 | 838 | 3,022 | - | 193,843 |
| Additions | 225 | 783 | - | 647 | 682 | 16,632 | 23 | 799 | 36,871 | 56,662 |
| Acquired on acquisition of subsidiaries | 1,101 | 4,116 | - | 7,300 | 1,696 | 27,372 | 60 | 461 | - | 42,106 |
| Disposals | - | - | - | - | - | - | (16) | (14) | - | (30) |
| Reclassifications | - | - | - | - | - | 191 | 90 | (281) | - | - |
| Reclassification to other intangible assets | - | - | - | (3,517) | - | - | - | - | - | (3,517) |
| Adjustment on asset revaluation | - | - | 1,244 | - | - | - | - | - | - | 1,244 |
| At December 31, 2008 | 5,529 | 21,172 | 8,437 | 62,773 | 8,591 | 141,953 | 995 | 3,987 | 36,871 | 290,308 |
| Comprising: | | | | | | | | | | |
| December 31, 2007 | | | | | | | | | | |
| At cost | 4,203 | 16,273 | - | 58,343 | 6,213 | 97,758 | 838 | 3,022 | - | 186,650 |
| At valuation | - | - | 7,193 | - | - | - | - | - | - | 7,193 |
| | 4,203 | 16,273 | 7,193 | 58,343 | 6,213 | 97,758 | 838 | 3,022 | - | 193,843 |
| December 31, 2008 | | | | | | | | | | |
| At cost | 5,529 | 21,172 | - | 62,773 | 8,591 | 141,953 | 995 | 3,987 | 36,871 | 281,871 |
| At valuation | - | - | 8,437 | - | - | - | - | - | - | 8,437 |
| | 5,529 | 21,172 | 8,437 | 62,773 | 8,591 | 141,953 | 995 | 3,987 | 36,871 | 290,308 |
| Accumulated depreciation: | | | | | | | | | | |
| At January 1, 2007 | - | 90 | 41 | 885 | 716 | 1,160 | 105 | 421 | - | 3,418 |
| Acquired on acquisition of subsidiaries | - | 21 | - | 4,565 | 581 | 167 | 137 | 202 | - | 5,673 |
| Depreciation | - | 358 | 149 | 1,837 | 599 | 4,826 | 118 | 337 | - | 8,224 |
| Disposals | - | - | - | (136) | (45) | - | (13) | - | - | (194) |
| Eliminated on revaluation | - | - | (117) | - | - | - | - | - | - | (117) |
| At December 31, 2007 | - | 469 | 73 | 7,151 | 1,851 | 6,153 | 347 | 960 | - | 17,004 |
| Acquired on acquisition of subsidiaries | - | 2,166 | - | 2,752 | 463 | 10,472 | 39 | 446 | - | 16,338 |
| Depreciation | - | 433 | 315 | 2,672 | 2,173 | 7,001 | 137 | 317 | - | 13,048 |
| Disposals | - | - | - | - | - | - | (10) | (8) | - | (18) |
| Reclassifications | - | - | - | - | - | 33 | 108 | (141) | - | - |
| Eliminated on revaluation | - | - | (302) | - | - | - | - | - | - | (302) |
| At December 31, 2008 | - | 3,068 | 86 | 12,575 | 4,487 | 23,659 | 621 | 1,574 | - | 46,070 |
| Carrying amount: | | | | | | | | | | |
| At December 31, 2007 | 4,203 | 15,804 | 7,120 | 51,192 | 4,362 | 91,605 | 491 | 2,062 | - | 176,839 |
| At December 31, 2008 | 5,529 | 18,104 | 8,351 | 50,198 | 4,104 | 118,294 | 374 | 2,413 | 36,871 | 244,238 |

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amount of the Group's property, plant and equipment includes an amount of US\$47,559,000 (2007: US\$30,262,000) in respect of assets held under finance leases (Note 20).

The leasehold buildings situated in Hong Kong and Singapore were revalued by BMI Appraisals Limited, independent valuers not connected with the Group, on an open market value basis as at September 30, 2008 (2007: September 30, 2007).

At December 31, 2008, had the leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately US\$5,631,000 (2007: US\$5,946,000).

14. GOODWILL

| | Group | |
|--|----------------------|----------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Cost: | | |
| At beginning of year | 71,544 | 44,989 |
| Arising on acquisition of subsidiaries (Note 34) | 5,411 | 24,710 |
| Adjustment to goodwill provisionally determined ^(a) | <u>(12,853)</u> | <u>1,845</u> |
| At end of year | <u><u>64,102</u></u> | <u><u>71,544</u></u> |

^(a) During the year, the Group completed the valuation of the Peruvian operations acquired in 2007. The provisional fair values assigned to the net assets acquired increased by US\$12,853,000 resulting in a decrease in goodwill of US\$12,853,000.

In 2007, the Group completed the valuation of the Peruvian operations acquired in 2006. The provisional fair values assigned to the net assets acquired decreased by US\$1,845,000 resulting in an increase in goodwill of US\$1,845,000.

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 the Peruvian operations.

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.

In 2008, the Group engaged an independent financial advisor located in Hong Kong, BMI Appraisals Limited, to determine the value of the Peruvian operations as of September 30, 2008. Based on the report of the advisor, dated December 19, 2008, management updated their assessment as of December 31, 2008.

In June 2007, the Group engaged an independent financial advisor located in Hong Kong, BMI Appraisals Limited, to determine the value of the Peruvian operations as of June 30, 2007. Based on the report of the adviser, dated December 27, 2007, management updated their assessment as of December 31, 2007.

14. GOODWILL (continued)

With effect from January 2009, the fishing system in Peru changed from the previous "Olympic" system to "Individual Transferable Quota ("ITQ")" system which entitles fishing companies holding valid licensed fishing vessels to a share of fishing quotas determined by the authorities. Management has evaluated the impact of the quota allocation under the ITQ system and included such consideration in the estimation of the value in use. Based on these evaluations, management is of the view that the carrying amounts of the fishing vessels and fishing permits are realisable through future operations.

The assessment of recoverability of the carrying amount of goodwill includes:

- (i) forecasted projected cash flows up to 2017 (2007: 2016) and projection of terminal value using the perpetuity method;
- (ii) growth rate of 3.3% (2007: 3.3%); and
- (iii) use of 13.44% (2007: 16.4%) to discount the projected cash flows to net present values.

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

15. OTHER INTANGIBLE ASSETS

| | Fishing permits | |
|---|-----------------|----------|
| | 2008 | 2007 |
| | US\$'000 | US\$'000 |
| Cost: | | |
| At beginning of year | 60,248 | 24,575 |
| From acquisition of subsidiaries (Note 34) | 10,424 | 19,639 |
| From acquisition of fishing vessels | – | 16,034 |
| Reclassification from fishing vessels (Note 13) | 3,517 | – |
| | 74,189 | 60,248 |
| At end of year | 74,189 | 60,248 |

Fishing permits are granted by the authority in Peru. The fishing permits are attached to fishing vessels and are transferable to other vessels of no bigger capacity should the original vessels become obsolete or sink. The cost of purchase of a fishing vessel with the attached fishing permit and the cost of acquiring the subsidiary which owns the fishing vessels and attached fishing permits (Note 34) are allocated to the respective component of assets acquired on the basis of valuation reports dated February 10, 2008, July 2, 2008 and July 3, 2008 (2007 : February 15, 2007 and June 25, 2007) prepared by independent third party valuer in Peru, J.R.Z. Adjustadores y Peritos de Seguros S.A.C. (2007 : Peru, Peritos de Seguros S.A.C.).

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

As stated in Note 14, the Group has engaged independent valuer to determine the value of the Peruvian operations. Based on the report and management's assessment of business prospects, management expects the carrying amount of fishing permits to be recoverable and there is no impairment in value of the fishing permits.

16. ASSOCIATE

| | Group | |
|---------------------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Unquoted equity shares, at cost | <u>1,500</u> | <u>1,500</u> |

Details of the associate are as follows:

| Name of associate | Country of incorporation and operation | Principal activities | Effective proportion of ownership interest and voting power held | |
|---|--|--|--|-----------|
| | | | 2008 % | 2007 % |
| Servicios Pesqueros Chimbote S.A. ⁽¹⁾ | Peru | Provision of logistic and warehousing services for fishing industry | 50 | 50 |

⁽¹⁾ Not audited as the associate is deemed not material.

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

| | 2008 US\$'000 | 2007 US\$'000 |
|---|------------------|------------------|
| Total assets | 300 | 278 |
| Total liabilities | <u>(118)</u> | <u>(103)</u> |
| Net assets | <u>182</u> | <u>175</u> |
| Group's share of associate's net assets | <u>91</u> | <u>88</u> |

The Group did not account for its share of the associate's results from the date of acquisition to December 31, 2008 as it is not material.

17. SUBSIDIARIES

| | Company | |
|--|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Unquoted equity shares, at cost | * | * |
| Amount due from a subsidiary | 151,392 | 146,623 |
| Fair value of a financial guarantee contract | <u>3,675</u> | <u>3,675</u> |
| | <u>155,067</u> | <u>150,298</u> |

* Amount less than US\$1,000.

17. SUBSIDIARIES (continued)

The amount due from a subsidiary is unsecured and earns interest at 3% above the 3-months London Interbank Offer Rate. The interest earned ranged from 5.67 % to 8.14 % (2007: 8.35% to 8.67%) per annum.

Management considers the amount due from the subsidiary to approximate fair value as the interest charged is determined with reference to market rate.

Details of the Company's subsidiaries are as follows:

| Name of subsidiary | Country of incorporation and operation | Principal activities | Effective proportion of ownership interest and voting power held | |
|--|--|---|--|-----------|
| | | | 2008 % | 2007 % |
| Smart Group Limited ⁽¹⁾ | Cayman Islands | Investment holding | 100 | 100 |
| Subsidiaries of Smart Group Limited | | | | |
| China Fisheries International Limited ⁽¹⁾ | Samoa/Worldwide | Management and operation of fishing vessels and sale of fish and other marine catches | 100 | 100 |
| CFG Peru Investments Pte Limited ⁽²⁾ | Singapore | Investment holding | 100 | 100 |
| CFGL (Singapore) Private Limited ⁽²⁾ | Singapore | Property holding | 100 | 100 |
| Premium Choice Group Limited ⁽¹⁾⁽⁵⁾ | British Virgin Islands/ Worldwide | Management and operation of fishing vessels | 100 | – |
| Speedy Gain International Limited ⁽¹⁾⁽⁵⁾ | Cayman Islands | Investment holding | 100 | – |
| Subsidiaries of China Fisheries International Limited | | | | |
| Admired Agents Limited ⁽¹⁾⁽⁷⁾ | British Virgin Islands/ Worldwide | Agent for procurement of provisions and supplies for the Group | 80 | 80 |
| Champion Maritime Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Inactive (formerly an agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group) | 100 | 100 |
| Chanery Investment Inc. ⁽¹⁾ | British Virgin Islands/ Worldwide | Inactive (formerly an agent for procurement of provisions and supplies for the Group) | 100 | 100 |
| Chiksano Management Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group | 100 | 100 |

17. SUBSIDIARIES (continued)

| Name of subsidiary | Country of incorporation and operation | Principal activities | Effective proportion of ownership interest and voting power held | |
|--|--|---|--|-----------|
| | | | 2008 % | 2007 % |
| Subsidiaries of China Fisheries International Limited (continued) | | | | |
| Excel Concept Limited ⁽¹⁾⁽⁷⁾ | British Virgin Islands/ Worldwide | Agent for sales of fish and other marine catches of the Group | 80 | 80 |
| Fortress Agents Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Agents for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group | 100 | 100 |
| Gain Star Management Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group | 100 | 100 |
| Growing Management Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group | 100 | 100 |
| Hill Cosmos International Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Inactive (formerly an agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group) | 100 | 100 |
| Loyal Mark Holdings Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group | 100 | 100 |
| Metro Island International Limited ⁽¹⁾⁽⁷⁾ | British Virgin Islands/ Worldwide | Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group | 80 | 80 |
| Mission Excel International Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group | 100 | 100 |

17. SUBSIDIARIES (continued)

| Name of subsidiary | Country of incorporation and operation | Principal activities | Effective proportion of ownership interest and voting power held | |
|--|--|---|--|-----------|
| | | | 2008 % | 2007 % |
| Subsidiaries of China Fisheries International Limited (continued) | | | | |
| Nidaro International Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Worldwide for the sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group | 100 | 100 |
| Nippon Fishery Holdings Limited ⁽¹⁾⁽⁵⁾⁽⁷⁾ | British Virgin Islands/ Worldwide | Inactive | 75 | – |
| Ocean Expert International Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group | 100 | 100 |
| Pioneer Logistics Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Inactive (formerly an agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group) | 100 | 100 |
| Sea Capital International Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Inactive (formerly an agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group) | 100 | 100 |
| Shine Bright Management Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group | 100 | 100 |
| Superb Choice International Limited ⁽¹⁾ | British Virgin Islands/ Worldwide | Inactive (formerly an agent for sales of fish and other marine catches of the Group) | 100 | 100 |
| Toyama Holdings Limited ⁽¹⁾⁽⁵⁾⁽⁷⁾ | British Virgin Islands/ Worldwide | Inactive | 75 | – |

17. SUBSIDIARIES (continued)

| Name of subsidiary | Country of incorporation and operation | Principal activities | Effective proportion of ownership interest and voting power held | |
|--|--|---|--|-----------|
| | | | 2008 % | 2007 % |
| Subsidiary of Chanery Investment Inc. | | | | |
| Powertech Engineering (Rongcheng) Co. Ltd ⁽⁶⁾ | People's Republic of China | Agent for vessel repairing service | 100 | 100 |
| Subsidiaries of CFG Peru Investments Pte Limited | | | | |
| CFG Investment S.A.C. ⁽³⁾ | Peru | Investment holding, operation of fishing vessel and sale of fish and marine catches | 100 | 100 |
| Grenadine Bay Inc ⁽³⁾ | Panama | Investment holding | 100 | 100 |
| Protein Trading Limited ⁽¹⁾ | Samoa | Procurement and marketing agent for fishmeal | 100 | 100 |
| CFG Investments (Hong Kong) Ltd ⁽¹⁾⁽⁵⁾ | Hong Kong | Investment holding | 100 | – |
| Subsidiaries of CFG Investments S.A.C. | | | | |
| Macro Capitales S.A. ⁽³⁾ | Panama | Investment holding | 100 | 100 |
| Pesquera Bari S.A.C. ⁽³⁾ | Peru | Investment holding | 100 | 100 |
| Epesca Pisco S.A.C. ⁽³⁾⁽⁴⁾ | Peru | Investment holding, operation of fishmeal plant and fishmeal depot | 100 | – |
| Subsidiaries of Epesca Pisco S.A.C. | | | | |
| Pesquera Mistral S.A.C. ⁽³⁾⁽⁴⁾ | Peru | Operation of fishing vessel and sale of anchovy | 100 | – |
| Pesquera Ofelia S.R.L. ⁽³⁾⁽⁴⁾ | Peru | Operation of fishing vessel and sale of anchovy | 100 | – |

17. SUBSIDIARIES (continued)

- (1) Audited by Deloitte & Touche LLP, Singapore for sole purpose of inclusion of their financial position and operating results in the consolidated financial statements of the Group.
- (2) Audited by Deloitte & Touche LLP, Singapore.
- (3) Audited by overseas practices of Deloitte Touche Tohmatsu.
- (4) Acquired during the financial year.
- (5) Incorporated during the financial year.
- (6) Not audited as deemed not material to the Group.
- (7) The share of the minority interests in the net assets and profit or loss of these subsidiaries are not material.

The subsidiaries have representatives in Hong Kong, People's Republic of China, Taiwan, Russia and Peru to perform various aspects of their activities.

During the year, the acquisition of the subsidiaries of CFG Peru Investments Pte Limited and CFG Investments S.A.C. resulted in inclusion of post-acquisition revenue of US\$3,209,000 (2007: US\$556,000) and losses of US\$375,000 (2007: US\$165,000) in the Group's financial statements (2007: prior to their merger with CFG Investments S.A.C.).

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

18. TRADE PAYABLES

| | Group | |
|---------------------|----------------------|----------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Arrangers (Note 12) | – | 13,304 |
| Outside parties | <u>14,047</u> | <u>32,717</u> |
| Total | <u><u>14,047</u></u> | <u><u>46,021</u></u> |

The average credit period on purchase of goods is 30 days (2007: 30 days). No interest is charged on overdue balances. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Trade payables principally comprise amounts outstanding for vessel operating costs and trade purchases.

The balances with the Arrangers were stated net of amounts receivable from the vessel owners in respect of payments made by the Group on behalf of the vessel owners. This offset has been effected on the basis of an arrangement amongst members of the Group, the vessel owners and the Arrangers.

18. TRADE PAYABLES (continued)

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

| | Group | |
|-----------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Hong Kong dollars | 10 | 81 |
| Chinese Renminbi | 408 | 222 |
| Euro | 1,161 | 949 |
| Peruvian Nuevos Soles | <u>3,573</u> | <u>2,434</u> |

19. OTHER PAYABLES AND ACCRUED EXPENSES

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| Accrued expenses | 1,537 | 5,871 | 465 | 269 |
| Interest payable | 1,476 | 4,714 | – | – |
| Provision for claims (Note 36) | 1,554 | 1,459 | – | – |
| Statutory employees' profit share (Note 23) | – | 57 | – | – |
| Consideration payable (Note 34) | 12,596 | – | – | – |
| Others | <u>1,370</u> | <u>7,692</u> | <u>–</u> | <u>–</u> |
| Total | <u>18,533</u> | <u>19,793</u> | <u>465</u> | <u>269</u> |

Movements in provision for claims:

| | Group | |
|--|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| At beginning of year | 1,459 | 1,348 |
| Arising on acquisition of subsidiaries | – | 232 |
| Provision during the year | 150 | – |
| Payment during the year | <u>(55)</u> | <u>(121)</u> |
| At end of year | <u>1,554</u> | <u>1,459</u> |

19. OTHER PAYABLES AND ACCRUED EXPENSES (continued)

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

| | Group | | Company | |
|-----------------------|------------------|------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| Hong Kong dollars | 212 | 203 | 99 | 93 |
| Singapore dollars | 3 | 183 | 3 | 164 |
| Chinese Renminbi | 200 | 384 | – | – |
| Peruvian Nuevos Soles | <u>2,234</u> | <u>8,423</u> | <u>–</u> | <u>–</u> |

20. FINANCE LEASES

| | Group | | Present value of minimum lease payments | |
|---|--|------------------|---|------------------|
| | Minimum lease payments 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | 7,229 | 3,354 | 4,595 | 2,665 |
| In the second to fifth year inclusive | 19,071 | 7,349 | 14,003 | 6,419 |
| Less: Future finance charges | <u>(7,702)</u> | <u>(1,619)</u> | <u>NA</u> | <u>NA</u> |
| Present value of lease obligations | <u>18,598</u> | <u>9,084</u> | <u>18,598</u> | <u>9,084</u> |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | <u>(4,595)</u> | <u>(2,665)</u> |
| Amount due for settlement after 12 months | | | <u>14,003</u> | <u>6,419</u> |

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in United States dollars, the functional currency of the respective Group entities.

The carrying amounts of the Group's lease obligations approximate their fair value.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 13).

21. BANK OVERDRAFTS AND LOANS

| | Group | |
|--|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Bank overdrafts | – | 2,132 |
| Bank loans | <u>80,079</u> | <u>65,188</u> |
| | <u>80,079</u> | <u>67,320</u> |
| The bank loans are repayable as follows: | | |
| On demand or within one year | 64,935 | 44,820 |
| In the second year | 7,559 | 7,500 |
| In the third year | 7,559 | 7,500 |
| In the fourth year | <u>26</u> | <u>7,500</u> |
| | 80,079 | 67,320 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | <u>(64,935)</u> | <u>(44,820)</u> |
| Amount due for settlement after 12 months | <u>15,144</u> | <u>22,500</u> |

There were no bank overdrafts as at December 31, 2008. In 2007, the bank overdrafts had current maturities, bore interest at 6-months London Interbank Offer Rate plus 1.10% and were secured over the Group's fishmeal inventories (Note 11). Management considers that the bank overdrafts and loans to approximate fair value as the interest charged is determined with reference to market interest rates.

The bank loans comprise the following:

- (a) Term loans of US\$22,500,000 (2007: US\$30,000,000) are unsecured and repayable in 16 equal quarterly instalments with the next instalment of US\$1,875,000 due in March 2009. Interest is charged on US\$1,050,000 (2007: US\$1,400,000) at 2.5% above the 3-months London Interbank Offer Rate and at 3% above the 3-months London Interbank Offer Rate for US\$21,450,000 (2007: US\$28,600,000). The loans are guaranteed by the Company.
- (b) Inventory loans of US\$35,072,000 (2007: US\$21,618,000) have current maturities, bear variable interest rates at 6 months LIBOR plus 1.10% per annum (2007: plus 1.10%) and are secured over the Group's fishmeal (Note 11).
- (c) Revolving loans of US\$17,500,000 (2007: US\$7,500,000) are unsecured and repayable in January 2009. Interest is charged on US\$7,500,000 (2007: US\$7,500,000) at interest rates ranging from 2.34% to 3.6% per annum and at 3.7% per annum for US\$10,000,000 (2007: US\$Nil). The loans are repriced on a monthly basis and are guaranteed by the Company.
- (d) Trust receipts of US\$4,150,000 (2007: US\$2,252,000) are unsecured and repayable between February and April 2009. Interest is charged on US\$847,000 (2007: US\$2,252,000) at 3.53% per annum and at 4.32% per annum for US\$3,303,000 (2007: US\$Nil). The trust receipts are guaranteed by the Company.
- (e) The remaining borrowings of US\$857,000 (2007: US\$3,818,000) are unsecured, bear fixed interest rates ranging from 7.00% to 10.00% (2007: 7.00% to 13.00%) per annum and repayable quarterly to semi-annually.

22. SENIOR NOTES

On December 19, 2006, the Group, through its subsidiary, CFG Investment S.A.C., issued guaranteed senior fixed rate notes with aggregate nominal value of US\$225,000,000 (the "Notes") which carry fixed interest of 9.25% per annum and will be fully repayable by December 19, 2013.

The Notes are listed on the Singapore Exchange Securities Trading Limited. They are unsecured and guaranteed by the Company and certain subsidiaries of the Group. The guarantees are effectively subordinated to secured obligations of each guarantor, to the extent of the value of assets serving as security. In 2007, the Company recognised the fair value of the above financial guarantee of US\$3,675,000 on the balance sheet as additional investment in subsidiary and a financial guarantee contract liability. Amortisation of the financial guarantee obligation amounted to US\$525,000 (2007: US\$525,000) during the year.

At any time prior to December 19, 2010, the Group may redeem the Notes in whole or in part at the principal amount of the Notes plus an applicable premium and accrued interest provided that any partial redemption shall not result in less than US\$100 million of outstanding Notes. At any time prior to and up to December 19, 2009, the Group may redeem up to 35% of the Notes, with net cash proceeds from issue of ordinary shares of the Company or sale of ordinary shares of CFG Investment S.A.C., at the redemption price equal to 109.25% of the principal amount of the Notes plus accrued and unpaid interests, if any, as of the redemption date.

The Notes contain certain covenants that limit the Company's ability and the ability of certain subsidiaries to, among other things:

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

The net carrying amount of the Notes is stated net of issue expenses totalling US\$8,957,000. Such expenses are amortised over the life of the Notes by charging the expenses to profit or loss and increasing the net carrying amount of the Notes with the corresponding amount. As of December 31, 2008, accumulated amortisation amounted to US\$2,559,000 (2007: US\$1,280,000).

Management estimates the fair value of the Notes at December 31, 2008 to be approximately US\$235,148,000 (2007: US\$236,784,000). The fair value has been calculated by assuming redemption on December 19, 2013, using effective interest rate of 6.63% to 9.15% (2007: 7.79% to 8.44%) per annum with reference to the US Treasury Zero Coupon Bonds and holding the credit risk margin constant.

23. STATUTORY EMPLOYEES' PROFIT SHARE

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

| | Group | |
|--|-----------------|---------------------|
| | 2008 | 2007 |
| | US\$'000 | US\$'000 |
| At beginning of year | 6,390 | 8,227 |
| Arising on adjustment to goodwill provisionally determined (Note 14) | (6,506) | – |
| Payments during the year | – | (2,819) |
| Charged to profit or loss | <u>116</u> | <u>1,039</u> |
| At end of year | – | 6,447 |
| Less: Current portion (Note 19) | <u>–</u> | <u>(57)</u> |
| Non-current portion | <u><u>–</u></u> | <u><u>6,390</u></u> |

24. DEFERRED TAX LIABILITIES

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

| | Accelerated tax depreciation | Fair value adjustments ⁽¹⁾ | Provisions | Tax losses ⁽²⁾ | Total |
|---|------------------------------------|--|-----------------------|---------------------------|----------------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At beginning of year | 3,047 | 15,705 | (724) | – | 18,028 |
| Arising on acquisition of subsidiaries (Note 34) | 1,952 | 9,215 | – | – | 11,167 |
| Credited to profit or loss (Note 31) | <u>–</u> | <u>–</u> | <u>(258)</u> | <u>–</u> | <u>(258)</u> |
| At December 31, 2007 | 4,999 | 24,920 | (982) | – | 28,937 |
| Arising on acquisition of subsidiaries (Note 34) | 3,202 | 3,359 | – | – | 6,561 |
| Arising on adjustment to goodwill provisionally determined (Note 14) | – | 599 | – | – | 599 |
| Credited to profit or loss (Note 31) | <u>–</u> | <u>–</u> | <u>(1,713)</u> | <u>(3,133)</u> | <u>(4,846)</u> |
| At December 31, 2008 | <u><u>8,201</u></u> | <u><u>28,878</u></u> | <u><u>(2,695)</u></u> | <u><u>(3,133)</u></u> | <u><u>31,251</u></u> |

⁽¹⁾ Being deferred tax effect on fair value adjustments of property, plant and equipment and fishing permits on business combinations.

⁽²⁾ Subject to agreement by the tax authorities, at the balance sheet date, the Group has unutilised tax losses of US\$10,443,000 (2007: US\$Nil) available for offset against future profits. A deferred tax asset has been recognised in respect of US\$10,443,000 (2007: US\$Nil). The Group has elected the option for the tax losses, which may be carried forward indefinitely subject to availability and the conditions imposed by law including the retention of majority shareholders defined, to be offset at 50% of profit before tax generated in subsequent financial years.

25. SHARE CAPITAL

| | Group and Company | | |
|--------------------------------------|---------------------------|--------------------------|---------------------|
| | Number of ordinary shares | | |
| | at US\$0.10 per share | at US\$0.05 per share | Amounts US\$'000 |
| Authorised: | | | |
| At January 1, 2007 | 800,000,000 | – | 80,000 |
| Effect of sub-division of shares (b) | <u>(800,000,000)</u> | <u>1,600,000,000</u> | <u>–</u> |
| At December 31, 2007 and 2008 | <u>–</u> | <u>1,600,000,000</u> | <u>80,000</u> |
| Issued and paid up: | | | |
| At January 1, 2007 | 362,040,000 | – | 36,204 |
| Issue of shares (a) | 29,000,000 | – | 2,900 |
| Effect of sub-division of shares (b) | <u>(391,040,000)</u> | <u>782,080,000</u> | <u>–</u> |
| At December 31, 2007 and 2008 | <u>–</u> | <u>782,080,000</u> | <u>39,104</u> |

Fully paid ordinary shares, which have no par value, carry one vote per ordinary share and carry a right to dividends.

- (a) On January 24, 2007, the Company issued 29,000,000 ordinary shares of US\$0.10 each at S\$3.98 (US\$2.58) per ordinary share for cash. Premium of US\$72,062,000 representing the excess of issue price over the par value of the new shares was recorded. Net of issue expenses of US\$2,060,000, the resulting share premium was US\$70,002,000.
- (b) On May 10, 2007, the ordinary shares of US\$0.10 each were sub-divided from US\$0.10 each into 2 ordinary shares of US\$0.05 each.

26. RESERVES

Revaluation reserve

The revaluation reserve arises on the revaluation of leasehold buildings. Where a revalued leasehold building is sold, the portion of the revaluation revenue that relates to that asset, and is effectively realised, is transferred directly to retained earnings. The revaluation reserve is not available for distribution to the Company's shareholders.

Merger reserve

Merger reserve represents the difference between the aggregate nominal amounts of the share capital of the combining entities and the nominal amount of share capital issued by the Company during the restructuring exercise undertaken in 2005.

27. REVENUE

| | Group | |
|---------------------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Sale of fish and marine catches | 310,671 | 290,379 |
| Sale of fishmeal and fish oil | 116,768 | 115,940 |
| Rental of fishing quota | 32,615 | – |
| Management fee | – | 50 |
| | 460,054 | 406,369 |

28. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is organised on a world-wide basis into four major fishing and production locations – the Pacific Ocean (excluding Peruvian Waters), Peruvian Waters, Atlantic Ocean and Indian Ocean. The geographical locations are the basis on which the Group reports its primary segment information.

The primary segment information is based on fishing and production locations as well as assets employed to generate these revenue. Additional segment information on revenue is based on the location of customers.

Segment revenue and expenses: Segment revenue and expenses are the operating revenue and expenses reported in the Group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expenses 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 cash and bank balances, receivables, prepayments, deposits, deferred expenses, deferred chartered hire, property, plant and equipment and intangible assets. Capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year and comprises property, plant and equipment, intangible assets purchased and prepayment of deferred charter hire. Segment liabilities consist principally of payables and accrued expenses. They exclude income tax, bank loans and finance leases.

28. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

| | Pacific Ocean ⁽¹⁾ | | Peruvian Waters | | Atlantic Ocean | | Indian Ocean | | Total | |
|-----------------------------------|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| Revenue | <u>343,286</u> | <u>289,572</u> | <u>116,768</u> | <u>116,747</u> | <u>-</u> | <u>30</u> | <u>-</u> | <u>20</u> | <u>460,054</u> | <u>406,369</u> |
| Segment results | 94,735 | 96,852 | 28,361 | 25,102 | - | 30 | - | 20 | 123,096 | 122,004 |
| Finance costs | | | | | | | | | (31,197) | (26,791) |
| Unallocated corporate expenses | | | | | | | | | <u>(3,281)</u> | <u>(4,898)</u> |
| Profit before income tax | | | | | | | | | 88,618 | 90,315 |
| Income tax benefit (expense) | | | | | | | | | <u>5,654</u> | <u>(1,817)</u> |
| Net profit for the year | | | | | | | | | <u>94,272</u> | <u>88,498</u> |
| Other information | | | | | | | | | | |
| Segment assets | 381,556 | 331,484 | 326,513 | 314,991 | - | - | - | - | 708,069 | 646,475 |
| Interest in associate | - | - | 1,500 | 1,500 | - | - | - | - | 1,500 | 1,500 |
| Unallocated corporate assets | | | | | | | | | <u>8,288</u> | <u>-</u> |
| Total assets | | | | | | | | | <u>717,857</u> | <u>647,975</u> |
| Segment liabilities | 6,396 | 40,497 | 26,184 | 26,993 | - | - | - | - | 32,580 | 67,490 |
| Unallocated corporate liabilities | | | | | | | | | <u>349,505</u> | <u>327,960</u> |
| Total liabilities | | | | | | | | | <u>382,085</u> | <u>395,450</u> |
| Capital expenditure | 44,738 | 181,889 | 53,528 | 127,627 | - | - | - | - | <u>98,266</u> | <u>309,516</u> |
| Depreciation and amortisation | 24,221 | 22,481 | 12,240 | 9,156 | - | - | - | - | <u>36,461</u> | <u>31,637</u> |

⁽¹⁾ Excludes Peruvian Waters

28. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Revenue based on locations of the customers (which are different from the fishing and production locations) are as follows:

| | Pacific Ocean ⁽¹⁾ | | Peruvian Waters | | Atlantic Ocean | | Indian Ocean | | Total | |
|----------------------------|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| Revenue | | | | | | | | | | |
| People's Republic of China | 196,381 | 162,223 | 61,692 | 55,983 | - | 30 | - | 20 | 258,073 | 218,256 |
| Japan & Korea | 88,227 | 103,087 | - | 7,668 | - | - | - | - | 88,227 | 110,755 |
| South East Asia | - | - | 19,696 | 28,019 | - | - | - | - | 19,696 | 28,019 |
| Europe | 50,577 | 24,262 | 25,206 | 17,677 | - | - | - | - | 75,783 | 41,939 |
| Others* | 8,101 | - | 10,174 | 7,400 | - | - | - | - | 18,275 | 7,400 |
| | <u>343,286</u> | <u>289,572</u> | <u>116,768</u> | <u>116,747</u> | <u>-</u> | <u>30</u> | <u>-</u> | <u>20</u> | <u>460,054</u> | <u>406,369</u> |

⁽¹⁾ Excludes Peruvian Waters

* Others include Africa and North & South America

Business segments

The Group's principal activities comprise:

Fishing operation – Fishing and sale of fish and marine catches and rental of unutilised fishing quota.

Fishmeal and fish oil production – Production and sale of fishmeal and fish oil.

| | Revenue | | Carrying amounts of segment assets | | Additions to property, plant and equipment, deferred charter hire and intangible assets | |
|----------------------------------|------------------|------------------|------------------------------------|------------------|---|------------------|
| | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 | 2008 US\$'000 | 2007 US\$'000 |
| Fishing operation | 343,286 | 289,572 | 381,556 | 331,484 | 44,738 | 181,889 |
| Fishmeal and fish oil production | 116,768 | 116,747 | 328,013 | 316,491 | 53,529 | 127,627 |
| Others | - | 50 | - | - | - | - |
| | <u>460,054</u> | <u>406,369</u> | <u>709,569</u> | <u>647,975</u> | <u>98,267</u> | <u>309,516</u> |

29. OTHER OPERATING INCOME

| | Group | |
|---|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Interest income | 17 | 1,676 |
| Gain on disposal of property, plant and equipment | – | 412 |
| Rental income | 637 | 100 |
| Others | 988 | 1,090 |
| | <u>1,642</u> | <u>3,278</u> |

30. FINANCE COSTS

| | Group | |
|---|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Amortisation of senior notes issuing expenses | 1,279 | 1,280 |
| Interest on bank overdrafts and loans | 8,072 | 4,232 |
| Interest on finance leases | 1,033 | 466 |
| Interest on senior notes | 20,813 | 20,813 |
| | <u>31,197</u> | <u>26,791</u> |

31. INCOME TAX (BENEFIT) EXPENSE

(a) Operations excluding Hong Kong and Peruvian operations

The Group has no income tax liability from operations outside of Hong Kong and Peru as it fishes in international waters. Additionally, under the terms of the vessel operating agreements and vessel management agreement executed by the Group with the Arrangers (Note 12) and CIFHK (Note 6), the Arrangers and CIFHK bear all tax consequences, if any, relating to the agreements.

(b) Hong Kong

Certain subsidiaries act as procurement and marketing agents for the Group and some administrative personnel are located in Hong Kong. Tax on agency income is considered immaterial and has not been provided for.

(c) Peruvian operations

| | Group | |
|------------------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Current tax | (808) | 2,075 |
| Deferred tax (Note 24) | (4,846) | (258) |
| | <u>(5,654)</u> | <u>1,817</u> |

31. INCOME TAX (BENEFIT) EXPENSE (continued)

(c) Peruvian operations (continued)

Income tax is calculated at the Peruvian tax rate of 30% applied to the estimated assessable profit for the year after deduction of statutory employees' profit share of 10% from the estimated assessable profit.

The total (benefit) charge for the year can be reconciled to the accounting profit as follows:

| | Group | |
|--|----------------|--------------|
| | 2008 | 2007 |
| | US\$'000 | US\$'000 |
| (Loss) Profit before tax of Peruvian operations | <u>(1,806)</u> | <u>5,026</u> |
| Tax (benefit) expense at Peruvian tax rate of 30% (2007: 30%) | (542) | 1,508 |
| Tax effect of income that are not taxable in determining taxable profit | (2,014) | (3) |
| Tax effect of unutilised tax losses recognised as deferred tax asset | (3,133) | – |
| Effect of employees' profit share | <u>35</u> | <u>312</u> |
| | <u>(5,654)</u> | <u>1,817</u> |

32. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

| | Group | |
|--|---------------|---------------|
| | 2008 | 2007 |
| | US\$'000 | US\$'000 |
| Depreciation and amortisation: | | |
| Amortisation of deferred charter hire (Note 12) | 22,134 | 22,133 |
| Depreciation of property, plant and equipment (Note 13) | <u>13,048</u> | <u>8,224</u> |
| Total depreciation and amortisation | <u>35,182</u> | <u>30,357</u> |
| Directors' remuneration of the Company | <u>637</u> | <u>637</u> |
| Non-audit fees paid to auditors of the Company | 6 | 101 |
| Crew wages and employee benefits expense (including directors' remuneration) | 53,277 | 43,339 |
| Defined contribution plan expense | 1,049 | 1,381 |
| Cost of inventories recognised as expense * | 37,171 | 32,714 |
| Net foreign exchange losses | <u>1,089</u> | <u>1,390</u> |

* This comprises cost of inventories relating to the operations in Peru, the nature of which is stated in Note 11. It excludes cost incurred in fishing in the Pacific Ocean which are recorded as deferred expenses in Note 10.

33. EARNINGS PER SHARE

The basic earnings per ordinary share for the year ended December 31, 2008 is calculated based on the Group's profit attributable to shareholders of US\$94,272,000 for the year ended December 31, 2008 divided by the weighted average number of 782,080,000 ordinary shares in issue for the year.

The basic earnings per ordinary share for the year ended December 31, 2007 is calculated based on the Group's profit attributable to shareholders of US\$88,498,000 for the year ended December 31, 2007 divided by the weighted average number of 778,206,301 ordinary shares in issue for 2007 adjusted for the effect of the sub-division of shares in 2007 (Note 25).

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive ordinary shares.

34. ACQUISITION OF SUBSIDIARIES

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

2008

| Subsidiaries incorporated in Peru | Date of acquisition |
|--|----------------------------|
| Epesca Pisco S.A.C. | April 9, 2008 |
| Pesquera Ofelia S.R.L. | May 27, 2008 |
| Pesquera Mistral S.A.C. | September 12, 2008 |

2007

| Subsidiaries incorporated in Peru | Date of acquisition |
|--|----------------------------|
| Yaviza S.A.C. | March 14, 2007 |
| Pesquera Pocoma S.A.C. | May 21, 2007 |
| Pesquera El Pilar S.A.C. | June 1, 2007 |
| Pesquera Maru S.A.C. | June 1, 2007 |
| Pesquera Bari S.A.C. | December 12, 2007 |

| Subsidiaries incorporated in Panama | Date of acquisition |
|--|----------------------------|
| Grenadine Bay Inc. | March 14, 2007 |
| Altoreal S.A. | June 1, 2007 |
| Inversionista La Candelaria S.A. | June 1, 2007 |
| Macro Capitales S.A. | December 12, 2007 |

| Subsidiaries incorporated in the British Virgin Islands | Date of acquisition |
|--|----------------------------|
| Hill Cosmos International Limited | January 4, 2007 |
| Ocean Expert International Limited | January 24, 2007 |

Subsidiary incorporated in the People's Republic of China Date of acquisition

| | |
|---|---------------|
| Powertech Engineering (Rongcheng) Co. Ltd | April 1, 2007 |
|---|---------------|

Subsequent to their acquisitions, Yaviza S.A.C., Pesquera El Pilar S.A.C., Pesquera Maru S.A.C., Pesquera Pocoma S.A.C., Altoreal S.A. and Inversionista La Candelaria S.A., were merged into CFG Investment S.A.C. in 2007.

34. ACQUISITION OF SUBSIDIARIES (continued)

2008

The net assets acquired and the goodwill arising are as follows:

| | Acquirees' carrying amount before combination | Fair value adjustments | Fair value |
|---|--|-----------------------------------|-------------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Cash and bank balances | 1,246 | – | 1,246 |
| Other receivables and prepayments | 1,077 | – | 1,077 |
| Inventories | 1,907 | – | 1,907 |
| Property, plant and equipment | 26,376 | (608) | 25,768 |
| Fishing permits (Note 15) | – | 10,424 | 10,424 |
| Trade payables | (21) | – | (21) |
| Other payables and accrued expenses | (2,628) | – | (2,628) |
| Income tax payable | (20) | – | (20) |
| Finance leases | (3,027) | – | (3,027) |
| Deferred tax liabilities (Note 24) | (3,202) | (3,359) | (6,561) |
| | <u>21,708</u> | <u>6,457</u> | 28,165 |
| Goodwill arising on acquisitions | | | <u>5,411</u> |
| Total consideration, satisfied by cash | | | <u>33,576</u> |
| Net cash outflow arising on acquisitions: | | | |
| Total consideration | | | 33,576 |
| Cash and cash equivalents acquired | | | (1,246) |
| Consideration payable (Note 19) | | | <u>(12,596)</u> |
| Cash consideration | | | <u>19,734</u> |

34. ACQUISITION OF SUBSIDIARIES (continued)

2007

The net assets acquired and the goodwill arising are as follows:

| | Acquirees' carrying amount before combination | Fair value adjustments | Fair value |
|---|--|-----------------------------------|-------------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Cash and bank balances | 467 | – | 467 |
| Trade receivables | 6,158 | – | 6,158 |
| Other receivables and prepayments | 10,596 | (179) | 10,417 |
| Deferred expenses | 776 | (3) | 773 |
| Inventories | 1,313 | 44 | 1,357 |
| Property, plant and equipment | 12,695 | 11,078 | 23,773 |
| Fishing permits (Note 15) | – | 19,639 | 19,639 |
| Trade payables | (2,719) | – | (2,719) |
| Other payables and accrued expenses | (11,333) | – | (11,333) |
| Income tax payable | (117) | – | (117) |
| Finance leases | (7,265) | – | (7,265) |
| Deferred tax liabilities (Note 24) | (1,952) | (9,215) | (11,167) |
| | <u>8,619</u> | <u>21,364</u> | <u>29,983</u> |
| Goodwill arising on acquisitions | | | <u>24,710</u> |
| Total consideration, satisfied by cash | | | <u>54,693</u> |
| Net cash outflow arising on acquisitions: | | | |
| Cash consideration | | | 54,693 |
| Cash and cash equivalents acquired | | | (467) |
| Deposit for acquisition of subsidiary | | | <u>(11,600)</u> |
| | | | <u>42,626</u> |

As at the end of the financial year, the Group recognised provisional fair values of net assets acquired in 2008. The provisional fair values may be adjusted upon subsequent determination of contingent liabilities.

The provisional fair values for subsidiaries acquired in 2007 was finalised during the year with the provisional fair values assigned to the net assets acquired increased by US\$12,853,000 resulting in a decrease in goodwill of US\$12,853,000 (Note 14).

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

| | Group | |
|---|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| (a) Minimum lease expenditure under operating leases recognised as an expense in the year | 77,345 | 81,487 |
| Comprising: | | |
| Amortisation of deferred charter hire (Note 12) | 22,134 | 22,133 |
| Variable charter hire | 28,859 | 29,480 |
| Fixed charter hire | 26,352 | 26,280 |
| Rental of fishing vessels and fishmeal processing plants | <u>–</u> | <u>3,594</u> |
| (b) At December 31, 2007 and 2008, the Group has ongoing commitments to pay variable charter hire for 17 fishing vessels under the first, second and third vessel operating agreements entered into with Perun and Alatir for a period of 10 to 18 years up to December 31, 2025. Variable charter hire is calculated at 20% of the net profit derived from operating the fishing vessels before deduction of amortisation of fixed deferred charter hire which has been prepaid. | | |
| (c) As at December 31, 2007 and 2008, the Group has ongoing commitment to pay variable charter hire for 6 fishing vessels under the fourth vessel operating agreement entered into with Perun up to December 31, 2011. Variable charter hire is calculated at 20% of the net profit derived from operating the fishing vessels after deduction of fixed charter hire payable annually. | | |

The Group as lessor

The Group rents out a portion of its freehold buildings in Peru under operating leases. Property rental income earned during the year was US\$637,000 (2007: US\$100,000). At the balance sheet date, the Group has contracted with tenants for the following future minimum lease payments:

| Group | Group | |
|-----------------|------------------|------------------|
| | 2008 US\$'000 | 2007 US\$'000 |
| Within one year | <u>80</u> | <u>58</u> |

36. CONTINGENT LIABILITIES

- (a) Certain members of the Group are parties to legal processes in Peru amounting to approximately US\$3,370,000 (2007: US\$3,780,000). These relate to fishing compliance, former employees and miscellaneous claims. The Group's legal advisor has advised the Group that US\$1,554,000 (2007: US\$1,459,000) of these claims is likely to have unfavourable outcome for the Group and the outcome for claims of US\$1,816,000 (2007: US\$2,321,000) cannot be reasonably ascertained. Additionally, there are claims which the legal advisor has opined to have remote chances of resulting in unfavourable outcomes for the Group.

The Group made a provision of US\$1,554,000 (2007: US\$1,459,000) (Note 19) for those claims where the outcome is likely to be unfavourable to the Group.

- (b) At the balance sheet date, the Company had contingent liabilities arising from unsecured guarantees given to banks in respect of banking facilities utilised by subsidiaries amounting to US\$44,150,000 (2007: US\$39,752,000).

37. COMMITMENTS

At the balance sheet date, the Group had commitments for the acquisition of property, plant and equipment that were not provided for in the financial statements amounting to US\$18,546,000 (2007: US\$Nil).

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 27 to 76 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 December 31, 2008, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company 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 when they fall due.

ON BEHALF OF THE DIRECTORS

Sung Yu Ching

Managing Director

Chan Tak Hei

Finance Director

April 8, 2009

Supplementary Information

The reporting currency of the Group is in United States Dollars. A Singapore Dollars equivalent of the consolidated profit and loss statement and balance sheet of the Group is provided as Supplementary Information for shareholders and investors in Singapore.

Balance Sheet

As at December 31, 2008

| | Group (Unaudited) | |
|---|------------------------------|----------------|
| | 2008 | 2007 |
| | S\$'000 | S\$'000 |
| ASSETS | | |
| Current assets | | |
| Cash and bank balances | 10,997 | 29,459 |
| Trade receivables | 27,231 | 12,832 |
| Other receivables and prepayments | 30,384 | 40,194 |
| Prepaid income tax | 11,960 | – |
| Deferred expenses | 37,388 | 23,946 |
| Inventories | 48,123 | 33,892 |
| Current portion of deferred charter hire | 31,938 | 32,026 |
| | <hr/> | <hr/> |
| Total current assets | 198,021 | 172,349 |
| Non-current assets | | |
| Deferred charter hire | 283,694 | 316,501 |
| Property, plant and equipment | 352,436 | 255,880 |
| Goodwill | 92,499 | 103,522 |
| Other intangible assets | 107,055 | 87,177 |
| Associate | 2,165 | 2,170 |
| | <hr/> | <hr/> |
| Total non-current assets | 837,849 | 765,250 |
| | <hr/> | <hr/> |
| Total assets | 1,035,870 | 937,599 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Trade payables | 20,270 | 66,592 |
| Other payables and accrued expenses | 26,743 | 28,640 |
| Income tax payable | 1,407 | 842 |
| Current portion of finance leases | 6,631 | 3,856 |
| Bank overdrafts and current portion of bank loans | 93,701 | 64,853 |
| | <hr/> | <hr/> |
| Total current liabilities | 148,752 | 164,783 |
| Non-current liabilities | | |
| Finance leases | 20,206 | 9,288 |
| Bank loans | 21,853 | 32,557 |
| Senior notes | 315,443 | 314,460 |
| Statutory employees' profit share | – | 9,246 |
| Deferred tax liabilities | 45,097 | 41,870 |
| | <hr/> | <hr/> |
| Total non-current liabilities | 402,599 | 407,421 |
| Capital and reserves | | |
| Share capital | 56,427 | 56,582 |
| Reserves | 428,092 | 308,813 |
| | <hr/> | <hr/> |
| Total equity | 484,519 | 365,395 |
| | <hr/> | <hr/> |
| Total liabilities and equity | 1,035,870 | 937,599 |
| | <hr/> | <hr/> |

Consolidated Profit and Loss Statement

For the year ended December 31, 2008

| | Group (Unaudited) | |
|--|------------------------------|-----------------|
| | 2008 S\$'000 | 2007 S\$'000 |
| Revenue | 663,859 | 588,003 |
| Cost of sales | (60,253) | (47,336) |
| Charter hire expenses | (111,609) | (112,709) |
| Vessel operating costs | (280,951) | (223,515) |
| | <hr/> | <hr/> |
| Gross profit | 211,046 | 204,443 |
| Other operating income | 2,369 | 4,743 |
| Selling expenses | (22,447) | (17,048) |
| Administrative expenses | (18,075) | (22,690) |
| Finance costs | (45,017) | (38,766) |
| | <hr/> | <hr/> |
| Profit before tax | 127,876 | 130,682 |
| Income tax benefit (expense) | 8,159 | (2,629) |
| | <hr/> | <hr/> |
| Profit for the year | <u>136,035</u> | <u>128,053</u> |
| | <hr/> | <hr/> |
| Basic earnings per share (Singapore cents) | <u>17.39</u> | <u>16.45</u> |
| | <hr/> | <hr/> |
| Diluted earnings per share (Singapore cents) | <u>17.39</u> | <u>16.45</u> |
| | <hr/> | <hr/> |

* Exchange rate

Year 2008: S\$1 = US\$0.6930

Year 2007: S\$1 = US\$0.6911

Shareholders' Information

As at March 11, 2009

| | | |
|----------------------------------|---|---------------------------------|
| Authorised share capital | : | US\$80,000,000 |
| Issued and fully paid-up capital | : | US\$39,104,000 |
| Class of shares | : | Ordinary share of US\$0.05 each |
| Voting rights | : | One vote per share |

Statistics of Shareholdings

| Size of Shareholding | Number of Shareholders | % | Number of Shares | % |
|----------------------|------------------------|---------------|--------------------|---------------|
| 1 – 999 | 8 | 0.27 | 2,055 | 0.00 |
| 1,000 – 10,000 | 2,171 | 73.64 | 11,626,002 | 1.49 |
| 10,001 – 1,000,000 | 757 | 25.68 | 33,628,300 | 4.30 |
| 1,000,001 and above | 12 | 0.41 | 736,823,643 | 94.21 |
| Total | 2,948 | 100.00 | 782,080,000 | 100.00 |

Treasury Shares

The Company does not hold any Treasury Shares.

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

| | Direct Interest | % | Deemed Interest | % |
|---|-----------------|-------|-----------------|-------|
| Super Investment Limited ⁽¹⁾ | 610,080,000 | 78.01 | – | – |
| Zhonggang Fisheries Limited ^{(1) (2)} | – | – | 610,080,000 | 78.01 |
| Pacific Andes (Holdings) Limited ^{(2) (3)} | – | – | 611,686,000 | 78.21 |
| Golden Target Pacific Limited ⁽³⁾ | 1,606,000 | 0.20 | 610,080,000 | 78.01 |

Notes:

- (1) Zhonggang Fisheries Limited ("Zhonggang Fisheries") owns 49.9% of the shares in Super Investment Limited ("Super Investment") and is therefore deemed to be interested in 610,080,000 shares in the Company held by Super Investment.
- (2) Pacific Andes (Holdings) Limited ("Pacific Andes") owns 100% of the shares in Golden Target Pacific Limited ("Golden Target"). Pacific Andes is therefore deemed to be interested in 1,606,000 shares held by Golden Target and 610,080,000 shares in the Company held by Super Investment through Golden Target. Pacific Andes is also deemed to be interested in 610,080,000 shares held by Super Investment through Zhonggang Fisheries.
- (3) Golden Target owns 47% of the shares in Super Investment and 70% of the shares in Zhonggang Fisheries. Golden Target is therefore deemed to be interested in 610,080,000 shares in the Company held by Super Investment. Golden Target is also deemed to be interested in 610,080,000 shares held by Super Investment through Zhonggang Fisheries.

Twenty Largest Shareholders

| No. | Name of Shareholders | Number of Shares | % |
|-----|--|---------------------------|---------------------|
| 1. | SUPER INVESTMENT LIMITED | 610,080,000 | 78.01 |
| 2. | DBS NOMINEES PTE LTD | 53,629,525 | 6.86 |
| 3. | HSBC (SINGAPORE) NOMINEES PTE LTD | 38,180,868 | 4.88 |
| 4. | CITIBANK NOMINEES SINGAPORE PTE LTD | 10,816,000 | 1.38 |
| 5. | DBSN SERVICES PTE LTD | 7,809,000 | 1.00 |
| 6. | UOB KAY HIAN PTE LTD | 4,705,000 | 0.60 |
| 7. | UNITED OVERSEAS BANK NOMINEES PTE LTD | 4,675,250 | 0.60 |
| 8. | NOMURA SINGAPORE LIMITED | 1,606,000 | 0.21 |
| 9. | RAFFLES NOMINEES PTE LTD | 1,439,000 | 0.18 |
| 10. | DBS VICKERS SECURITIES (S) PTE LTD | 1,385,000 | 0.18 |
| 11. | MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD | 1,315,000 | 0.17 |
| 12. | HENG CHOON NING | 1,183,000 | 0.15 |
| 13. | CIMB-GK SECURITIES PTE LTD | 889,000 | 0.11 |
| 14. | PHILLIP SECURITIES PTE LTD | 872,000 | 0.11 |
| 15. | SHAUN LIM CHUAN SHIEN | 756,000 | 0.10 |
| 16. | OCBC SECURITIES PRIVATE LTD | 698,000 | 0.09 |
| 17. | LIM BEE LENG | 682,000 | 0.09 |
| 18. | YAP CHYE LEE OR SOH SWEE NGAN | 650,000 | 0.08 |
| 19. | KIM ENG SECURITIES PTE LTD | 466,000 | 0.06 |
| 20. | JUSUF OR MARIANA | 450,000 | 0.06 |
| | Total | <u>742,286,643</u> | <u>94.92</u> |

Percentage of Shareholding in Public's Hands

21.79% of the Company's shares are held in the 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 CHINA FISHERY GROUP LIMITED (the "Company") will be held at East India Rooms, Level 1, Raffles Hotel, 1 Beach Road, Singapore 189673 on Thursday, April 30, 2009 at 4:30 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 December 31, 2008 together with the Auditors' Report thereon.
[See Explanatory Note (i)]

(Resolution 1)

2. To note that the declaration of a first and final dividend of 6.03 Singapore cents per ordinary share (tax not applicable) for the year ended December 31, 2008 will be replaced with the proposed Bonus Issue. The proposed Bonus Issue is still pending approval from the relevant authority [2007: 2.19 Singapore cents per ordinary share (tax not applicable)].
[See Explanatory Note (ii)]

3. (i) To re-elect the following Directors retiring by rotation pursuant to Article 107 of the Company's Articles of Association:

Mr Ng Joo Kwee

(Resolution 2)

Mr Tse Man Bun

(Resolution 3)

Mr Tse Man Bun will, upon re-election as a Director of the Company, remain a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Mr Tse Man Bun will also remain as Chairman and a member of the Nominating and Remuneration Committees respectively.

- (ii) To re-elect Mr Tan Ngiap Joo, a Director retiring pursuant to Article 111 of the Company's Articles of Association.

(Resolution 4)

Mr Tan Ngiap Joo will, upon re-election as a Director of the Company, remain a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Mr Tan Ngiap Joo will also remain as Chairman and a member of the Remuneration and Nominating Committees respectively.

4. To approve the payment of Directors' fees of HK\$720,000 (equivalent to US\$92,308 or S\$133,200) for the year ending December 31, 2009, payable monthly in arrears [2008: HK\$720,000 (equivalent to US\$92,308 or S\$131,262)].

(Resolution 5)

5. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.
[See Explanatory Note (iii)]

(Resolution 6)

6. 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:

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

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their

absolute discretion, deem fit and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force, provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares to be issued other than on a pro rata basis to all shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company;
- (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares shall be based on the total number of issued shares of the Company as at the date of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of convertible securities and new shares arising from exercising share options or vesting of share awards, which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) 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 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 (iv)]

(Resolution 7)

8. Authority to allot and issue shares under the CFGL Share Awards Scheme

That authority be given to the Directors of the Company to allot and issue from time to time such number of fully-paid shares in the Company as may be required to be issued pursuant to the vesting of the awards under the CFGL Share Awards Scheme (the "Scheme"), provided that the aggregate number of new shares to be issued pursuant to:

- (a) the Scheme, shall not exceed ten percent (10%) of the total number of issued shares in the capital of the Company as at the date of approval of the Scheme by the shareholders; and
- (b) the Scheme and any other share scheme which the Company may have in place, shall not exceed fifteen percent (15%) of the total number of issued shares in the capital of the Company from time to time.
[See Explanatory Note (v)]

(Resolution 8)

By Order of the Board

Yvonne Choo
Company Secretary

Singapore, April 7, 2009

Notice of Annual General Meeting

Explanatory Notes:

- (i) The Annual Report 2008 of the Company (including the Directors' Report and the Audited Accounts for the year ended December 31, 2008 together with the Auditors' Report thereon) would be despatched to shareholders on April 14, 2009 in accordance with the provisions of Article 174 of the Company's Articles of Association.
- (ii) The proposed Bonus Issue of 78,208,000 new ordinary shares of US\$0.05 each in the capital of the Company will replace the first and final dividend of 6.03 Singapore cents per ordinary share (tax not applicable) for the year ended December 31, 2008. The proposed Bonus Issue is still pending approval from the relevant authority. If approval is obtained, the Company will seek shareholder's approval for the proposed Bonus Issue at the Extraordinary General Meeting (EGM) to be convened on April 30, 2009 at 4:45 p.m., or as soon thereafter as this Annual General Meeting shall have been convened or shall have been adjourned.
- (iii) Deloitte & Touche, the auditors of the Company, had notified the Company that their firm has been converted to an accounting limited liability partnership and has been practising as Deloitte & Touche LLP with effect from June 1, 2008.
- (iv) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.
- (v) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors to allot and issue new fully-paid shares pursuant to the vesting of the awards under the Scheme (which was approved by shareholder at the EGM held on April 30, 2007), provided that the aggregate number of shares to be issued pursuant to (a) the Scheme shall not exceed ten percent (10%) of the total number of issued shares in the capital of the Company as at the date of approval of the Scheme by the shareholders and (b) the Scheme and any other share scheme which the Company may have in place, shall not exceed fifteen percent (15%) of the total number of issued shares in the capital of the Company from time to time.

Notes:

1. A Shareholder is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. If a Depositor wishes to appoint a proxy/proxies to attend the Annual General Meeting (the "Meeting"), then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758, at least forty-eight (48) hours before the time of the Meeting.
3. If the Depositor is a corporation, then the Depositor Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney and must be deposited at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758, at least forty-eight (48) hours before the time of the Meeting.

CHINA FISHERY GROUP LIMITED

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