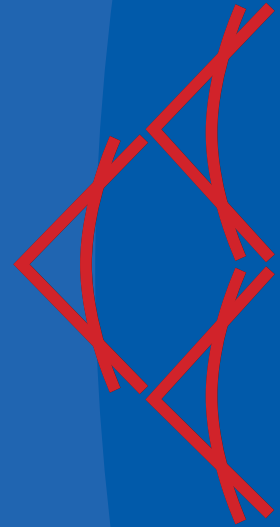


ANNUAL REPORT 2007



**CHINA  
FISHERY**  
GROUP LIMITED



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## CORPORATE MISSION

**China Fishery Group envisages becoming a leading force in the global fishery industry and is committed to continually securing access to valuable fish resources and upholding sustainable fishing practices.**

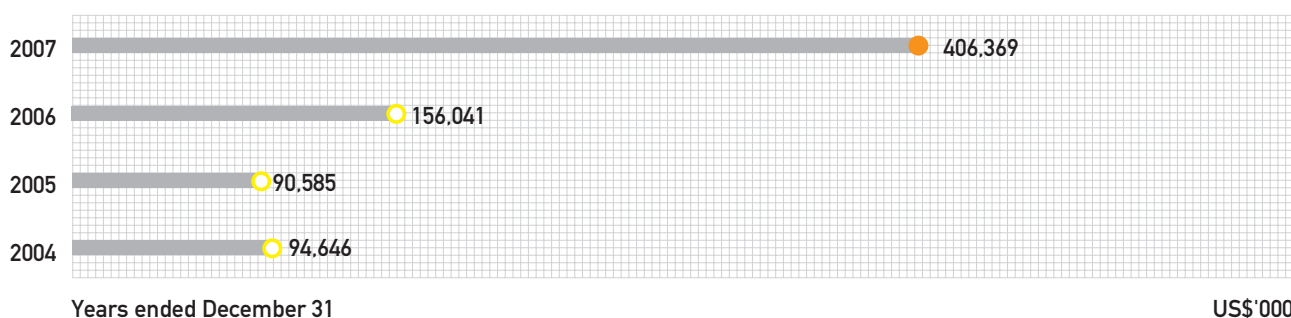
## **CORPORATE PROFILE**

Listed on the Singapore Exchange Mainboard on January 25, 2006, China Fishery Group Limited (“China Fishery”) is a global, integrated industrial fishing company with governmental rights to fish in some of the world’s most important fishing grounds. Employing state-of-the-art supertrawlers, 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 this limited and valuable marine resource, and fulfilling consumer needs through sustainable fishing practices.

# Financial Highlights

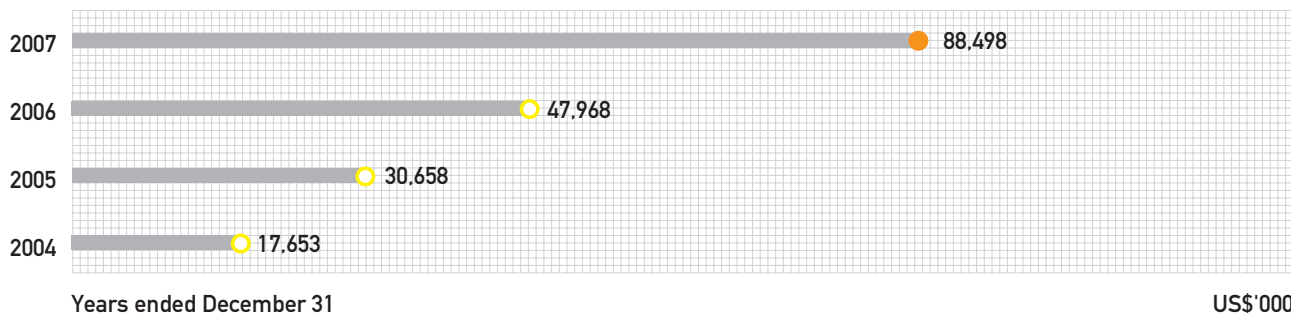
## TURNOVER

Turnover increased 160.4% year-on-year to US\$406.4 million, due to contribution from the 3rd and 4th Vessel Operating Agreements (“VOAs”) signed in January 2007 and the Group’s new fishmeal processing operations in Peru.



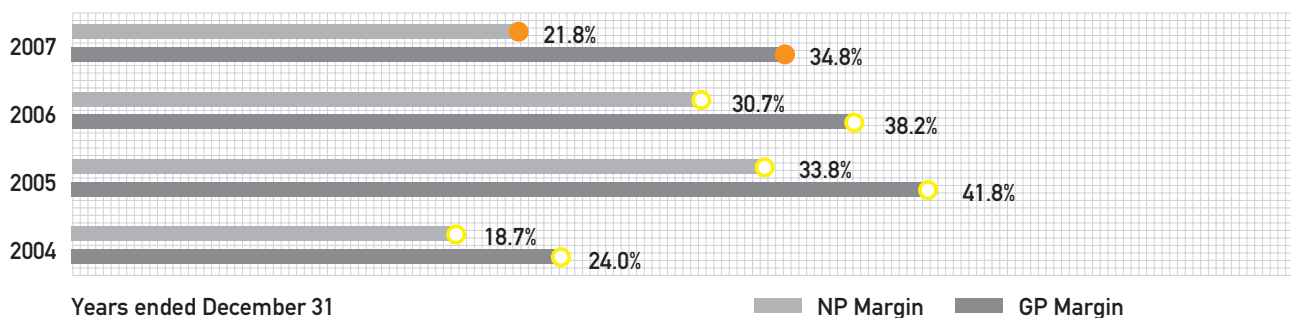
## NET PROFIT

Net profit rose 84.5% to US\$88.5 million, on contribution from the new VOAs and the fishmeal processing operations.



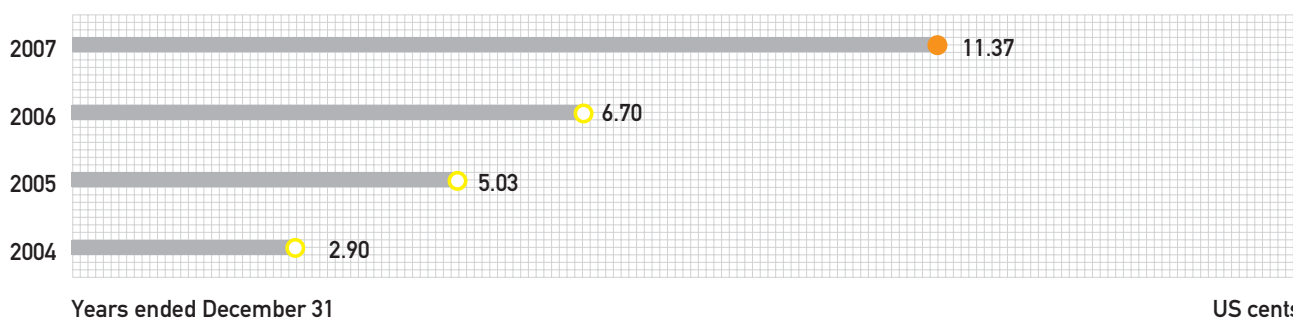
## PROFIT MARGINS

Blended margins are lower as the 4th VOA entails a different fee structure; net margins also show a move dramatic change as the fishmeal processing operations are funded by a senior notes issued by the Group.



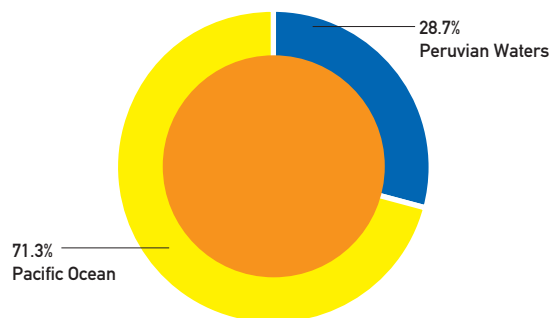
## BASIC EARNINGS PER SHARE

Basic earnings per share increased 69.7%; the rate of increase is less than net profit growth as 29 million new shares were issued in February 2007.



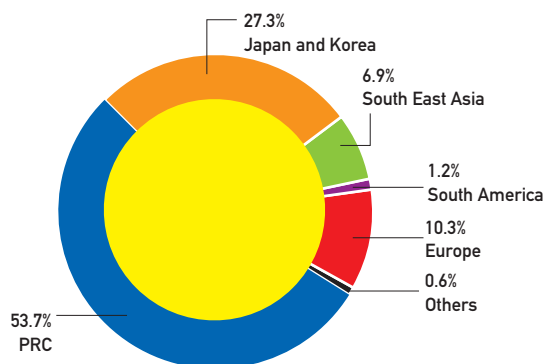
## REVENUE BY GEOGRAPHICAL MIX

Trawling accounted for 71% of FY2007 revenue, while fishmeal processing accounted for the balance 29%. This compares with 100% of revenue being derived from trawling in the past.



## REVENUE BY MARKET MIX

The People's Republic of China ("the PRC") remained as the Group's largest market at 53.7% of FY2007 revenue, including both fish and fishmeal sales. Japan and Korea accounted for 27.3% on sales of premium fish products, while sales of fillets and fishmeal to Europe accounted for 10.3%.



## A Message to Investors

Dear Valued Investors

On behalf of the Board of Directors (“the Board”), I am pleased to deliver our third 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, 2007 (“FY2007”).

We have witnessed a year of stellar growth in FY2007, during which we embarked upon various acquisition and alliance projects. These growth initiatives have since catapulted China Fishery Group as one of the largest industrial fishing companies of the world today.

### Operational Review

In FY2007, we implemented several key projects aimed at growing our profitability and diversifying our operations. The penultimate strategy underpinning these projects is to increase the Group’s long-term access to sustainable fish resources.

Following the series of expansion efforts, China Fishery Group’s business today can be distinctly categorized under two segments – trawling and fishmeal processing. Our trawling activities are conducted in the Pacific Ocean, while our fishmeal processing activities are carried out specifically in Peru, the world’s most important producer of fishmeal.

The key business developments being:

#### Signing of 3rd and 4th Vessel Operating Agreements (“VOAs”)

Capturing available opportunities in the market, we signed our 3rd and 4th VOAs in January 2007. Through these two new VOAs, we have further expanded our supertrawler fleet size from 14 to 23; fishing capacity in the North Pacific Ocean was also nearly doubled to approximately 260,000 tonnes in FY2007.

Under the 3rd VOA, we made a prepaid charter hire of US\$150 million for the use of 3 supertrawlers for 18 years. This prepaid charter hire, like our previous VOAs, has been capitalised. Under the 4th VOA, we are chartering 6 supertrawlers on a daily rental basis.

These VOAs have significantly boosted our topline growth, as a result. Our revenue from trawling operations nearly doubled as a result of our larger capacity, and we also benefitted from increased ocean fish prices. Having a larger fleet has also allowed us to achieve a more flexible and efficient fleet deployment plan, thereby enjoying greater economies of scale. We are planning to redeploy certain supertrawlers to tap new revenue streams under our trawling operations, in the South Pacific.

#### Expansion of Fishmeal Operations in Peru

We made our foray into the Peruvian fishmeal industry in late 2006, by the end of which we had acquired 4 fishmeal plants and 18 purse seine fishing vessels.

Whilst fishmeal prices climbed to a record high in early 2007, issues in the end-markets of the aquaculture and pig-farming industries have noticeably impacted demand and, subsequently, fishmeal prices. Amidst such an environment, the pace of industry consolidation in Peru hastened significantly, and China Fishery completed a series of acquisitions in FY2007. These purchases were funded through the proceeds from the issuance of 7-year senior notes (“Senior Notes”) by our Peruvian subsidiary in December 2006.

The assets acquired included 3 fishmeal plants and 16 purse seine fishing vessels. As at the end of FY2007, our plant footprint covered most of the major fishing ports along the Peruvian coast, and we had a total purse seine fishing fleet of 34 vessels in Peru.

These purse seine fishing vessels are employed in the coastal fishing of Peruvian Anchovy, which is then converted entirely into Peruvian fishmeal for export to global markets. The considerably enlarged purse seine fishing fleet serves two purposes: in the immediate term, we increased our Peruvian Anchovy fishing capacity and hence access to more self-harvested raw materials, thereby reducing our reliance on third-party purchases. On the other hand, having more fishmeal processing plants dispersed along the coastline provides us with a larger number of discharging locations that the Group’s fleet can have access to during fishing activities, thereby reducing fishing turnaround time and enhancing fleet efficiency. These will all ensure that China Fishery will be able to compete with its peers under Peru’s “Olympic”-style fishing system.

## Financial Review

I am pleased to inform that the Group successfully sustained its track record of robust financial growth in FY2007. In fact, the Group's total revenue grew at the fastest rate in five years, rising 160.4% to US\$406.4 million from US\$156.0 million recorded in FY2006. This is clearly the result of the expanded scope of our trawling operations, as well as contribution from our new fishmeal processing operations. For FY2007, trawling accounted for 71.3% of the Group revenue, while fishmeal processing accounted for the balance 28.7%.

Market-wise, the People's Republic of China ("the PRC") remained our largest market at 53.7% of sales; fish and premium fish products sold to Japan and Korea accounted 27.3%, while sales of fillets and fishmeal to Europe accounted for 10.3%.

In terms of profitability, we have maintained strong margins on all profit levels. Gross profit rose 137.1% to US\$141.3 million, while earnings before interest, tax, depreciation and amortization ("EBITDA") grew 111.4% to US\$147.5 million. Net profit after tax rose 84.5% to US\$88.5 million. The Group's blended profit margins have decreased year-on-year, because of the higher cost of the 4th VOA and the due to the debt financing of our Peruvian acquisitions.

Costs and expenses have risen, however in line with our expanded scope of operations. Thanks to increasing fish product prices, we have been relatively protected against rising oil prices. In fact, bunker costs remained at a stable proportion against our total revenue. Our currency exchange risk remains low given that most of our transactions are mainly denominated in our functional currency.

Interest expenses, in particular, have risen along with the issuance of our Senior Notes, which carry a coupon of 9.25%. Nevertheless, as a rapidly growing company, diversifying our sources of funding and enlarging our capital base will continue to be paramount to our future growth.

Our balance sheet snapshot as at December 31, 2007 reflects such growth. Through the Peruvian acquisitions, as well as increased deferred charter hire, we increased our asset base to US\$648.0 million, from US\$437.8 million in FY2006. Group liabilities, on the other hand, increased moderately to US\$395.5 million, from US\$324.9 million, attributed mainly by short-term inventory loans. Shareholders' equity has also widened to US\$252.5 million, from US\$112.9 million, due to a placement of 29 million new shares to global institutional investors carried out in February 2007, as well as increased retained earnings. This brings our total debt-to-capitalisation ratio as at 31 December 2007 to 58.9%, versus 72.6% as at December 31, 2006. Our returns on equity have also remained consistently strong at 35%.

In our efforts to improve China Fishery's share liquidity, apart from the abovementioned share placement, we also conducted a 1-to-2 share split in May 2007.

I believe our financial performance in FY2007 has once again underscored the effectiveness of our expansion programme. Through scaling up our core trawling operations and building up our operations in the Peruvian fishmeal market, we have cemented our position as a leading player within the global fishing industry.

In appreciation of our shareholders' support, the Board is proposing a final dividend of 2.19 Singapore cents per ordinary share for FY2007, on top of an interim dividend of 3.29 Singapore cents paid out earlier. The total payout represents one-third of our FY2007 earnings.

## Looking Ahead

We stand unwavering in our view that global demand for fish will continue to rise. Understandably, this is underpinned by a growing population base, rising affluence and changing dietary habits which allude to fish as a healthier source of protein in our diets today.

Wild fish, in particular, will be in greater demand than ever before, as consumers are willing to pay a premium for natural seafood products over farmed ones. Given that the supply of wild fish is tightly regulated by fishing nations, we expect a healthy tension between supply and demand to continue supporting increased fish prices.

## A Message to Investors

In order for us to fully benefit from these broad market trends, we will continue to execute our strategy of increasing access to more sustainable fish resources. This will involve more vessel operating agreements, strategic acquisitions in key fishing nations, as well as uncovering relatively untapped fishing grounds and fish species.

To this end, we are expanding our trawling operations to a new fishing ground in the South Pacific Ocean, where we will harvest new fish species intended for human consumption markets. We are looking to establish an early mover stake in the rich fish resources found here, and eventually develop the market potential of such fish species.

For a start, we will deploy three upgraded supertrawlers to the abovementioned fishing ground in FY2008, with the intention to deploy more vessels by FY2009. The capital expenditure for upgrading these vessels amounts to approximately US\$40 million and has been funded progressively through the cash flow from our operations.

On the other hand, we have also positioned China Fishery to be a beneficiary of another global food trend – the increasing need for animal protein worldwide. In addressing such demands, countries are unanimously stepping up on agricultural production. This holds especially true for the PRC, which has the world's largest aquaculture and pig-farming industries.

CFGL therefore is strategically placed to take advantage of the opportunities that lie in the Peruvian fishmeal product, which is used extensively by these industries as a feed component. Although the global fishmeal market suffered a setback in 2007 when the PRC's aquaculture and pig-farming industries were hit by antibiotic and disease issues respectively, we remain optimistic about the long-term fundamentals of the Peruvian fishmeal industry.

According to the PRC's Five-Year Plan for aquaculture industry development, production is targeted to increase from 33.9 million tonnes in 2005 to 45.5 million tonnes in 2010. The PRC government has also in July 2007, announced relief measures to bring pork production to normal levels within the country. These factors underpin our confidence that fishmeal prices will stabilise at sustainable levels in 2008.

Having made several vessel and plant acquisitions in 2007, the key theme for our Peruvian fishmeal operations this year will be to bring our acquired fishing and processing capacities on-stream, so as to enhance our operational and production efficiencies. In maintaining our financial profile, our acquisition activities in Peru should also ease, though we continue to keep a lookout for strategic opportunities in acquiring an additional fishmeal plant and more fishing vessels.

In view of the abovementioned factors and developments, the Board is positive of achieving yet another year of growth for China Fishery Group.

### In Appreciation

The good results would not have been possible if not for the support rendered by all customers, business partners, bankers, advisers, shareholders, staff and crew members. On behalf of the Board, I sincerely extend our appreciation to you. Together, we shall sail forth towards another good year.

**Ng Joo Kwee**

*Executive Chairman*

April 10, 2008

# Management Discussion on Financials

## Revenue

For the financial year ended December 31, 2007 ("FY2007"), the Group recorded US\$406.4 million in total revenue, a 160.4% increase from FY2006.

By operations, trawling accounted for 71.3% of FY2007 total revenue, while fishmeal processing accounted for the balance 28.7%.

By geographical markets, the People's Republic of China (the "PRC") remained the Group's largest market, accounting for 53.7% of total revenue; sales of fish and premium fish products to Japan and Korea accounted for 27.3%, while sales of fillets and fishmeal to Europe accounted for 10.3%.

## Profit

Full year gross profit increased 137.1% to US\$141.3 million from US\$59.6 million in FY2006. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased 111.4% to US\$147.5 million from US\$69.7 million. Net profit after tax grew 84.5% to US\$88.5 million from US\$48.0 million a year ago.

The growth in revenue and profits are attributable to the following growth activities undertaken in FY2007:

- 1) the 3rd and 4th Vessel Operating Agreements ("VOAs") signed in January 2007, which increased the Group's trawling fleet size from 14 to 23 and consequently its harvesting capacities; and
- 2) the expansion of fishmeal operations in Peru through the acquisition of 16 purse seine fishing vessels and 3 fishmeal plants.

During the financial year, the Group's trawling operations delivered strong catch results that are in line with Management's expectations. The Group also maximised market opportunities to expand its fishmeal processing capacity in Peru by acquiring fishmeal plants in strategic locations along the Peruvian coastline, as well as enlarge its Peruvian fishing fleet size to increase its access to more raw material sources.

Along with such expansionary activities, costs and expenses have generally increased in FY2007. Cost of sales increased significantly year-on-year on the establishment of fishing operations (which commenced in 4QFY2006), while vessel operating costs increased due to the daily charter hire structure of the 4th VOA (which varies from the prepaid charter hire structure of the Group's three earlier VOAs). As a result of the expanded scope of activities, selling and administrative expenses also increased year-on-year. Finance expenses increased due mainly to interest expenses payable under the 9.25% senior notes due 2013 ("Senior Notes") issued by the Group's Peruvian subsidiary, of which the proceeds have been used entirely in funding the Group's acquisitions in Peru.

## Balance Sheet

As at December 31, 2007, the Group's total assets stood at US\$648.0 million, comprising US\$528.9 million in non-current assets and US\$119.1 million in current assets. Total liabilities stood at US\$395.5 million, comprising US\$281.6 million in non-current liabilities and US\$113.9 million in current liabilities.

The Group had a debt-to-total assets ratio of 45.3% compared to 60.5% as at December 31, 2006. It also maintained US\$20.4 million in cash and bank balances as at the end of the reporting period.

## Current Assets

Current assets decreased to US\$119.1 million from US\$167.8 million as at December 31, 2007. This was due to the deployment of proceeds from the Senior Notes issue, which were received in late December 2006, for investment in the Group's Peruvian operations during FY2007.

## Management Discussion on Financials

On the other hand, the reduction in the current assets was offset by an increase in the Current Portion of Deferred Charter Hire, attributable to the 3rd VOA (see table 1). Inventories also increased due to increased fishmeal production by the Group's Peruvian division when comparing year-on-year.

	31.12.2007 US\$'000	31.12.2006 US\$'000
<b>Current portion</b>		
1st VOA	5,600	5,600
2nd VOA	8,200	8,200
3rd VOA	<u>8,333</u>	<u>–</u>
	<u><u>22,133</u></u>	<u><u>13,800</u></u>
<b>Non-current portion</b>		
1st VOA	28,000	33,600
2nd VOA	57,400	65,600
3rd VOA	<u>133,334</u>	<u>–</u>
	<u><u>218,734</u></u>	<u><u>99,200</u></u>

Table 1: Composition of Deferred Charter Hire

Note: As the 4th VOA was structured on a daily rental hire basis, no deferred charter hire is attributable to this VOA. All charter hire paid under the 4th VOA is recorded as a cost of sales item on the profit and loss statement.

### Non-Current Assets

Non-current assets increased from US\$270.0 million as at December 31, 2006 to US\$528.9 million as at December 31, 2007. This was attributed by increased Deferred Charter Hire due to the 3rd VOA (see table 1 above), as well as acquisition of additional fishmeal plants and purse seine fishing vessels in Peru during FY2007.

### Current Liabilities

Current liabilities increased to US\$113.9 million as at December 31, 2007 from US\$48.4 million as at December 31, 2006. This was due mainly to the increase in the Current Portion of Bank Loans, which are working capital loans used in financing the Groups' Peruvian fishmeal operations and secured against its fishmeal inventories.

At the same time, Trade Payables increased to US\$46.0 million from US\$11.0 million during the comparative period as customers placed deposits to secure supply for the coming fishing season in 2008.

### Non-Current Liabilities

The Group's non-current liabilities of US\$281.6 million as December 31, 2007 comprised mainly of US\$225 million in Senior Notes, Finances Leases and Deferred Tax Liabilities attributable to the fishmeal operation.

### Total Equity

Total equity increased to US\$252.5 million from US\$112.9 million, on an enlarged share base due to the placement of 29 million new shares carried out in February 2007 and retention of the current year's profit.

## Directors' Profile

### Executive Directors

#### MR NG JOO KWEE

48, 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 the daily operations, trading and sourcing activities. Mr Ng is a brother of Mr Ng Joo Siang.

#### MR SUNG YU CHING

62, 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 25, 2006. He is also the Chairman of Chuan-Chuan Yoo International Trade Ltd ("Chuan-Chuan"), a company engaged in the trading of seafood products, vessel spare parts and appliances, and provision of ship repairing and construction agency services. 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 Tong Ta Ship Repairs Co., a ship repairing company in Taiwan and actively participated in arranging Russian fishing vessels for repair in Taiwan. In 1997, Mr Sung started his trading business and became a shareholder in Chuan-Chuan.

#### MR NG JOO SIANG

49, 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

38, 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 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.

## Directors' Profile

### Independent Directors

#### DR ONG CHIT CHUNG

59, was appointed as an Independent Director of the Company on January 16, 2006 and is the Chairman of the Audit Committee, Remuneration Committee and Nominating Committee. Dr Ong was last re-elected as a Director of the Company on April 25, 2006. Dr Ong has experience in both the public and private sectors, having worked in several government ministries and held directorships in companies engaged in the construction, engineering, hospitality and food industries. Amongst his previous appointments, he was President of China Development Corporation Limited and Deputy Group Managing Director of QAF Limited. He is presently the Chairman of Inventa Technologies (S) Pte Ltd. Dr Ong holds a PhD in International History from the London School of Economics of the University of London, a Masters of Arts Degree in Military History from the Duke University in the United States and a Bachelor of Arts (First Class Honours) degree in History from the University of Singapore. Dr Ong is also a Member of Parliament for the Jurong GRC and Fellow of the Singapore Institute of Directors.

#### MR LIM SOON HOCK

58, 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. Mr Lim has more than 25 years of leadership experience as a board member, chief executive officer, technopreneur and private investor. He was the former Vice President and Managing Director of Compaq Computer Asia Pacific Pte Ltd and was a member of the worldwide management team. From 1999 to 2003, he was the President of SITA INC Asia Pacific Pte Ltd. Other senior positions which he held include being the Chairman of the Singapore Institute of Management, Chairman of the Institute of High Performance Computing, Chairman and Chief Executive Officer of Easycall International Pte Ltd and Chairman of Plan-B Technologies Pte Ltd. Mr Lim also sits on the Board of Directors of several public listed companies, governmental agencies and civic organisations. He is currently the Managing Director of PLAN-B ICAG Pte Ltd, a boutique corporate advisory firm and Executive Chairman of Health Solutions International Pte Ltd. 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 TSE MAN BUN

65, 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. Mr Tse has over 40 years' 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 independent non-executive director of HSBC Insurance (Asia) Limited, HSBC Life (International) Limited, Crystal International Limited and Tysan Holdings Limited, and is also a non-executive director of SEA Holdings Limited.

## 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 an associate member of the Association of Chartered Certified Accountants and an associate member of 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 Eche copar 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.

**Carlos Alberto Uribe Yui** is the Chief Financial Officer of CFG Investment S.A.C., a position he has held since October 2006. Prior to joining our Peruvian subsidiary, he worked as an audit manager at an international audit firm for eleven years. Mr Uribe graduated from Universidad de Lima (Perú) with a Bachelor's degree in Accountancy and is a member of Peru's Certified Public Accountants entity since 1998.

# Corporate Information

## Board of Directors

### EXECUTIVE

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

### NON-EXECUTIVE

Jiang Zuoyi (resigned on March 7, 2007)  
Cheng Nai Ming (resigned on September 30, 2007)  
Lau Yu Chuen (Alternate Director to Cheng Nai Ming;  
ceased on March 7, 2007)  
Dr Ong Chit Chung (Independent Director)  
Lim Soon Hock (Independent Director)  
Tse Man Bun (Independent Director)

## Audit Committee

Dr Ong Chit Chung (Chairman)  
Lim Soon Hock  
Tse Man Bun

## Nominating Committee

Dr Ong Chit Chung (Chairman)  
Lim Soon Hock  
Tse Man Bun  
Cheng Nai Ming (resigned on September 30, 2007)

## Remuneration Committee

Dr Ong Chit Chung (Chairman)  
Lim Soon Hock  
Tse Man Bun  
Cheng Nai Ming (resigned on September 30, 2007)

## Company Secretaries

Maurice Ngai, FCS, FCIS  
Yvonne Choo, FCIS

## Solicitors

David Lim & Partners

## Auditors

Deloitte & Touche  
Certified Public Accountants  
6 Shenton Way #32-00  
DBS Building, Tower 2  
Singapore 068809  
Partner-in-charge: Jeremy Toh Yew Kuan  
Date of appointment: April 30, 2007

## Principal Bankers

Landsbanki Islands HF  
Austurstraeti 11  
155 Reykjavik  
Iceland

The Hongkong and Shanghai Banking Corporation  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

Oversea-Chinese Banking Corporation Ltd  
Hong Kong Main Office  
9th Floor, Nine Queen's Road Central  
Hong Kong

## 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 Steet  
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 Ltd (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").

### 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 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 also has a training budget for its Directors to attend courses and seminars whenever necessary. The Company relies on 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 FY2007 are summarised in the table below:

	Board	AC	RC	NC
Ng Joo Kwee	4	–	–	–
Sung Yu Ching	4	–	–	–
Ng Joo Siang	5	–	–	–
Chan Tak Hei	4	–	–	–
Dr Ong Chit Chung	5	6	1	2
Lim Soon Hock	5	6	1	2
Tse Man Bun	5	6	1	2
Jiang Zuoyi (i)	1	–	–	–
Cheng Nai Ming (ii)				
Lau Yu Chuen (iii) (Alternate Director to Cheng Nai Ming)	4	–	1	1
<b>Total held in FY2007</b>	<b>5</b>	<b>6</b>	<b>1</b>	<b>2</b>

**Notes:**

- (i) Jiang Zuoyi resigned as Non-Executive Director of the Company on 7 March 2007;
- (ii) Cheng Nai Ming resigned as Non-Executive Director of the Company and ceased as a member of both the NC and RC on 30 September 2007; and
- (iii) Lau Yu Chuen ceased as Alternate Director to Cheng Nai Ming on 7 March 2007.

**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

**Independent non-executive Directors:**

Dr Ong Chit Chung  
 Lim Soon Hock  
 Tse Man Bun

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 would also review the performance of Management in meetings.

**Principle 3: Chairman and Managing Director**

Currently, the Executive Chairman of the Company is Ng Joo Kwee. 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 as well as the exercise of control on 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.

## Report on Corporate Governance

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 single individuals.

### 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 15 (Corporate Information) and page 24 (Report of the Directors) of this Annual Report respectively. Profiles of Directors as at the date of this report are disclosed on pages 11 and 12 (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 Independent non-executive Directors, as follows:

Dr Ong Chit Chung (Chairman)  
Lim Soon Hock  
Tse Man Bun

The NC is chaired by Dr Ong Chit Chung, an Independent non-executive Director not associated with a 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 of 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; and
- (f) 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, 2007 in accordance with the Code's definition of independence and is satisfied that at least one-third of the Board comprised Independent non-executive Directors.

The NC had adopted a formal system of evaluating the performance of the Board as a whole. 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.

In accordance with the Company's Articles of Association, each Director is required to retire at least once every three years by rotation and all newly appointed Directors will have to 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) Sung Yu Ching
- (2) Dr Ong Chit Chung
- (3) Lim Soon Hock

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 attends all Board and Board committees meetings.

Should Directors, whether as a group or individually, need independent professional advice to fulfill their duties, such advice will be obtained from a professional firm of the Director's choice, the cost of which 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 Independent non-executive Directors, as follows:

Dr Ong Chit Chung (Chairman)  
Lim Soon Hock  
Tse Man Bun

The RC reviews and recommends to the Board (a) the remuneration packages of all Directors and senior executives of the Group, (b) fees for Independent non-executive 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 S\$131,262 (equivalent to US\$92,308) as Directors' fees for the year ending December 31, 2008, to be paid monthly in arrears. The Board will table this recommendation at the forthcoming AGM for shareholders' approval.

Directors' fees payable to the Independent non-executive Directors are set in accordance within a remuneration framework and in consideration of the contribution, effort, time incurred and responsibilities of the Independent non-executive 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 which is tied to the Group's performance and individual performance.

## Report on Corporate Governance

### Directors' Remuneration

The remuneration for the year ended December 31, 2007 is shown below:

Remuneration Bands	Year 2007 No. of Directors	Year 2006 No. of Directors
S\$500,000 and Above	0	0
S\$250,000 to Below S\$500,000	1	1
Below S\$250,000	8	8
	<hr/>	<hr/>
Total	<u>9</u>	<u>9</u>

### Employees' Remuneration

The remuneration paid to each of the top five executives per annum (in terms of salary and who are not directors of the Company) 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 Director 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 interests 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 25 January 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 adopted a Share Awards Scheme (the "Scheme") administered by the RC, in FY2007.

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 pages 26 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 Independent non-executive Directors. The members of the AC are:

Dr Ong Chit Chung (Chairman)  
Lim Soon Hock  
Tse Man Bun

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 the Company's officers 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;
- Reviews, on quarterly basis, the transaction made under the CIFHK Management Agreement as described on pages 80 to 82 of the Company's Prospectus dated January 16, 2006 (if any). The said CIFHK Management Agreement was terminated from March 2007; and
- Reviews all hedging policies that the Company has with regard to the costs of bunkers and foreign currencies (if any).

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 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 at the forthcoming AGM.

**Principle 12: Internal Controls**

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

## Report on Corporate Governance

The AC is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests 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 containment of business risks.

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking 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 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 will help 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 system of internal controls and risk management is inadequate.

### **Principle 13: Internal Audit ("IA")**

The Board understands the importance of maintaining a sound system of internal controls and audit. The Company has set up 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, will assess the effectiveness of the IA function by examining the scope of the internal audit work, the independence of areas reviewed and the reports on the Company state of internal controls.

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

The AC will also meet 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 be 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 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 to its officers 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.

There were no interested person transactions for FY2007 undertaken pursuant to the shareholders' general mandate under Rule 920 of the Listing Manual of the SGX-ST.

**Material Contracts**

Save 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 Company's shareholders' general mandate, 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 FY2007.

**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, 2007.

## 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:**

Dr Ong Chit Chung

Lim Soon Hock

Tse Man Bun

In accordance with Article 107 of the Company's Articles of Association, Mr Sung Yu Ching, Dr Ong Chit Chung and Mr Lim Soon Hock, are subject to retirement and re-election at the forthcoming Annual General Meeting.

## 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		Deemed	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company	Ordinary shares of US\$0.10 each	Ordinary shares of US\$0.05 each	Ordinary shares of US\$0.10 each	Ordinary shares of US\$0.05 each
Sung Yu Ching	–	–	305,040,000 (note a)	– (note a)
Chan Tak Hei	20,000	40,000 (note b)	–	–

Notes:

- (a) From the beginning of year to May 9, 2007, Sung Yu Ching was deemed to hold a total of 305,040,000 shares by virtue of his interests in the shares of Jade China Investments Limited ("Jade China"), a shareholder of Super Investment Limited ("Super Investment"). Super Investment is the immediate holding company of the Company.

On May 10, 2007, the Company sub-divided one ordinary share of US\$0.10 each in the capital of the Company into two ordinary shares of US\$0.05 each in the capital of the Company ("subdivision of shares").

On July 23, 2007, Jade China disposed 45% of the issued share capital of Super Investment. Following the disposal, Jade China holds 3.1% of the issued share capital of Super Investment. Accordingly, Sung Yu Ching ceased to have a deemed interest in the shares of the Company through Super Investment.

- (b) Restated for the effect of subdivision of shares of the Company.

The directors' interests in the shares of the Company at January 21, 2008 were the same at December 31, 2007.

### 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.

## Report of the Directors

### 5 SHARE OPTIONS

**a. Option 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. Option 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 Dr Ong Chit Chung, Lim Soon Hock and Tse Mun Bun.

The Company would at its discretion and on a free-of-charge basis, grants 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 participant may receive any or a combination of the following:

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

No share has been granted to participants under the CFGL SAS as at December 31, 2007.

The aggregate number of ordinary shares which may be issued under the CFGL SAS shall not exceed 15% of the issued share capital of the Company from time to time.

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 16 of the Annual Report.

## 8 AUDITORS

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

ON BEHALF OF THE DIRECTORS

**Sung Yu Ching**

*Managing Director*

**Chan Tak Hei**

*Finance Director*

April 10, 2008

# 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, 2007, 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 30 to 86.

### Management's Responsibility

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, 2007 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**

*Public Accountants and  
Certified Public Accountants*  
Singapore

### **Jeremy Toh Yew Kuan**

*Partner*  
Appointed on April 30, 2007

Singapore  
April 10, 2008

## Balance Sheets

December 31, 2007

	Note	Group		Company	
		2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	7	20,359	57,668	86	9,542
Trade receivables	8	8,868	8,228	-	-
Other receivables and prepayments	9	27,778	68,254	-	10,768
Deferred expenses	10	16,549	6,928	-	-
Inventories	11	23,423	12,895	-	-
Current portion of deferred charter hire	12	22,133	13,800	-	-
Total current assets		119,110	167,773	86	20,310
<b>Non-current assets</b>					
Deposit	9	-	11,600	-	-
Deferred charter hire	12	218,734	99,200	-	-
Property, plant and equipment	13	176,839	89,650	-	-
Goodwill	14	71,544	44,989	-	-
Other intangible assets	15	60,248	24,575	-	-
Associate	16	1,500	-	-	-
Subsidiaries	17	-	-	150,298	62,343
Total non-current assets		528,865	270,014	150,298	62,343
<b>Total assets</b>		<b>647,975</b>	<b>437,787</b>	<b>150,384</b>	<b>82,653</b>

	Note	Group		Company	
		2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade payables	18	46,021	11,013	–	–
Other payables and accrued expenses	19	19,793	21,435	269	82
Income tax payable		582	2,923	–	–
Financial guarantee contract		–	–	525	525
Current portion of finance leases	20	2,665	2,719	–	–
Bank overdrafts and current portion of bank loans	21	44,820	10,354	–	–
Total current liabilities		113,881	48,444	794	607
<b>Non-current liabilities</b>					
Financial guarantee contract		–	–	2,625	3,150
Finance leases	20	6,419	3,744	–	–
Bank loans	21	22,500	31,932	–	–
Senior notes	22	217,323	216,043	–	–
Statutory employees' profit share	23	6,390	6,678	–	–
Deferred tax liabilities	24	28,937	18,028	–	–
Total non-current liabilities		281,569	276,425	2,625	3,150
<b>Capital and reserves</b>					
Share capital	25	39,104	36,204	39,104	36,204
Share premium		105,235	35,233	105,235	35,233
Revaluation reserve	26	1,192	58	–	–
Merger reserve	26	(30,503)	(30,503)	–	–
Retained earnings		137,497	71,926	2,626	7,459
Total equity		252,525	112,918	146,965	78,896
<b>Total liabilities and equity</b>		<b>647,975</b>	<b>437,787</b>	<b>150,384</b>	<b>82,653</b>

See accompanying notes to financial statements.

## Consolidated Profit and Loss Statement

Year ended December 31, 2007

		<b>Group</b>	
	Note	2007 US\$'000	2006 US\$'000
<b>Revenue</b>	27 & 28	406,369	156,041
Cost of sales		(32,714)	(3,928)
Charter hire expenses		(77,893)	(31,328)
Vessel operating costs		<u>(154,471)</u>	<u>(61,195)</u>
<b>Gross profit</b>		141,291	59,590
Other operating income	29	3,278	2,586
Selling expenses		(11,782)	(1,405)
Administrative expenses		(15,681)	(6,932)
Finance costs	30	<u>(26,791)</u>	<u>(5,423)</u>
<b>Profit before tax</b>		90,315	48,416
Income tax expense	31	<u>(1,817)</u>	<u>(448)</u>
<b>Profit for the year</b>	32	<u><u>88,498</u></u>	<u><u>47,968</u></u>
Basic earnings per share (US cents)	33	<u><u>11.37</u></u>	<u><u>6.70</u></u>
Diluted earnings per share (US cents)	33	<u><u>11.37</u></u>	<u><u>6.70</u></u>

See accompanying notes to financial statements.

## Statements of Changes in Equity

Year ended December 31, 2007

<b>Group</b>	<b>Share capital</b> US\$'000	<b>Share premium</b> US\$'000	<b>Revaluation reserve</b> US\$'000	<b>Merger reserve</b> US\$'000	<b>Retained earnings</b> US\$'000	<b>Total</b> US\$'000
Balance at January 1, 2006	30,504	–	–	(30,503)	40,237	40,238
Profit for the year	–	–	–	–	47,968	47,968
Gain on revaluation of properties	–	–	58	–	–	58
Total recognised income for the year	–	–	58	–	47,968	48,026
Shares issued at initial public offering [Note 25(a)]	5,700	35,233	–	–	–	40,933
Final dividend of 2.36 Singapore cents per ordinary share in respect of financial year 2005	–	–	–	–	(5,410)	(5,410)
Interim dividend of 4.71 Singapore cents per ordinary share in respect of financial year 2006	–	–	–	–	(10,869)	(10,869)
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	–	–	1,134	–	–	1,134
Total recognised income for the year	–	–	1,134	–	88,498	89,632
Issue of shares [Note 25(b)]	2,900	72,062	–	–	–	74,962
Share 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 December 31, 2007	<u>39,104</u>	<u>105,235</u>	<u>1,192</u>	<u>(30,503)</u>	<u>137,497</u>	<u>252,525</u>

## Statements of Changes in Equity

Year ended December 31, 2007

<b>Company</b>	<b>Share capital</b> US\$'000	<b>Share premium</b> US\$'000	<b>Retained earnings</b> US\$'000	<b>Total</b> US\$'000
Balance at January 1, 2006	30,504	–	8,105	38,609
Profit for the year	–	–	15,633	15,633
Shares issued at initial public offering [Note 25(a)]	5,700	35,233	–	40,933
Final dividend of 2.36 Singapore cents per ordinary share in respect of financial year 2005	–	–	(5,410)	(5,410)
Interim dividend of 4.71 Singapore cents per ordinary share in respect of financial year 2006	–	–	(10,869)	(10,869)
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(b)]	2,900	72,062	–	74,962
Share 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 December 31, 2007	<u>39,104</u>	<u>105,235</u>	<u>2,626</u>	<u>146,965</u>

See accompanying notes to financial statements.

# Consolidated Cash Flow Statement

Year ended December 31, 2007

	Note	2007 US\$'000	Group 2006 US\$'000
<b>Operating activities</b>			
Profit before income tax		90,315	48,416
Adjustments for:			
Amortisation of deferred charter hire		22,133	13,800
Amortisation of senior notes issuing expenses		1,280	–
Depreciation expense		8,224	2,100
Gain on disposal of property, plant and equipment		(412)	–
Interest expense		25,511	5,423
Interest income		(1,676)	(207)
Excess of fair value of net assets over cost of business combination		–	(828)
		<u>145,375</u>	<u>68,704</u>
Operating cash flows before movements in working capital			
Trade receivables		5,518	(67)
Other receivables and prepayments		50,969	(38,046)
Deferred expenses		(8,848)	(3,984)
Inventories		(9,171)	(10,697)
Trade payables		32,289	695
Other payables and accrued expenses		(16,190)	1,958
Statutory employees' profit share		(1,780)	165
		<u>198,162</u>	<u>18,728</u>
Cash generated from operations			
Interest paid		(20,804)	(4,478)
Income tax paid		(4,533)	(1,595)
		<u>172,825</u>	<u>12,655</u>
Net cash from operating activities			
<b>Investing activities</b>			
Purchase of property, plant and equipment (Note A)		(69,174)	(7,485)
Acquisition of subsidiaries	34	(42,626)	(105,117)
Purchase of fishing permits		(16,034)	(2,122)
Deposit for acquisition of subsidiary	9	–	(11,600)
Prepayment of charter hire		(150,000)	(82,000)
Acquisition of associate		(1,500)	–
Interest received		1,676	207
		<u>(277,658)</u>	<u>(208,117)</u>
Net cash used in investing activities			

## Consolidated Cash Flow Statement

Year ended December 31, 2007

	Note	2007 US\$'000	Group 2006 US\$'000
<b>Financing activities</b>			
Net proceeds from issuing shares		72,902	40,933
Net proceeds from issuing senior notes		–	216,043
Proceeds from bank loans, net of repayments		23,332	1,856
Repayments of obligations under finance leases		(7,485)	(1,682)
Dividends paid		(22,927)	(16,279)
		<u>65,822</u>	<u>240,871</u>
Net cash from financing activities		<u>65,822</u>	<u>240,871</u>
Net (decrease) increase in cash and cash equivalents		(39,011)	45,409
Cash and cash equivalents at beginning of year		<u>57,238</u>	<u>11,829</u>
		<u>18,227</u>	<u>57,238</u>
<b>Cash and cash equivalents at end of year</b>			
Cash and cash equivalents consist of:			
Cash at bank (Note 7)		19,856	57,318
Cash on hand (Note 7)		503	350
Bank overdrafts (Note 21)		(2,132)	(430)
		<u>18,227</u>	<u>57,238</u>
Proceeds from disposal of property, plant and equipment relating to insurance recovery of a sunken vessel in Peru of US\$1,921,000 (2006: US\$Nil) is included in other receivables.			
<b>Note A</b>			
Purchase of property, plant and equipment		72,015	9,084
Less: Property, plant and equipment purchased under finance lease arrangements		(2,841)	(1,599)
		<u>69,174</u>	<u>7,485</u>
Cash payments on purchase of property, plant and equipment		<u>69,174</u>	<u>7,485</u>

See accompanying notes to financial statements.

# Notes to the Financial Statements

December 31, 2007

## 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 activities 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, 2007 were authorised for the issue by the Board of Directors on April 10, 2008.

## 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, 2007. 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.

The Group has adopted FRS 107 *Financial Instruments: Disclosures* and amendments to FRS 1 *Presentation of Financial Statements* with effect from annual periods beginning on or after January 1, 2007. The adoption of FRS 107 has resulted in an expansion of the disclosures in these financial statements regarding the Group's financial instruments. The Group has also presented information regarding its objectives, policies and processes for managing capital (see Note 4) as required by the amendments to FRS 1 which are effective from annual periods beginning on or after January 1, 2007.

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

Revised FRS 1	–	Presentation of Financial Statements
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.

The directors anticipate that the adoption of the above FRS, INT FRS and amendments to FRSs in future periods will not have a material impact on the financial statements of the Company and of the Group in the period of their initial adoption.

**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.

## Notes to the Financial Statements

December 31, 2007

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

**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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **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.

#### ***Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets 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.

## Notes to the Financial Statements

December 31, 2007

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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.

##### ***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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **LEASES** *(continued)*

#### ***The Group as lessee*** *(continued)*

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.

## Notes to the Financial Statements

December 31, 2007

### 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.

Property, plant and equipment with the exception of leasehold buildings 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **GOODWILL** *(continued)*

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

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

### **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 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.

## Notes to the Financial Statements

December 31, 2007

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **ASSOCIATES** *(continued)*

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.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**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.

**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.

## Notes to the Financial Statements

December 31, 2007

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **INCOME TAX** *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company 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.

**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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** *(continued)*

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 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

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

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.

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).

## Notes to the Financial Statements

December 31, 2007

### 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, 2007, the carrying amount of deferred charter hire (Note 12) was US\$240,867,000 (2006: US\$113,000,000). 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. The directors expect the operations to remain profitable in the foreseeable future and the carrying amount of the deferred charter hire to be recoverable from future operations.

##### ***Carrying amount of fishing vessels and fishing permits***

The carrying amount of fishing vessels and fishing permits was US\$51,192,000 and US\$60,248,000, respectively, as at December 31, 2007 (2006: US\$26,383,000 and US\$24,575,000). Determining whether the carrying values 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. 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 acquisition of subsidiaries during the year amounting to US\$24,710,000 (2006: US\$44,989,000) is provisionally determined based on management's assessment of the fair value of assets and liabilities acquired, certain of which are contingent in nature. Information relating to the carrying amount and management's assessment of goodwill is provided in Note 14.

##### ***Useful lives of property, plant and equipment***

The carrying amounts of property, plant and equipment amounting to US\$176,839,000 (2006: US\$89,650,000) 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:

	<b>Group</b>		<b>Company</b>	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
<b>Financial Assets</b>				
Loans and receivables (including cash and bank balances)	<u>50,194</u>	<u>126,441</u>	<u>146,709</u>	<u>78,978</u>
<b>Financial liabilities</b>				
Financial guarantee contract	–	–	3,150	3,675
Amortised cost	<u>358,025</u>	<u>294,343</u>	<u>269</u>	<u>82</u>
	<u>358,025</u>	<u>294,343</u>	<u>3,419</u>	<u>3,757</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.

## Notes to the Financial Statements

December 31, 2007

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT *(continued)*

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

##### 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	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Peruvian Nuevos Soles	46,766	33,767	8,869	6,300	-	-	-	-
Chinese Renminbi	606	63	1,308	1,067	-	-	-	-
Hong Kong dollars	284	198	91	12	93	-	55	2
Euro	949	779	2,645	759	-	-	-	-
Singapore dollars	183	14	-	-	164	14	-	-

##### Foreign currency sensitivity

The following table 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\$3,445,000 (2006: US\$2,497,000), respectively.

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT *(continued)*

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

###### *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).

###### *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, 2007 would decrease/increase by approximately US\$258,000 (2006: decrease/increase by US\$199,000). 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 assessed to be of good credit rating through their trading and payment history as well as such commercial information which the Group obtains from time to time. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits and credit quality attributed to customers are reviewed periodically. Trade debtors that are neither past due 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.

There is no concentration of credit risk except that 70% (2006: 79%) of the Group's receivables at the end of the financial year relate to 5 entities (2006: 2 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.

## Notes to the Financial Statements

December 31, 2007

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT *(continued)*

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

##### 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 remaining 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
<b>Group</b>						
<b>2007</b>						
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%	41,002	22,500	–	–	63,502
Fixed interest rate instruments	9.26%	3,818	–	225,000	(7,677)	221,141
		<u>112,472</u>	<u>29,849</u>	<u>225,000</u>	<u>(9,296)</u>	<u>358,025</u>
<b>2006</b>						
Non-interest bearing	–	29,551	–	–	–	29,551
Finance lease liabilities	9.63%	3,132	4,220	–	(889)	6,463
Variable interest rate instruments	7.92%	7,563	31,932	–	–	39,495
Fixed interest rate instruments	9.24%	2,791	–	225,000	(8,957)	218,834
		<u>43,037</u>	<u>36,152</u>	<u>225,000</u>	<u>(9,846)</u>	<u>294,343</u>

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT *(continued)*

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

##### iv) Liquidity risk management *(continued)*

Company	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
<b>2007</b>						
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>
<b>2006</b>						
Non-interest bearing	–	82	–	–	–	82
Financial guarantee contract	–	525	2,100	1,050	–	3,675
		<u>607</u>	<u>2,100</u>	<u>1,050</u>	<u>–</u>	<u>3,757</u>

##### *Non-derivative financial assets*

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

##### v) *Other risk management*

The Group prepaid US\$288 million (2006: US\$138 million) of charter hire fees for 17 vessels (2006: 14) fishing vessels, the benefits of which are to be realised over 10 to 18 years up to 2025 (2006: 10 years up to 2015). 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.

## Notes to the Financial Statements

December 31, 2007

### 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 2006.

### 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.

## 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 unless otherwise stated.

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

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
<b>China International Fisheries Hong Kong Limited ("CIFHK"):</b>		
<b>Revenue</b>		
Management fee	<u>50</u>	<u>512</u>

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:

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
Short-term benefits	1,264	687
Post-employment benefits	<u>135</u>	<u>16</u>
	<u>1,399</u>	<u>703</u>

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

## Notes to the Financial Statements

December 31, 2007

### 7 CASH AND BANK BALANCES

	Group		Company	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Cash at bank	19,856	57,318	86	9,542
Cash on hand	503	350	—	—
Total	<u>20,359</u>	<u>57,668</u>	<u>86</u>	<u>9,542</u>

Cash at bank bears interest at rates ranging from 0.05% to 1.85% (2006: 1.75% to 5.16%) per annum.

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	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Euro	944	448	—	—
Chinese Renminbi	341	349	—	—
Hong Kong dollars	91	12	55	2
Peruvian Nuevos Soles	<u>8,050</u>	<u>296</u>	<u>—</u>	<u>—</u>

### 8 TRADE RECEIVABLES

	Group	
	2007 US\$'000	2006 US\$'000
Outside parties	8,868	7,717
CIFHK (Note 6)	<u>—</u>	<u>511</u>
Total	<u>8,868</u>	<u>8,228</u>

An allowance for estimated irrecoverable amount from the sale of goods to third parties of US\$1,123,000 (2006: US\$1,081,000) has been determined by reference to management's estimation of irrecoverable amounts. The Group has provided fully for receivables over 120 days based on historical experience.

Included in the Group's trade receivable balance are debtors with carrying amount of US\$1,757,000 (2006: US\$97,000) and US\$317,000 (2006: US\$Nil) that are less than 3 months past due and over 3 months past due 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\$6,794,000 (2006: US\$8,131,000) is neither past due nor impaired.

The credit period granted on sale of goods in the Pacific Ocean and Peruvian Waters are up to 14 days and 60 days, respectively (2006: 14 days and 60 days). No interest is charged on overdue balances.

## 8 TRADE RECEIVABLES (continued)

Movement in the allowance for doubtful debts:

	<b>Group</b>	
	2007 US\$'000	2006 US\$'000
Balance at beginning of the year	1,081	–
Arising on acquisition of subsidiaries	–	1,081
Increase in allowance recognised in profit or loss	42	–
	<u>1,123</u>	<u>1,081</u>
Balance at end of the year	<u>1,123</u>	<u>1,081</u>

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

	<b>Group</b>	
	2007 US\$'000	2006 US\$'000
Euro	1,694	49
Peruvian Nuevos Soles	278	403
	<u>1,972</u>	<u>452</u>

## 9 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSIT

	<b>Group</b>		<b>Company</b>	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
<b>Current assets</b>				
Subsidiary (Note 17)	–	–	–	10,768
Arrangers (Note 12)	–	54,542	–	–
Prepayments for fishmeal and operating expenses	6,811	7,709	–	–
Value added tax recoverable	13,497	3,480	–	–
Others	7,470	2,523	–	–
	<u>27,778</u>	<u>68,254</u>	<u>–</u>	<u>10,768</u>
<b>Non-current assets</b>				
Deposit for acquisition of a subsidiary (Note 34)	–	11,600	–	–
	<u>–</u>	<u>11,600</u>	<u>–</u>	<u>–</u>

The amount due from a subsidiary represented interest accrued on the principal amount due from the subsidiary in Note 17.

## Notes to the Financial Statements

December 31, 2007

### 9 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSIT *(continued)*

The balances with the Arrangers as of December 31, 2006 are unsecured, interest-free and represent advances to the Arrangers to pay for fishing tickets so as to be able to fish in the Russian economic waters; and to secure new vessel operating agreements which were signed during the year.

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.

Included in "others" is an amount of US\$215,000 (2006: US\$730,000) maintained in an escrow account held in the name of a subsidiary in connection with the acquisition of Pesquera Isla Blanca S.A. and its subsidiaries in December 2006. This amount can be applied against contingent costs arising from events occurring prior to or existing as at the date of acquisition and is claimable within a period of 12 months from the date of acquisition.

The other receivables balances are neither past due nor impaired.

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

	Group		Company	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Chinese Renminbi	967	718	–	–
Euro	7	262	–	–
Peruvian Nuevos Soles	541	5,601	–	–

### 10 DEFERRED EXPENSES

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

### 11 INVENTORIES

	Group	
	2007 US\$'000	2006 US\$'000
Fishmeal	19,285	10,492
Frozen fish	2	14
Work-in-progress on fishmeal	–	135
Packing materials	246	135
Supplies	3,890	2,119
	<u>23,423</u>	<u>12,895</u>

Fishmeal with carrying amounts of US\$19,285,000 (2006: US\$10,492,000) have been pledged as security for the Group's bank overdrafts and certain loans totalling US\$23,750,000 (2006: US\$9,495,000) (Note 21).

## 12 DEFERRED CHARTER HIRE

	<b>Group</b>	
	2007 US\$'000	2006 US\$'000
Total deferred charter hire	288,000	138,000
Less accumulated amortisation	<u>(47,133)</u>	<u>(25,000)</u>
	240,867	113,000
Included as current asset	<u>(22,133)</u>	<u>(13,800)</u>
	218,734	99,200
Included as non-current asset	<u><u>218,734</u></u>	<u><u>99,200</u></u>
Accumulated amortisation:		
At beginning of year	25,000	11,200
Amortisation during the year charged as charter hire expenses	<u>22,133</u>	<u>13,800</u>
At end of year	<u><u>47,133</u></u>	<u><u>25,000</u></u>

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 (2006: 14) vessels for 10 to 18 years (2006: 10 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.

## Notes to the Financial Statements

December 31, 2007

### 13 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold	Freehold	Leasehold	Fishing	Fishing	Plant	Furniture, fittings and office		Total
	land	buildings	buildings	vessels	nets	and machinery	Vehicles	equipment	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost or valuation:									
At January 1, 2006	-	-	-	-	-	-	132	448	580
Additions	-	1,922	1,305	4,425	323	131	93	885	9,084
Acquired on acquisition of subsidiaries	2,422	9,319	-	22,843	2,789	45,117	235	625	83,350
Revaluation increase	-	-	54	-	-	-	-	-	54
At December 31, 2006	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
Comprising:									
December 31, 2006									
At cost	2,422	11,241	-	27,268	3,112	45,248	460	1,958	91,709
At valuation	-	-	1,359	-	-	-	-	-	1,359
	2,422	11,241	1,359	27,268	3,112	45,248	460	1,958	93,068
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
Accumulated depreciation:									
At January 1, 2006									
At January 1, 2006	-	-	-	-	-	-	15	41	56
Acquired on acquisition of subsidiaries	-	10	-	-	539	412	49	256	1,266
Depreciation	-	80	45	885	177	748	41	124	2,100
Eliminated on revaluation	-	-	(4)	-	-	-	-	-	(4)
At December 31, 2006	-	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
Carrying amount:									
At December 31, 2006									
	2,422	11,151	1,318	26,383	2,396	44,088	355	1,537	89,650
At December 31, 2007									
	4,203	15,804	7,120	51,192	4,362	91,605	491	2,062	176,839

### 13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The carrying amount of the Group's property, plant and equipment includes an amount of US\$30,262,000 (2006: US\$32,125,000) in respect of assets held under finance leases (Note 20).

The leasehold buildings situated in Hong Kong and Singapore (2006: Hong Kong) were revalued by BMI Appraisals Limited, independent valuers not connected with the Group, on an open market value basis as at September 30, 2007 (2006: March 31, 2006).

At December 31, 2007, had the leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately US\$5,946,000 (2006: US\$1,266,000).

### 14 GOODWILL

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
Cost:		
At beginning of year	44,989	–
Arising on acquisition of subsidiaries	24,710	44,989
Adjustment to goodwill provisionally determined <sup>(a)</sup>	1,845	–
At end of year	71,544	44,989

<sup>(a)</sup> During the year, 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 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 advisor, dated December 27, 2007, management updated their assessment as of December 31, 2007.

In 2006, the Group engaged an independent valuer located in Peru, Equitas Partners S.A.C., to determine the value of the businesses acquired in Peru. Management updated their assessment as of December 31, 2006 based on the report of the valuer dated December 18, 2006 and management's assessment of business prospects.

## Notes to the Financial Statements

December 31, 2007

### 14 GOODWILL (continued)

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

- (i) forecasted projected cash flows up to 2016 (2006: 2011) and projection of terminal value using the perpetuity method;
- (ii) growth rate of 3.3% (2006: 2%); and
- (iii) use of 16.4% (2006: 19.2%) to discount the projected cash flows to net present values.

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

### 15 OTHER INTANGIBLE ASSETS

	<b>Fishing permits</b>	
	2007	2006
	US\$'000	US\$'000
Cost:		
At beginning of year	24,575	–
From acquisition of subsidiaries (Note 34)	19,639	22,453
From acquisition of fishing vessels	16,034	2,122
At end of year	60,248	24,575

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 15, 2007 and June 25, 2007 (2006: November 2, 2006 and November 10, 2006) prepared by independent third party valuer in Peru, Peritos de Seguros S.A.C. (2006: Invalsa Ingenieria y Valuaciones S.A.).

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

	2007 US\$'000	2006 US\$'000
Unquoted equity share, at cost	<u>1,500</u>	<u>—</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	
			2007 %	2006 %
Servicios Pesqueros Chimbote S.A. <sup>(1)</sup>	Peru	Provision of logistic and warehousing services for fishing industry	50	—

<sup>(1)</sup> Audited by overseas practice of Deloitte Touche Tohmatsu

<sup>(2)</sup> Acquired in November 2007

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

	2007 US\$'000	2006 US\$'000
Total assets	278	—
Total liabilities	<u>(103)</u>	<u>—</u>
Net assets	<u>175</u>	<u>—</u>
Group's share of associate's net assets	<u>88</u>	<u>—</u>

The Group did not account for its share of the associate's results from the date of acquisition to December 31, 2007 as it is not material.

## Notes to the Financial Statements

December 31, 2007

### 17 SUBSIDIARIES

	<b>Company</b>	
	2007 US\$'000	2006 US\$'000
Unquoted equity shares, at cost	*	*
Amount due from a subsidiary	146,623	58,668
Fair value of a financial guarantee contract	3,675	3,675
	150,298	62,343

\* Amount less than US\$1,000.

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 8.35% to 8.67% (2006: 7.23% to 8.50%) 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:

<b>Name of subsidiary</b>	<b>Country of incorporation and operation</b>	<b>Principal activities</b>	<b>Effective proportion of ownership interest and voting power held</b>	
			2007 %	2006 %
Smart Group Limited <sup>(1)</sup>	Cayman Islands	Investment holding	100	100
<b>Subsidiaries of Smart Group Limited</b>				
China Fisheries International Limited <sup>(1)</sup>	Samoa/Worldwide	Management and operation of fishing vessels and sale of fish and other marine catches	100	100
CFG Peru Investments Pte Limited <sup>(2)</sup>	Singapore	Investment holding	100	100
CFGL (Singapore) Private Limited <sup>(2)(5)</sup>	Singapore	Property holding	100	–

## 17 SUBSIDIARIES (continued)

Name of subsidiary	Country of incorporation and operation	Principal activities	Effective proportion of ownership interest and voting power held	
			2007 %	2006 %
<b>Subsidiaries of China Fisheries International Limited</b>				
Admired Agents Limited <sup>(1)</sup>	British Virgin Islands/ Worldwide	Agent for procurement of provisions and supplies for the Group	80	80
Champion Maritime Limited <sup>(1)</sup>	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
Chanery Investment Inc. <sup>(1)</sup>	British Virgin Islands/ Worldwide	Agent for procurement of provisions and supplies for the Group	100	100
Chiksano Management Limited <sup>(1)(5)</sup>	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	–
Excel Concept Limited <sup>(1)</sup>	British Virgin Islands/ Worldwide	Agent for sales of fish and other marine catches of the Group	80	80
Fortress Agents Limited <sup>(1)</sup>	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 <sup>(1)(5)</sup>	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	–

## Notes to the Financial Statements

December 31, 2007

### 17 SUBSIDIARIES (continued)

Name of subsidiary	Country of incorporation and operation	Principal activities	Effective proportion of ownership interest and voting power held	
			2007 %	2006 %
Growing Management Limited <sup>(1)(5)</sup>	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	–
Hill Cosmos International Limited <sup>(1)(4)</sup>	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	–
Loyal Mark Holdings Limited <sup>(1)(5)</sup>	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	–
Metro Island International Limited <sup>(1)</sup>	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 <sup>(1)(5)</sup>	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	–
Nidaro International Limited <sup>(1)(5)</sup>	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	–

## 17 SUBSIDIARIES (continued)

Name of subsidiary	Country of incorporation and operation	Principal activities	Effective proportion of ownership interest and voting power held	
			2007 %	2006 %
Ocean Expert International Limited <sup>(1)(4)</sup>	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	–
Pioneer Logistics Limited <sup>(1)</sup>	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
Sea Capital International Limited <sup>(1)(5)</sup>	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	–
Shine Bright Management Limited <sup>(1)(5)</sup>	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	–
Superb Choice International Limited <sup>(1)</sup>	British Virgin Islands/ Worldwide	Agent for sales of fish and other marine catches of the Group	100	100
<b>Subsidiaries of Chanery Investment Inc.</b>				
Powertech Engineering (Rongcheng) Co. Ltd. <sup>(3)(4)</sup>	People's Republic of China	Agent for vessel repairing service	100	–
<b>Subsidiaries of CFG Peru Investments Pte Limited</b>				
CFG Investment S.A.C. <sup>(3)</sup>	Peru	Investment holding, operation of fishing vessel and sale of fish and marine catches	100	100
Protein Trading Limited <sup>(1)</sup>	Samoa	Procurement and marketing agent for fishmeal	100	100
Grenadine Bay Inc <sup>(3)(4)</sup>	Panama	Investment holding	100	–

## Notes to the Financial Statements

December 31, 2007

### 17 SUBSIDIARIES (continued)

Name of subsidiary	Country of incorporation and operation	Principal activities	Effective proportion of ownership interest and voting power held	
			2007 %	2006 %
<b>Subsidiaries of CFG Investments S.A.C.</b>				
Macro Capitaes S.A. <sup>(3)(4)</sup>	Panama	Investment holding	100	–
Negociacion Pesquera Continental S.A <sup>(3)(6)</sup>	Peru	Operation of fishing vessel and sale of anchovy	–	100
Pesquera Bari S.A.C <sup>(3)(4)</sup>	Peru	Investment holding	100	–
Pesquera Isla Blanca S.A. <sup>(3)(6)</sup>	Peru	Investment holding, operation of fishing vessels and sale of anchovy	–	100
Skatfeld Overseas Inc. <sup>(3)(6)</sup>	Panama	Investment holding	–	100

(1) Audited by Deloitte & Touche, 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, Singapore.

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

(4) Acquired during the financial year.

(5) Incorporated during the financial year.

(6) Merged into CFG Investments S.A.C. during the financial year.

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\$556,000 (2006: US\$6,379,000) and losses of US\$165,000 (2006: US\$2,423,000) in the Group's financial statements, 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.

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

## 18 TRADE PAYABLES

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
Arrangers (Note 12)	13,304	–
Outside parties	<u>32,717</u>	<u>11,013</u>
Total	<u><u>46,021</u></u>	<u><u>11,013</u></u>

The average credit period on purchase of goods is 30 days (2006: 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 are 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.

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

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
Hong Kong dollars	81	11
Chinese Renminbi	222	40
Euro	949	779
Peruvian Nuevos Soles	<u>2,434</u>	<u>546</u>

## Notes to the Financial Statements

December 31, 2007

### 19 OTHER PAYABLES AND ACCRUED EXPENSES

	<b>Group</b>		<b>Company</b>	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Accrued expenses	5,871	11,891	269	82
Interest payable	4,714	945	–	–
Provision for claims (Note 36)	1,459	1,348	–	–
Statutory employees' profit share (Note 23)	57	1,549	–	–
Others	7,692	5,702	–	–
	<u>19,793</u>	<u>21,435</u>	<u>269</u>	<u>82</u>

Movements in provision for claims:

	<b>Group</b>	
	2007 US\$'000	2006 US\$'000
At beginning of year	1,348	–
Arising on acquisition of subsidiaries	232	1,348
Payments during the year	<u>(121)</u>	<u>–</u>
At end of year	<u>1,459</u>	<u>1,348</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	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Hong Kong dollars	203	187	93	–
Singapore dollars	183	14	164	14
Chinese Renminbi	384	23	–	–
Peruvian Nuevos Soles	8,423	5,592	–	–
	<u>8,423</u>	<u>5,592</u>	<u>–</u>	<u>–</u>

## 20 FINANCE LEASES

	Group		Present value of minimum lease payments	
	Minimum lease payments 2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Amounts payable under finance leases:				
Within one year	3,354	3,132	2,665	2,719
In the second to fifth year inclusive	7,349	4,220	6,419	3,744
Less: Future finance charges	<u>(1,619)</u>	<u>(889)</u>	<u>NA</u>	<u>NA</u>
Present value of lease obligations	9,084	6,463	9,084	6,463
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(2,665)</u>	<u>(2,719)</u>
Amount due for settlement after 12 months			<u>6,419</u>	<u>3,744</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 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).

## Notes to the Financial Statements

December 31, 2007

### 21 BANK OVERDRAFTS AND LOANS

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
Bank overdrafts	2,132	430
Bank loans	<u>65,188</u>	<u>41,856</u>
	<u><u>67,320</u></u>	<u><u>42,286</u></u>

The bank loans are repayable as follows:

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
On demand or within one year	44,820	10,354
In the second year	7,500	9,432
In the third year	7,500	7,500
In the fourth year	7,500	7,500
In the fifth year	<u>-</u>	<u>7,500</u>
	67,320	42,286
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(44,820)</u>	<u>(10,354)</u>
Amount due for settlement after 12 months	<u><u>22,500</u></u>	<u><u>31,932</u></u>

The bank overdrafts have current maturities, bear interest at 6-months London Interbank Offer Rate plus 1.10% (2006: 1.52%) and are secured over the Group's fishmeal (Note 11).

The bank loans comprise the following:

- a) Bank loan of US\$30,000,000 (2006: US\$30,000,000) is unsecured and repayable in 16 equal quarterly instalments with the first instalment due in March 2008. Interest is charged on US\$1,400,000 (2006: 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\$28,600,000 (2006: US\$28,600,000). The loan is guaranteed by the Company.
- b) Bank loans of US\$21,618,000 (2006: US\$9,065,000) have current maturities, bear interest at 6-months London Interbank Offer Rate plus 1.10% (2006: plus 1.52%) and are secured over the Group's fishmeal (Note 11).
- c) Bank loans of US\$7,500,000 (2006: US\$Nil) are unsecured, bear interest at 1 month Singapore Interbank Money Marketing Offer Rate plus 2% and repayable in January 2008.
- d) Bank loans of US\$2,252,000 (2006: US\$Nil) are unsecured, bear interest at 0.75% below Singapore trade finance rates per annum and repayable in 2008.
- e) The remaining borrowings are unsecured, bear fixed interest rates ranging from 7.00% to 13.00% (2006: 9% to 14%) per annum and will be fully repaid within 2008.

## 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 2006, 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 (2006: US\$Nil) 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, 2007, accumulated amortisation amounted to US\$1,280,000 (2006: US\$Nil).

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

As at December 31, 2006, management considers that the carrying amount of the Notes approximates their fair value as the interest charged approximates the market rate at the end of 2006.

## Notes to the Financial Statements

December 31, 2007

### 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:

	<b>Group</b>	
	2007 US\$'000	2006 US\$'000
At beginning of year	8,227	–
Arising on acquisition of subsidiaries	(2,819)	8,062
Charged to profit and loss	<u>1,039</u>	<u>165</u>
At end of year	6,447	8,227
Less: Current portion (Note 19)	<u>(57)</u>	<u>(1,549)</u>
Non-current portion	<u><u>6,390</u></u>	<u><u>6,678</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:

	<b>Accelerated tax depreciation</b> US\$'000	<b>Fair value adjustments<sup>(1)</sup></b> US\$'000	<b>Provision</b> US\$'000	<b>Total</b> US\$'000
Arising on acquisition of subsidiaries (Note 34)	2,355	15,705	(184)	17,876
Charged to profit and loss (Note 31)	<u>692</u>	<u>–</u>	<u>(540)</u>	<u>152</u>
At December 31, 2006	3,047	15,705	(724)	18,028
Arising on acquisition of subsidiaries (Note 34)	1,952	9,215	–	11,167
Credited to profit and loss (Note 31)	<u>–</u>	<u>–</u>	<u>(258)</u>	<u>(258)</u>
As at December 31, 2007	<u><u>4,999</u></u>	<u><u>24,920</u></u>	<u><u>(982)</u></u>	<u><u>28,937</u></u>

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

## 25 SHARE CAPITAL

	<b>Group and Company</b>		
	<b>Number of ordinary shares</b>		
	<b>at US\$0.10</b> per share	<b>at US\$0.05</b> per share	<b>Amounts</b> US\$'000
Authorised:			
At January 1, 2006 and December 31, 2006	800,000,000	–	80,000
Effect of sub-division of shares (c)	<u>(800,000,000)</u>	<u>1,600,000,000</u>	<u>–</u>
At December 31, 2007	<u>–</u>	<u>1,600,000,000</u>	<u>80,000</u>
Issued and paid up:			
At January 1, 2006	305,040,000	–	30,504
Issue of shares (a)	<u>57,000,000</u>	<u>–</u>	<u>5,700</u>
At December 31, 2006	362,040,000	–	36,204
Issue of shares (b)	29,000,000	–	2,900
Effect of sub-division of shares (c)	<u>(391,040,000)</u>	<u>782,080,000</u>	<u>–</u>
At December 31, 2007	<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, 2006, the Company issued 57,000,000 ordinary shares of US\$0.10 each at S\$1.25 (US\$0.7687) per ordinary share for cash as part of its initial public offering. Premium of US\$38,116,000 representing the excess of issue price over the par value of the new shares was recorded. Net of issue expenses of US\$2,883,000, the resulting share premium was US\$35,233,000.
- (b) 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.
- (c) 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.

## Notes to the Financial Statements

December 31, 2007

### 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

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
Sale of fish and marine catches	290,379	150,110
Sale of fishmeal and fish oil	115,940	5,419
Management fee	50	512
	406,369	156,041

### 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 <sup>(1)</sup>		Peruvian Waters		Atlantic Ocean		Indian Ocean		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	<u>289,572</u>	<u>149,151</u>	<u>116,747</u>	<u>6,378</u>	<u>30</u>	<u>413</u>	<u>20</u>	<u>99</u>	<u>406,369</u>	<u>156,041</u>
Segment results	96,852	56,002	25,102	320	30	413	20	99	122,004	56,834
Finance costs									(26,791)	(5,423)
Unallocated corporate expenses									(4,898)	(2,995)
Profit before income tax									90,315	48,416
Income tax expense									(1,817)	(448)
Net profit for the year									<u>88,498</u>	<u>47,968</u>
<b>Other information</b>										
Segment assets	331,484	150,585	314,991	286,691	-	511	-	-	646,475	437,787
Interest in associate	-	-	1,500	-	-	-	-	-	1,500	-
Total assets									<u>647,975</u>	<u>437,787</u>
Segment liabilities	40,497	8,186	26,993	29,995	-	-	-	-	67,490	38,181
Unallocated corporate liabilities									327,960	286,688
Total liabilities									<u>395,450</u>	<u>324,869</u>
Capital expenditure	181,889	83,567	127,627	159,165	-	-	-	-	<u>309,516</u>	<u>242,732</u>
Depreciation and amortisation	22,481	13,985	9,156	1,915	-	-	-	-	<u>31,637</u>	<u>15,900</u>

<sup>(1)</sup> Excludes Peruvian Waters

## Notes to the Financial Statements

December 31, 2007

### 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 <sup>(1)</sup>		Peruvian Waters		Atlantic Ocean		Indian Ocean		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
People's Republic of China	162,223	74,484	55,983	2,949	30	413	20	99	218,256	77,945
Japan & Korea	103,087	54,467	7,668	-	-	-	-	-	110,755	54,467
South East Asia	-	-	28,019	-	-	-	-	-	28,019	-
South America	-	-	4,782	1,605	-	-	-	-	4,782	1,605
Europe	24,262	19,521	17,677	216	-	-	-	-	41,939	19,737
Others*	-	679	2,618	1,608	-	-	-	-	2,618	2,287
	<u>289,572</u>	<u>149,151</u>	<u>116,747</u>	<u>6,378</u>	<u>30</u>	<u>413</u>	<u>20</u>	<u>99</u>	<u>406,369</u>	<u>156,041</u>

<sup>(1)</sup> Excludes Peruvian Waters

\* Others include Africa and North America

#### Business segments

The Group's principal activities comprise:

Fishing operation – Fishing and sale of fish and marine catches

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	
	2007	2006	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Fishing operation	289,572	150,110	331,484	150,585	181,889	83,567
Fishmeal and fish oil production	116,747	5,419	316,491	286,691	127,627	159,165
Others	50	512	-	511	-	-
	<u>406,369</u>	<u>156,041</u>	<u>647,975</u>	<u>437,787</u>	<u>309,516</u>	<u>242,732</u>

## 29 OTHER OPERATING INCOME

	<b>Group</b>	
	2007 US\$'000	2006 US\$'000
Interest income	1,676	207
Net foreign exchange gains	–	1,379
Gain on disposal of property, plant and equipment	412	–
Excess of fair value of net assets over cost of business combination (Note 34)	–	828
Rental income	100	42
Others	1,090	130
	<u>3,278</u>	<u>2,586</u>

## 30 FINANCE COSTS

	<b>Group</b>	
	2007 US\$'000	2006 US\$'000
Amortisation of senior notes issue expenses	1,280	–
Interest on bank overdrafts and loans	4,232	4,651
Interest on finance leases	466	83
Interest on senior notes	20,813	689
	<u>26,791</u>	<u>5,423</u>

## 31 INCOME TAX 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.

## Notes to the Financial Statements

December 31, 2007

### 31 INCOME TAX EXPENSE (continued)

#### (c) Peruvian operation

	<b>Group</b>	
	2007 US\$'000	2006 US\$'000
Current tax	2,075	296
Deferred tax (Note 24)	<u>(258)</u>	<u>152</u>
	<u>1,817</u>	<u>448</u>

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 charge for the year can be reconciled to the accounting profit as follows:

	<b>Group</b>	
	2007 US\$'000	2006 US\$'000
Profit (loss) before tax of Peruvian operations	<u>5,026</u>	<u>(1,732)</u>
Tax expense (benefit) at Peruvian tax rate of 30% (2006: 30%)	1,508	(520)
Tax effect of (income that are not taxable) expenses that are not deductible in determining taxable profit	(3)	1,018
Effect of employees' profit share	<u>312</u>	<u>(50)</u>
	<u>1,817</u>	<u>448</u>

## 32 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
Depreciation and amortisation:		
Amortisation of deferred charter hire (Note 12)	22,133	13,800
Depreciation of property, plant and equipment (Note 13)	8,224	2,100
Total depreciation and amortisation	30,357	15,900
Directors' remuneration:		
of the Company	637	541
of the subsidiaries	-	-
Total directors' remuneration	637	541
Non-audit fees paid to auditors of the Company	101	-
Crew wages and employee benefits expense (including directors' remuneration)	43,339	23,271
Defined contribution plan expense	1,381	30
Cost of inventories recognised as expense *	32,714	3,928
Net foreign exchange losses (gains)	1,390	(1,379)

\* 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, 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 the year.

The basic earnings per ordinary share for the year ended December 31, 2006 is calculated based on the Group's profit attributable to shareholders of US\$47,968,000 for the year ended December 31, 2006 divided by the weighted average number of 716,584,110 ordinary shares in issue for 2006 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.

## Notes to the Financial Statements

December 31, 2007

### 34 ACQUISITION OF SUBSIDIARIES

During the financial year, the Group acquired the following subsidiaries and accounted for these acquisitions using the purchase method of accounting:

<b>Subsidiaries incorporated in Peru</b>	<b>Date of acquisition</b>
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
<b>Subsidiaries incorporated in Panama</b>	<b>Date of acquisition</b>
Grenadine Bay Inc.	March 14, 2007
Altoreal S.A.	June 1, 2007
Inversionista La Candelaria S.A.	June 1, 2007
Macro Capitals S.A.	December 12, 2007
<b>Subsidiaries incorporated in the British Virgin Islands</b>	<b>Date of acquisition</b>
Hill Cosmos International Limited	January 4, 2007
Ocean Expert International Limited	January 24, 2007
<b>Subsidiary incorporated in the People's Republic of China</b>	<b>Date of acquisition</b>
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. during the financial year.

In 2006, the Group acquired 100% of the issued share capital of Procesadora del Carmen S.A., Alexandra S.A.C., Pesquera Victor S.A.C., Empresa Pesquera Flor Ilo S.R.L., Pesquera Isla Blanca S.A., Negociacion Pesquera Continental S.A.C., Skatfeld Overseas Inc., Champion Maritime Limited, Fortress Agents Limited and Pioneer Logistics Limited for total cash consideration of US\$109,125,000. These transactions were also accounted for by purchase method of accounting.

Subsequent to their acquisitions by CFG Investment S.A.C., Procesadora del Carmen S.A., Alexandra S.A.C., Pesquera Victor S.A.C. and Empresa Pesquera Flor Ilo S.R.L. were merged into CFG Investment S.A.C., in 2006.

**34 ACQUISITION OF SUBSIDIARIES** (continued)

2007

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

	<b>Acquirees' carrying amount before combination</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
	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)
Deposits for acquisition of subsidiary (Note 9)			<u>(11,600)</u>
			<u>42,626</u>

## Notes to the Financial Statements

December 31, 2007

### 34 ACQUISITION OF SUBSIDIARIES *(continued)*

2006

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

	<b>Acquirees' carrying amount before combination</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
	US\$'000	US\$'000	US\$'000
Cash and bank balances	4,008	–	4,008
Trade receivables	6,018	–	6,018
Other receivables and prepayments	9,703	–	9,703
Deferred expenses	214	–	214
Inventories	2,198	–	2,198
Property, plant and equipment	42,404	39,680	82,084
Fishing permits (Note 15)	–	22,453	22,453
Trade payables	(8,870)	–	(8,870)
Other payables and accrued expenses*	(17,687)	–	(17,687)
Income tax payable	(4,222)	–	(4,222)
Finance leases	(6,546)	–	(6,546)
Statutory employees' profit share – non-current	(704)	(5,809)	(6,513)
Deferred tax liabilities (Note 24)	(2,171)	(15,705)	(17,876)
	<u>24,345</u>	<u>40,619</u>	64,964
Goodwill arising on acquisitions			44,989
Excess of fair value of net assets over cost of acquisition (a)			<u>(828)</u>
Total consideration, satisfied by cash			<u>109,125</u>
Net cash outflow arising on acquisitions:			
Cash consideration			109,125
Cash and cash equivalents acquired			<u>(4,008)</u>
			<u>105,117</u>

\* Inclusive of current portion of statutory employees' profit share

### 34 ACQUISITION OF SUBSIDIARIES *(continued)*

- (a) Goodwill of US\$44,989,000 arise from acquisition of the Peruvian subsidiaries, other than Procesadora del Carmen S.A., for an aggregate consideration of US\$105,807,000. The excess of fair value of net assets over cost of acquisition of US\$828,000 relate to the acquisition of Procesadora del Carmen S.A., for a consideration of US\$4,632,000.

The purchase consideration of all other subsidiaries are less than US\$1,000 in aggregate. The assets and liabilities of these other subsidiaries acquired during the financial year are insignificant and are included in the aggregate numbers presented above.

As at the end of the financial year, the Group recognised provisional fair values of net assets acquired in 2007. The provisional fair values may be adjusted upon subsequent determination of contingent liabilities.

The provisional fair values for subsidiaries acquired in 2006 was finalised during the year with 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 (Note 14).

### 35 OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
(a) Minimum lease expenditure under operating leases recognised as an expense in the year	81,551	32,628
Comprising:		
Amortisation of deferred charter hire (Note 12)	22,133	13,800
Variable charter hire	29,479	17,528
Fixed charter hire	26,280	–
Rental of fishing vessels and fishmeal processing plants	<u>3,594</u>	<u>1,300</u>

## Notes to the Financial Statements

December 31, 2007

### 35 OPERATING LEASE ARRANGEMENTS (continued)

- (b) At December 31, 2007, the Group has ongoing commitments to pay variable charter hire for 17 (2006: 14) fishing vessels under the first, second and third (2006: first and second) vessel operating agreements entered into with Perun and Alator for a period of 10 to 18 years up to December 31, 2025 (2006: period of 10 years up to December 31, 2015). 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, the Group has ongoing commitment to pay variable charter hire for 6 (2006: Nil) 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.
- (d) The Group also entered into two agreements to lease three fishing vessels and two fishmeal processing plants for six months from October 2006. These agreements were automatically renewable for an additional six months unless prior notice of termination is served by any of the two parties to the agreements. Rental payable was based on an agreed formula relating to operating profit generated from operating the three fishing vessels and two fishmeal processing plants. These two agreements were terminated during the year and rental incurred of US\$3,594,000 refunded through reduction of purchase consideration for the companies owning these assets.

#### 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\$100,000 (2006: US\$42,000). At the balance sheet date, the Group has contracted with tenants for the following future minimum lease payments:

	<b>Group</b>	
	2007	2006
	US\$'000	US\$'000
Within one year	58	100
In the second to fifth year inclusive	–	58
After five years	–	–
	<u>58</u>	<u>158</u>

### 36 CONTINGENT LIABILITIES

Certain members of the Group are parties to legal processes in Peru amounting to approximately US\$3,780,000 (2006: US\$2,287,000). These relate to environmental matters, former employees and miscellaneous claims. The Group's legal advisor has advised the Group that US\$1,459,000 (2006: US\$1,348,000) of these claims is likely to have unfavourable outcome for the Group and the outcome for claims of US\$2,321,000 (2006: US\$939,000) 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\$1,459,000 (2006: US\$1,348,000) (Note 19) for those claims where the outcome is likely to be unfavourable to the Group.

## 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 30 to 86 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, 2007, 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 10, 2008

## Supplementary Information

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

### Balance Sheet

As at December 31, 2007

	Group (Unaudited)	
	2007 S\$'000	2006 S\$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and bank balances	29,459	88,693
Trade receivables	12,832	12,655
Other receivables and prepayments	40,194	104,974
Deferred expenses	23,946	10,656
Inventories	33,892	19,833
Current portion of deferred charter hire	32,026	21,225
Total current assets	<u>172,349</u>	<u>258,036</u>
<b>Non-current assets</b>		
Deposit	-	17,841
Deferred charter hire	316,501	152,569
Property, plant and equipment	255,880	137,881
Goodwill	103,522	69,193
Other intangible assets	87,177	37,797
Associate	2,170	-
Total non-current assets	<u>765,250</u>	<u>415,281</u>
<b>Total assets</b>	<u><u>937,599</u></u>	<u><u>673,317</u></u>

## Balance Sheet

As at December 31, 2007

	Group (Unaudited)	
	2007 S\$'000	2006 S\$'000
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Trade payables	66,592	16,938
Other payables and accrued expenses	28,640	32,967
Income tax payable	842	4,496
Current portion of finance leases	3,856	4,182
Bank overdrafts and current portion of bank loans	<u>64,853</u>	<u>15,925</u>
Total current liabilities	<u>164,783</u>	<u>74,508</u>
<b>Non-current liabilities</b>		
Finance leases	9,288	5,759
Bank loans	32,557	49,112
Senior notes	314,460	332,272
Statutory employees' profit share	9,246	10,271
Deferred tax liabilities	<u>41,870</u>	<u>27,727</u>
Total non-current liabilities	<u>407,421</u>	<u>425,141</u>
<b>Capital and reserve:</b>		
Share capital	56,582	55,682
Reserves	<u>308,813</u>	<u>117,986</u>
Total equity	<u>365,395</u>	<u>173,668</u>
<b>Total liabilities and equity</b>	<u><b>937,599</b></u>	<u><b>673,317</b></u>

## Supplementary Information

### Consolidated Profit and Loss Statement

For the year ended December 31, 2007

	Group (Unaudited)	
	2007 S\$'000	2006 S\$'000
Revenue	588,003	239,989
Cost of sales	(47,336)	(6,041)
Charter hire expenses	(112,709)	(48,182)
Vessel operating costs	<u>(223,515)</u>	<u>(94,117)</u>
Gross profit	204,443	91,649
Other operating income	4,743	3,977
Selling expenses	(17,048)	(2,161)
Administrative expenses	(22,690)	(10,661)
Finance costs	<u>(38,766)</u>	<u>(8,341)</u>
Profit before tax	130,682	74,463
Income tax expense	<u>(2,629)</u>	<u>(689)</u>
Profit for the year	<u><u>128,053</u></u>	<u><u>73,774</u></u>
Basic earnings per share (Singapore cents)	<u><u>16.45</u></u>	<u><u>10.30</u></u>
Diluted earnings per share (Singapore cents)	<u><u>16.45</u></u>	<u><u>10.30</u></u>

\* Exchange rate

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

Year 2006: S\$1 = US\$0.6502

# Shareholders' Information

## SHAREHOLDERS' INFORMATION AS AT MARCH 13, 2008

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	0.36	400	0.00
1,000 – 10,000	1,820	80.85	8,868,000	1.13
10,001 – 1,000,000	411	18.26	16,000,000	2.05
1,000,001 and above	12	0.53	757,211,600	96.82
Total	<u>2,251</u>	<u>100.00</u>	<u>782,080,000</u>	<u>100.00</u>

## 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 <sup>(1)</sup>	610,080,000	78.01	–	–
Zhonggang Fisheries Limited <sup>(1) (2)</sup>	–	–	610,080,000	78.01
Pacific Andes (Holdings) Limited <sup>(2) (3)</sup>	–	–	611,334,000	78.17
Golden Target Pacific Limited <sup>(3)</sup>	1,254,000	0.16	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 1,254,000 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.

## Shareholders' Information

### TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	SUPER INVESTMENT LIMITED	610,080,000	78.01
2.	DBS NOMINEES PTE LTD	36,589,486	4.68
3.	HSBC (SINGAPORE) NOMINEES PTE LTD	30,673,114	3.92
4.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	25,341,698	3.24
5.	RAFFLES NOMINEES PTE LTD	14,086,302	1.80
6.	DBSN SERVICES PTE LTD	12,960,000	1.66
7.	CITIBANK NOMINEES SINGAPORE PTE LTD	11,068,000	1.42
8.	UNITED OVERSEAS BANK NOMINEES (PTE) LTD	7,100,000	0.91
9.	SBI E2-CAPITAL ASIA SECURITIES PTE LTD	4,170,000	0.53
10.	DB NOMINEES (S) PTE LTD	2,734,000	0.35
11.	NOMURA SINGAPORE LIMITED	1,254,000	0.16
12.	CIMB-GK SECURITIES PTE LTD	1,155,000	0.15
13.	MERRILL LYNCH (SINGAPORE) PTE LTD	816,000	0.10
14.	YAP CHYE LEE OR SOH SWEE NGAN	650,000	0.08
15.	DBS VICKERS SECURITIES (S) PTE LTD	532,000	0.07
16.	KIM ENG SECURITIES PTE. LTD.	459,000	0.06
17.	OCBC SECURITIES PRIVATE LTD	427,000	0.05
18.	PHILLIP SECURITIES PTE LTD	370,000	0.05
19.	SADDIQUE NASSER OMAR HASSAN	273,000	0.03
20.	TAN CHOON TEE	250,000	0.03
		760,988,600	97.30
Total		760,988,600	97.30

### PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

21.83% 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 The Casuarina, Suite B, Level 3, Raffles Hotel, 1 Beach Road, Singapore 189673 on Monday, April 28, 2008 at 4.00 p.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended December 31, 2007 together with the Auditors' Report thereon.  
[See Explanatory Note (i)] **(Resolution 1)**
2. To declare a final dividend of 2.19 Singapore cents per ordinary share (tax not applicable) for the year ended December 31, 2007 [2006: 2.22 Singapore cents per ordinary share (tax not applicable)].  
**(Resolution 2)**
3. To re-elect the following Directors retiring by rotation pursuant to Article 107 of the Company's Articles of Association:
 

Mr Sung Yu Ching	<b>(Resolution 3)</b>
Dr Ong Chit Chung	<b>(Resolution 4)</b>
Mr Lim Soon Hock	<b>(Resolution 5)</b>

*Dr Ong Chit Chung will, upon re-election as a Director of the Company, remain as Chairman 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. Dr Ong will also remain as Chairman of the Nominating and Remuneration Committees.*

*Mr Lim Soon Hock 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 Lim will also remain a member of the Nominating and Remuneration Committees.*
4. To approve the payment of Directors' fees of HK\$720,000 (equivalent to US\$92,308 or S\$131,262) for the year ending December 31, 2008, payable monthly in arrears [2007: HK\$720,000 (equivalent to US\$92,308 or S\$141,480)].  
**(Resolution 6)**
5. To re-appoint Deloitte & Touche as the Company's Auditors and to authorise the Directors to fix their remuneration.  
**(Resolution 7)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## Notice of 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 the 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 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 (ii)]

**(Resolution 8)**

#### 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 (iii)]

**(Resolution 9)**

By Order of the Board

**Yvonne Choo**

**Maurice Ngai**

*Company Secretaries*

Singapore, April 4, 2008

**Explanatory Notes:**

- (i) The Annual Report 2007 of the Company (including the Directors' Report and the Audited Accounts for the year ended December 31, 2007 together with the Auditors' Report thereon) would be despatched to shareholders on April 11, 2008 in accordance with the provisions of Article 174 of the Company's Articles of Association.
- (ii) The Ordinary Resolution 8 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.
- (iii) The Ordinary Resolution 9 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 Extraordinary General Meeting 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.

## Notice of Books Closure

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of China Fishery Group Limited (the "Company") will be closed on May 9, 2008 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Transfer Agent in Singapore, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758 up to 5.00 p.m. on May 8, 2008 will be registered to determine shareholders' entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on May 8, 2008 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the shareholders at the Annual General Meeting of the Company to be held on April 28, 2008, will be made on May 29, 2008.





**CHINA FISHERY GROUP LIMITED**

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