

**PROSPECTUS DATED 16 JANUARY 2006**

(registered by the Monetary Authority of Singapore on 16 January 2006)

**This document is important. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser.**

We have applied to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares of US\$0.10 each (the "Shares") in the capital of China Fishery Group Limited (the "Company") already issued and the new Shares (the "New Shares") which are the subject of this Invitation. Such permission will be granted when we have been admitted to the Official List of the SGX-ST. **The dealing in and quotation of the Shares will be in Singapore dollars.**

Acceptance of applications will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in and for quotation of all our existing issued Shares and the New Shares. Moneys paid in respect of any application accepted will be returned to you, at your own risk, without interest or any share of revenue or other benefit arising therefrom if the said permission is not granted or for any other reason and you will not have any claim against us or HL Bank (the "Manager").

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares or the New Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"), or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares or the New Shares being offered or in respect of which the Invitation is made, for investment.

**Investing in our Shares involves risks. Potential investors in the Company are advised to read the "Risk Factors" section beginning on page 31 of this Prospectus and the rest of the Prospectus carefully and to seek professional advice if in doubt. No Shares shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.**



**CHINA  
FISHERY  
GROUP LIMITED**

(Incorporated in the Cayman Islands on 14 April 2000)  
(Registration Number: 99414)

Invitation in respect of 57,000,000 New Shares as follows:

- (a) 1,000,000 Offer Shares at S\$1.25 each by way of public offer; and
- (b) 56,000,000 Placement Shares at S\$1.25 each by way of placement payable in full on application.

Manager, Underwriter and Placement Agent



Primary Sub-Placement Agents



# ABOUT CHINA FISHERY GROUP LIMITED

With offices in Qingdao and Shidao of the People's Republic of China ("PRC") and Hong Kong, CHINA FISHERY GROUP LIMITED ("CFGL") engages in coastal fishing and deep sea industrial fishing across the Pacific, the Atlantic and the Indian Oceans. Pursuant to agreements with other companies, CFGL deploys over 600 crew and officers to manage and operate 34 vessels worldwide. CFGL's catches are processed on board, which typically involves heading, gutting, roe-collecting and grading. The fish products are then frozen, packed and delivered to various markets for sale. In FY2004, the Group sold close to 54,000 metric tons of marine and cephalopod fishes.



## MAIN CATCH SPECIES

**Demersal Marine Fish** – Alaskan Pollock, Halibut, Hake, Pacific Cod, Ribbon Fish, Grouper

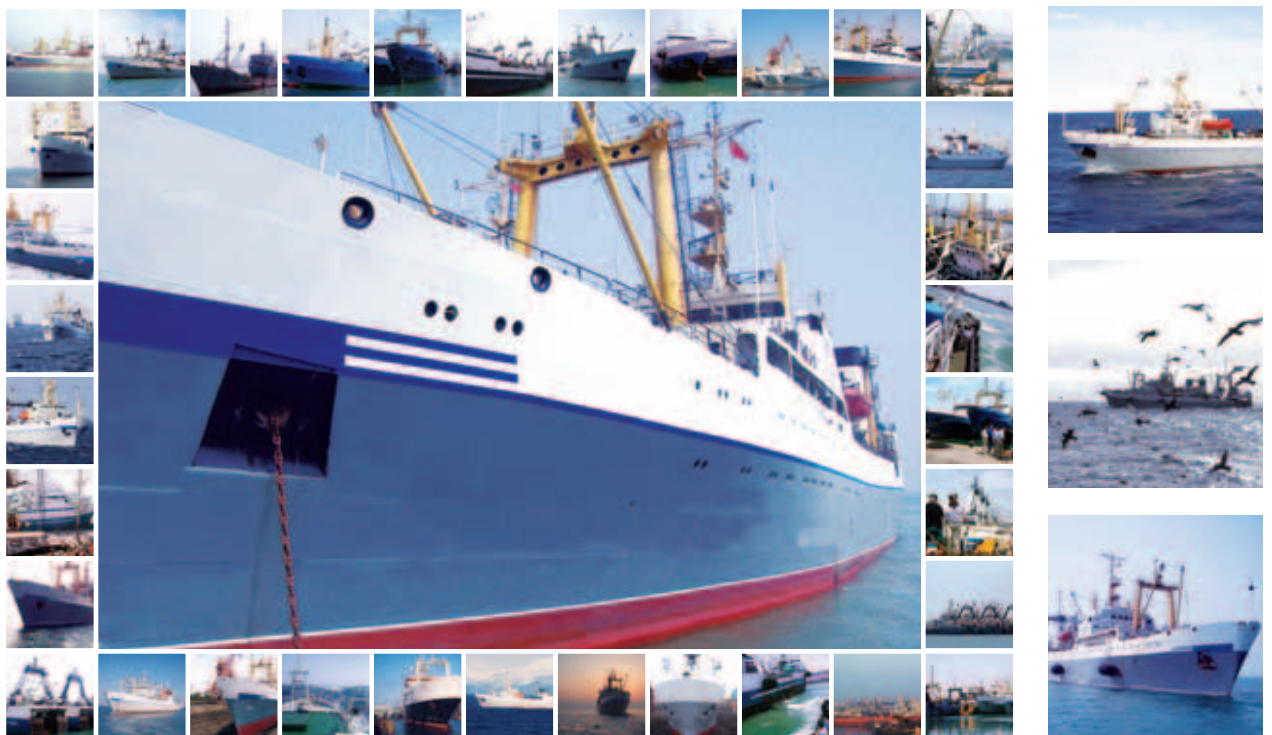
**Pelagic Marine Fish** – Herring, Chilean Jack Mackerel

**Cephalopods** – Cuttlefish, Octopus, Squid

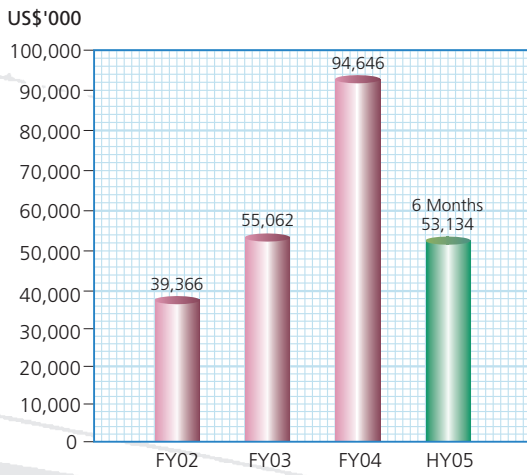
## FINANCIAL HIGHLIGHTS

US\$MILLION	FY02	FY03	FY04	HY05
REVENUE	39.4	55.1	94.6	53.1
COST OF SALES	(34.6)	(47.6)	(71.9)	(28.7)
GROSS PROFIT	4.8	7.5	22.7	24.5
PROFIT AFTER TAX	1.9	4.3	17.7	21.7
GP MARGIN (%)	12.2	13.5	24.0	46.0
NP MARGIN (%)	4.8	7.8	18.7	40.8
EPS (US cts)	0.62	1.42	5.79	7.10

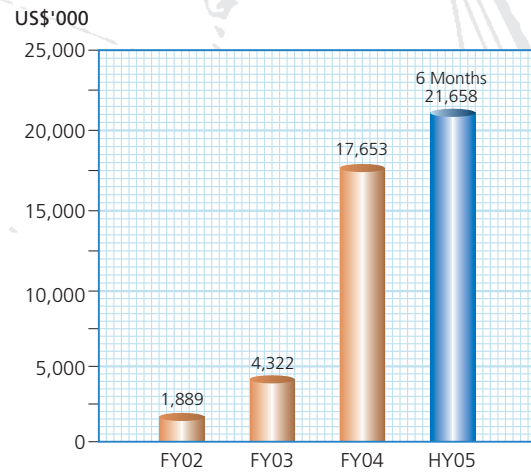
Note: Our financial year ends on 31 December  
 FY – Financial Year  
 HY – Half Year



## REVENUE



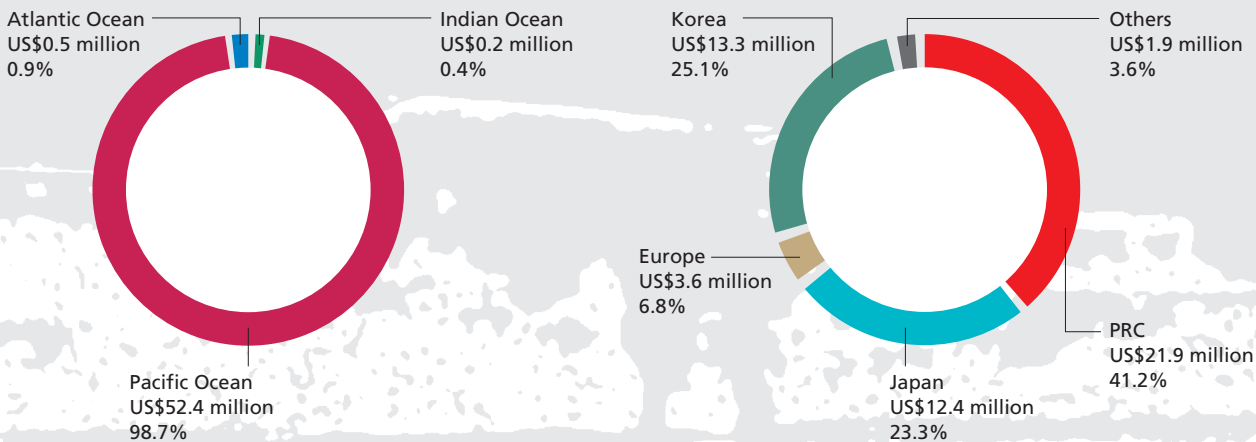
## NET PROFIT AFTER TAX



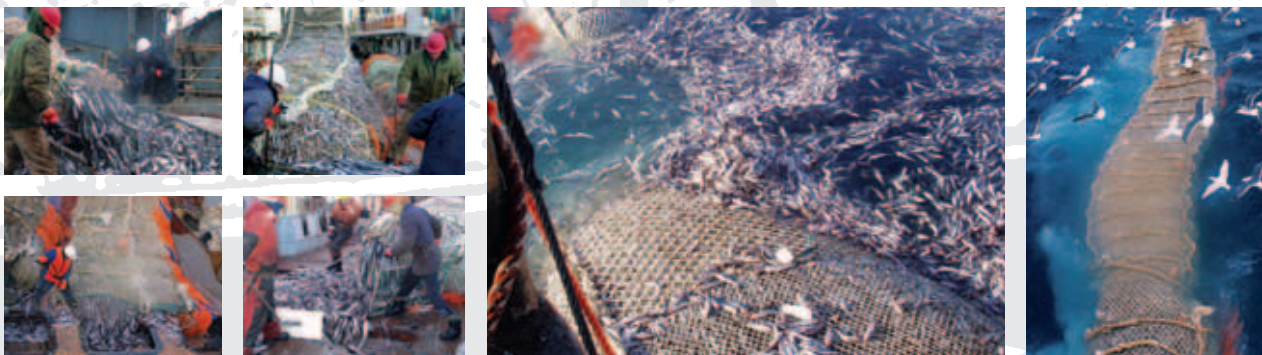
Note: Our HY05 figures are unaudited

## COMPETITIVE STRENGTHS

- Experienced management team
- Stringent quality control at sea
- Effective crew incentive programme
- Diversified fishing locations
- Ability to process fish catches on board fishing vessels
- Access to extensive logistics network and capability of PRC–state–owned China National Fisheries Corporation ("CNFC") and Pacific Andes (Holdings) Limited ("Pacific Andes") listed on the SGX–ST
- Access to the extensive distribution network established by CNFC and Pacific Andes in the PRC
- Access to nationwide crew recruitment network of CNFC in the PRC



HY05 REVENUE BREAKDOWN BY FISHING LOCATIONS AND MARKETS



## PROSPECTS

### Increasing demand for fish worldwide

Demand for fish is expected to rise as consumers globally become increasingly health conscious and dietary habits shift towards a higher consumption of fish. According to the Food and Agriculture Organization of the United Nations ("FAO")\*, world demand for fishery products is expected to expand from 133 million metric tons in 1999/2001 to 183 million metric tons in 2015.

### Increasing demand in the PRC

Demand for fish in the PRC is expected to increase due to rapid economic development and consumption growth; according to projections by FAO\*, per capita demand will reach 34.3kg by 2030, from 25.6kg in 2003. To cope with this demand, the PRC will need to increase its annual production of fishery products by 24.3 million metric tons.

### Improvement in operations

Based on information from the FAO\*, about 39 million metric tons, or 40.4% of fish capture production, is discarded or processed into feed meal and other non-food items. To address these problems, most of the fishing vessels that we manage and operate in remote fishing grounds are installed with equipment for processing, freezing and storing our catches. In addition, we are able to leverage on the logistics support of Pacific Andes, our major customer and our controlling shareholder, by taking delivery of our catches directly at the fishing grounds we operate on.

\* FAO has not consented to the inclusion of this statement for the purpose of Section 249 of the Securities and Futures Act and is thereby not liable for this statement under Sections 253 and 254 of the Securities and Futures Act. The Directors have not verified the accuracy of the contents of this statement. The Directors have included this statement in its proper form and context in this Prospectus. This statement is derived from the fisheries statistic database of the FAO ("FAOSTAT") found at the following uniform resource locator: <http://www.fao.org/fi/statist/FISOF/FISHPLUS.asp>. Any references to FAO or FAOSTAT or the use of any of the statistics, materials or databases of FAO and FAOSTAT in this Prospectus do not imply in any way an endorsement by FAO in respect of the Invitation nor does the authorisation by FAO for the use by our Company of such statistics, materials or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.



Explore  
new fishing  
grounds

Adopt  
state-of-the-art  
fishing methods

**GROWTH  
STRATEGY**

Integrate  
and strengthen  
logistic capacity

Improve catch yields  
and reduce  
catch wastage



## FUTURE PLANS

- Acquisition of fishing vessels
- Operational alliances with fishing companies
- Strengthen transportation capabilities
- Establishment of a logistics base in the PRC to support fishing operations in the Pacific Ocean

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## CORPORATE INFORMATION

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<b>BOARD OF DIRECTORS</b>	:	Ng Joo Kwee (Executive Chairman) Sung Yu Ching (Managing Director) Chan Tak Hei (Executive Director) Jiang Zuoyi (Non-Executive Director) Cheng Nai Ming (Non-Executive Director) Lau Yu Chuen (Alternate Director to Cheng Nai Ming) Dr Ong Chit Chung (Independent Director) Lim Soon Hock (Independent Director) Tse Man Bun (Independent Director)
<b>JOINT COMPANY SECRETARIES</b>	:	Maurice Ngai, FCS, FCIS Yvonne Choo, FCIS
<b>REGISTERED OFFICE</b>	:	2nd Floor, Cayside, Harbour Drive P.O. Box 30592-SMB George Town, Grand Cayman Cayman Islands
<b>SINGAPORE SHARE REGISTRAR AND SHARE TRANSFER AGENT</b>	:	B.A.C.S. Private Limited 63 Cantonment Road Singapore 089758
<b>CAYMAN ISLANDS REGISTRAR AND SHARE TRANSFER AGENT</b>	:	Appleby Corporate Services (Cayman) Ltd. Clifton House 75 Fort Street P.O. Box 1350 GT George Town, Grand Cayman Cayman Islands
<b>MANAGER, UNDERWRITER, AND PLACEMENT AGENT</b>	:	HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319
<b>PRIMARY SUB-PLACEMENT AGENTS</b>	:	DBS Bank Ltd 6 Shenton Way DBS Building Tower One Singapore 068809  SBI E2-Capital Asia Securities Pte. Ltd. 1 Raffles Place #43-04 OUB Centre Singapore 048616
<b>SOLICITORS TO THE INVITATION, THE MANAGER, UNDERWRITER AND PLACEMENT AGENT</b>	:	Stamford Law Corporation 9 Raffles Place #32-00 Republic Plaza Singapore 048619
<b>SOLICITORS TO THE ISSUER</b>	:	David Lim & Partners 50 Raffles Place #17-01 Singapore Land Tower Singapore 048623

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## CORPORATE INFORMATION

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<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	:	Deloitte & Touche Certified Public Accountants 6 Shenton Way #32-00 DBS Building Tower 2 Singapore 068809 (Partner-in-Charge : Wong-Yeo Siew Eng)
<b>LEGAL ADVISERS TO THE COMPANY ON CAYMAN ISLANDS LAW</b>	:	Appleby Spurling Hunter 5511 The Center 99 Queen's Road Central Hong Kong
<b>LEGAL ADVISERS TO THE COMPANY ON RUSSIAN FEDERATION LAW</b>	:	Sokolov, Maslov & Partners 17 Ulitsa Barklaya 121309 Moscow Russian Federation
<b>LEGAL ADVISERS TO THE COMPANY ON SAMOA LAWS</b>	:	Leung Wai Law Firm Level 2 Feagaimaleata Building Beach Road Apia, Samoa
<b>INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS</b>	:	KPMG Corporate Finance Pte Ltd 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
<b>RECEIVING BANKER</b>	:	HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319
<b>PRINCIPAL BANKERS</b>	:	Landsbanki Íslands HF Austurstraeti 11 101 Reykjavik Iceland  Rabobank International, Hong Kong Branch 43/F, Two Exchange Square 8 Connaught Place, Central Hong Kong  The Hongkong and Shanghai Banking Corporation HSBC Main Building 1 Queen's Road Central Hong Kong

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## DEFINITIONS

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In this Prospectus and the accompanying Application Forms and, in relation to the Electronic Applications, the instructions appearing on the screens of ATMs of the relevant Participating Banks or the IB websites of the relevant Participating Banks, unless the context otherwise requires, the following terms or expressions shall have the following meanings:

### **Group Companies**

“Admired Agents”	:	Admired Agents Limited
“CFIL”	:	China Fisheries International Limited
“Chanery Investment”	:	Chanery Investment Inc.
“Company” or “CFGL”	:	China Fishery Group Limited
“Excel Concept”	:	Excel Concept Limited
“Group” or the “CFGL Group”	:	China Fishery Group Limited and its subsidiaries, namely, Smart Group, CFIL, Chanery Investment, Superb Choice, Metro Island, Admired Agents and Excel Concept collectively
“Metro Island”	:	Metro Island International Limited
“Smart Group”	:	Smart Group Limited
“Superb Choice”	:	Superb Choice International Limited

### **Other Companies, Organisations and Agencies**

“Authority”	:	Monetary Authority of Singapore
“CDP” or “Depository”	:	The Central Depository (Pte) Limited
“Chuan-Chuan”	:	Chuan-Chuan Yoo International Trade Ltd.
“CIFHK”	:	China International Fisheries Hong Kong Limited
“CNFC”	:	China National Fisheries Corporation (formerly known as CNFC International Fisheries Corporation)
“FAO”	:	Food and Agriculture Organization of the United Nations
“Golden Target”	:	Golden Target Pacific Limited
“HL Bank”, “Manager”, “Underwriter” or “Placement Agent”	:	HL Bank (a limited liability company incorporated in Malaysia)
“Jade China”	:	Jade China Investments Limited
“Pacific Andes”	:	Pacific Andes (Holdings) Limited
“Pacific Andes International”	:	Pacific Andes International Holdings Limited
“Perun”	:	Perun Limited
“RFMOs”	:	Regional or sub-regional fisheries management organisations
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

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## DEFINITIONS

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<i>"Super Investment"</i>	:	Super Investment Limited
<i>"Zhonggang Fisheries"</i>	:	Zhonggang Fisheries Limited
<b>General</b>		
<i>"Application Forms"</i>	:	The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
<i>"Application List"</i>	:	The list of applications for subscription of the Invitation Shares
<i>"Articles"</i>	:	The Articles of Association of the Company
<i>"ATM"</i>	:	An automated teller machine of a Participating Bank
<i>"Audit Committee"</i>	:	The audit committee of our Board for the time being
<i>"Board" or "Board of Directors"</i>	:	The board of directors of our Company for the time being
<i>"Cayman Companies Act"</i>	:	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
<i>"Companies Act"</i>	:	The Companies Act, Chapter 50 of Singapore
<i>"CIFHK Management Agreement"</i>	:	The vessel management agreement dated 8 March 2005 between CFIL and CIFHK
<i>"CIFHK Vessel Operating Agreement"</i>	:	The vessel operating agreement dated 18 December 2001 between CFIL and CIFHK and amended by two supplemental agreements dated 15 January 2004 and 28 April 2004 respectively
<i>"CPF"</i>	:	The Central Provident Fund
<i>"Directors"</i>	:	The directors of our Company for the time being
<i>"Electronic Applications"</i>	:	Applications for the Offer Shares made through an ATM of one of the Participating Banks or the IB website of one of the relevant Participating Banks in accordance with the terms and conditions of this Prospectus
<i>"EPS"</i>	:	Earnings per Share
<i>"Executive Directors"</i>	:	The executive Directors of our Company for the time being
<i>"Executive Officers"</i>	:	The executive officers of our Group for the time being
<i>"FAOSTAT"</i>	:	The fisheries statistic database of the FAO
<i>"FY"</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>"HY June 2004"</i>	:	Financial period of six months ended 30 June 2004
<i>"HY June 2005"</i>	:	Financial period of six months ended 30 June 2005
<i>"IB"</i>	:	Internet banking
<i>"Independent Directors"</i>	:	The independent Directors of our Company for the time being

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## DEFINITIONS

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<i>“Invitation”</i>	:	Our invitation to the public in Singapore to subscribe for the Invitation Shares at the Issue Price, on the terms and subject to the conditions of this Prospectus
<i>“Issue Price”</i>	:	S\$1.25 for each New Share
<i>“Latest Practicable Date”</i>	:	30 December 2005, being the latest practicable date prior to the registration of this Prospectus by the Authority
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“Mr Sung”</i>	:	Mr Sung Yu Ching, Managing Director of our Company
<i>“New Shares” or “Invitation Shares”</i>	:	The 57,000,000 new Shares for which we invite applications to subscribe pursuant to the Invitation, on the terms and subject to the conditions of this Prospectus
<i>“Nominating Committee”</i>	:	The nominating committee of our Board for the time being
<i>“Non-Executive Directors”</i>	:	The non-executive Directors of our Company for the time being
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer”</i>	:	The offer by us of the Offer Shares to the public in Singapore for subscription at the Issue Price on the terms and subject to the conditions set out in this Prospectus
<i>“Offer Shares”</i>	:	The 1,000,000 New Shares which are the subject of the Offer
<i>“Participating Banks”</i>	:	DBS Bank Ltd (including its POSB) (“DBS”), Oversea-Chinese Banking Corporation Limited (“OCBC”) and United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the “UOB Group”)
<i>“Perun Vessel Operating Agreement”</i>	:	The vessel operating agreement dated 6 January 2004 between CFIL and Perun and amended by an oral agreement made on or around 31 December 2004 and by two supplemental agreements dated 20 January 2004 and 1 April 2005 respectively
<i>“Placement”</i>	:	The placement of the Placement Shares by the Placement Agent on our behalf for subscription at the Issue Price, on the terms and subject to the conditions of this Prospectus
<i>“Placement Shares”</i>	:	The 56,000,000 New Shares which are the subject of the Placement
<i>“PRC” or “China”</i>	:	People’s Republic of China, excluding Hong Kong and the Macau Special Administrative Regions for the purposes of this Prospectus
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Board for the time being
<i>“Restructuring Exercise”</i>	:	The restructuring exercise that we carried out to rationalise and streamline our corporate structure as described under “Restructuring Exercise” on pages 47 to 48 of this Prospectus

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## DEFINITIONS

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“SCCS”	:	Securities Clearing & Computer Services (Pte) Ltd
“Securities Account”	:	The securities account maintained by a Depositor with CDP
“Securities and Futures Act”	:	Securities and Futures Act, Chapter 289 of Singapore
“SGX-ST Listing Manual”	:	The listing manual issued by the SGX-ST, as amended or modified from time to time
“Share Registrar”	:	B.A.C.S. Private Limited
“Shares”	:	Ordinary shares of US\$0.10 each in the capital of our Company
“Singapore Take-overs Laws and Regulations”	:	The laws, regulations, code and guidelines in Singapore which are applicable to any take-over or merger including but not limited to the Singapore Code on Takeovers and Mergers and Part VIII of the Securities and Futures Act
“substantial shareholder”	:	Shall have the same meaning as defined in the Securities and Futures Act
“Total Allowable Catch”	:	The total catch allowed to be taken from a fishery resource in a specified period (usually a year), as defined in a management plan

### **Currencies and Units**

“HK\$”	:	Hong Kong dollars
“kg”	:	Kilogram
“lb”	:	Pound
“RMB”	:	PRC Renminbi
“sq m”	:	Square metre
“US\$” and “US cents”	:	United States dollars and cents respectively
“\$” or “S\$” and “cents”	:	Singapore dollars and cents respectively
“%” or “percent”	:	Per centum or percentage
“Tonne”	:	Metric ton

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus, the Application Forms and the Electronic Applications to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Cayman Companies Act and the Securities and Futures Act or any statutory modification thereof or the SGX-ST Listing Manual and used in this Prospectus, the

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## DEFINITIONS

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Application Forms and the Electronic Applications shall, where applicable, have the meaning assigned to it under the Companies Act, the Cayman Companies Act and the Securities and Futures Act, or such statutory modification, or the SGX-ST Listing Manual as the case may be.

Any reference in this Prospectus, the Application Forms and the Electronic Applications to Shares being allotted to an applicant includes allotment and/or allocation to CDP for the account of that Applicant.

Any reference to a date or time of day in this Prospectus, the Application Forms and the Electronic Applications shall be a reference to Singapore date or time, as the case may be, unless otherwise stated.

References in this Prospectus to “we”, “our”, and “us” (or other grammatical variations thereof) refer to our Company, our Group or any member of our Group as the context requires.

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of Singapore-based investors. They may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters.

Any references to the United Nations, FAO or FAOSTAT or the use of any of the statistics, materials or databases of the United Nations, FAO and FAOSTAT in this Prospectus does not imply in any way an endorsement by the United Nations and/or FAO in respect of the Invitation nor does the authorisation by the United Nations and/or FAO for the use by our Company of such statistics, materials or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.

Any discrepancies in the tables included in this Prospectus between the listed amounts and the totals thereof are due to rounding differences.

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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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All statements contained in this Prospectus, statements made in the press releases and oral statements that may be made by our Company or our officers, Directors or employees acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by words that have a bias towards, or are forward-looking, such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our Group’s expected financial position, business strategy, plans and prospects and future prospects of our Group’s industry are forward-looking statements. These forward-looking statements, including but not limited to statements as to our Group’s revenue and profitability, prospects, future plans and other matters discussed in this Prospectus regarding matters that are not historic facts, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our Group’s actual, future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements.

Given the risks and uncertainties that may cause our Group’s actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, undue reliance must not be placed on these statements. Our actual results may differ materially from those anticipated in these forward-looking statements. Neither our Company, the Manager, the Underwriter, the Placement Agent, their respective advisers nor any other person represents or warrants that our Group’s actual future results, performance or achievements will be as discussed in those statements.

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## EXCHANGE RATES

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The table below sets forth the high and low exchange rates for US\$/S\$ for each month for the past six calendar months prior to the Latest Practicable Date. The table indicates how many US\$ it would take to buy one S\$.

	← US\$/S\$ →	
	<b>High</b>	<b>Low</b>
December 2005	0.6022	0.5906
November 2005	0.5920	0.5859
October 2005	0.5950	0.5885
September 2005	0.5988	0.5901
August 2005	0.6084	0.5915
July 2005	0.6062	0.5868

The following table sets forth, for the financial years indicated, the average and closing exchange rates for US\$/S\$. The average exchange rates were calculated using the average of the closing exchange rates on the last day of each month during each financial year. Where applicable, the exchange rates in this table are used for the translation of our Group's financial statements in respect of the same financial year disclosed elsewhere in this Prospectus.

	← US\$/S\$ →	
	<b>Average</b>	<b>Closing</b>
FY2002	0.5598	0.5764
FY2003	0.5739	0.5880
FY2004	0.5933	0.6128

The above exchange rates are extracted from Bloomberg L.P.. These exchange rates have been presented solely for information only and should not be construed as representations that the US\$ amounts actually represent such S\$ or could be converted into S\$ at the rate indicated or at any other rate and *vice versa*.

As at the Latest Practicable Date, the closing exchange rate for US\$/S\$ is 0.6012.

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## **PURCHASE BY OUR COMPANY OF OUR OWN SHARES**

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Under the laws of the Cayman Islands, a company may, if authorised by its articles of association, purchase its own shares. Our Company has such power to purchase our own Shares under Article 15 of our Articles. Such power of our Company to purchase our own Shares shall, subject to the Cayman Companies Act and our Articles, and where required, the prior approval of the SGX-ST and of members, be exercisable by the Directors upon such terms and subject to such conditions as they deem fit, in accordance with Article 15.

Under the laws of the Cayman Islands, such purchases may be effected out of profits of our Company or out of proceeds of a fresh issue of Shares made for that purpose or, in the manner authorised by our Articles, by a payment out of capital. At no time may our Company purchase our Shares if, as a result of the purchase, there would no longer be any member of our Company holding Shares. Only fully paid Shares may be purchased by our Company. A payment out of capital by our Company for the purchase of our Shares is not lawful unless immediately following the date on which the payment out of capital is proposed to be made, our Company shall be able to pay its debts as they fall due in the ordinary course of business. Shares purchased by the Company will be treated as cancelled and our Company's issued, but not our authorised, capital will be diminished accordingly.

For further details, please see "Appendix C – Summary of Cayman Islands Company Law" on pages C-1 to C-5 of this Prospectus.

Our Company presently has no intention of purchasing its own Shares after the listing. However, if we decide to do so later, we will seek our Shareholders' approval in accordance with the laws of the Cayman Islands, the Articles and the rules of the SGX-ST. Our Company will make prompt public announcement of any such share purchase and has given an undertaking to the SGX-ST to comply with all requirements that the SGX-ST may impose in the event of any such share purchase.

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## ATTENDANCE AT GENERAL MEETINGS

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Under the Cayman Companies Act, only those persons who agree to become shareholders of a Cayman Islands company and whose names are entered on the register of members of such a company are considered members, with rights to attend and vote at general meetings. Accordingly, Depositors holding Shares through CDP would not be recognised as members of our Company, and would not have a right to attend and to vote at general meetings of our Company. In the event that Depositors wish to attend and vote at general meetings of our Company, CDP will have to appoint them as proxies, pursuant to our Articles and the Cayman Companies Law. In accordance with Article 86, CDP will appoint as CDP's proxies each of the Depositors who are individuals and whose names are shown in the records of CDP, as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting, supplied by CDP to our Company. Therefore, Depositors who are individuals can attend and vote at the general meetings of our Company without the lodgment of any proxy form. Depositors who cannot attend a meeting personally may enable their nominees to attend as CDP's proxies. Depositors who are not individuals can only be represented at a general meeting of our Company if their nominees are appointed by CDP as CDP's proxies. Proxy forms appointing nominees of Depositors as proxies of CDP would need to be executed by CDP as member and must be deposited at the specified place and within the specified time frame to enable the nominees to attend and vote at the relevant general meeting of our Company.

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## TAKE-OVERS

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There are presently no requirements under any Cayman Islands laws or regulations on take-over offers for our Shares which would be applicable to us. With effect from 15 October 2005 and following legislative amendments to the Securities and Future Act, we will be subject to Sections 138, 139 and 140 of the Securities and Future Act and the Singapore Code on Take-Overs and Mergers notwithstanding that we are a corporation incorporated in the Cayman Islands.

**Article 198 (as described below) will, due to its binding effect on our shareholders, require our shareholders who make take-over offers for our Shares to comply with the Singapore Take-over Laws and Regulations. However, it is uncertain whether this can be enforced in respect of persons who are not our shareholders. This is because Article 198 only binds our registered shareholders. A person (including a corporation) who is not our registered shareholder is not bound to comply with the Singapore Take-over Laws and Regulations by virtue of the Articles.**

Article 198 provides that for so long as the Shares are listed on the Designated Stock Exchange (as defined in the Articles, which includes the SGX-ST), the Singapore Take-over Laws and Regulations, including any amendments, modifications, revisions, variations or re-enactments thereof, shall apply, as far as possible, to all take-over offers in respect of our Shares.

Our substantial shareholder, Super Investment and our indirect substantial shareholders, Jade China, Zhonggang Fisheries and Pacific Andes, have each undertaken to the SGX-ST that, as long as they continue to be the substantial shareholders of our Company, they will endeavour to persuade potential offerors to comply with the requirements of the Singapore Take-over Laws and Regulations in the event of any take-over offer for our Shares.

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## SELLING RESTRICTIONS

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This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase our Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of our Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of our Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by us, the Manager and Underwriter to inform themselves about, and to observe and comply with, any such restrictions.

### **Taiwan**

Our Company has not applied and will not apply for an approval from the Securities and Futures Bureau, part of the Financial Supervisory Commission in Taiwan, in respect of an offering of our Shares to the public in Taiwan within the meaning of the Securities Exchange Law and relevant regulations promulgated thereunder. Therefore, our Shares may not be offered or sold in a manner which constitutes a public offering in Taiwan.

### **Hong Kong**

This Prospectus has not been and will not be registered with the Registrar of Companies in Hong Kong and accordingly, except as mentioned below, no copy of this Prospectus may be issued, circulated or distributed in Hong Kong.

A copy of this Prospectus may, however, be issued by the Placement Agent or its designated sub-placement agents to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder for the Placement Shares in Hong Kong. An application for the Placement Shares is not invited from any persons in Hong Kong other than a person to whom a copy of this Prospectus has been issued by the Placement Agent or its designated sub-placement agents and, if made, will not be accepted, unless the applicant satisfies the Placement Agent or its designated sub-placement agents that he is a professional investor as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

No person to whom a copy of this Prospectus is issued may issue, circulate or distribute this Prospectus in Hong Kong or make or give a copy of this Prospectus to any other person, other than their legal, financial, tax or other appropriate advisers who are subject to a duty of confidentiality to such person.

The Placement Agent has agreed with the Company that it (and each of its designated sub-placement agents, if any) has not offered or sold, and it will not offer or sell, in Hong Kong, by means of any document, any Shares other than to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This Prospectus may not be issued in Hong Kong to any person other than a professional investor as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

### **European Economic Area**

This Prospectus has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of Shares. Accordingly any person making or intending to make any offer within the EEA of Shares which are the subject of the placing contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Company or the Manager to produce a prospectus for such offer. Neither the Company nor the Manager have authorised or do authorise the making of any offer of Shares through any financial intermediary, other than offers made by the Manager which constitute the final placement of Shares contemplated in this Prospectus.

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## SELLING RESTRICTIONS

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Each person in a Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) who acquires any Shares under the offers contemplated in this Prospectus will be deemed to have represented and agreed that:

- (a) it is a qualified investor within the meaning of the law implementing Article 2(1)(e) of the Prospectus Directive; and
- (b) in the case of any Shares acquired by a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented and agreed that the Shares acquired by it in the placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Lead Manager has been given to the offer or resale.

For the purposes of this representation, the expression an “offer of Shares to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

This Prospectus has not been approved under Section 21 of the Financial Services and Markets Act 2000 (“FSMA”) by a person authorised under the FSMA in the United Kingdom. This Prospectus is being distributed in the United Kingdom only to, and is directed only at, (i) investment professionals, as defined in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (“FSMA Order”) being persons who have professional experience in matters relating to investments, and (ii) persons falling within Article 49 (“high net worth companies unincorporated associations etc”) of the FSMA Order (all such persons together being referred to as “relevant persons”). This Prospectus must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. Persons of any description, including those who do not have professional experience in matters relating to investments, should return this document to us and take no other action. The Offer Shares may not be offered or sold in the United Kingdom except to persons whose ordinary activities involve acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom for the purposes of FSMA or the Prospectus Regulations 2005.

In addition, no person may issue or pass on to any person in the United Kingdom any documents received by him in connection with the Invitation or communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in relation to the Offer Shares unless the recipient is a relevant person.

### **France**

This Prospectus is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. It is strictly confidential and is addressed only to the persons and institutions to which it was initially supplied.

This Prospectus has not been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 of the French Code monétaire et financier and Article 211-3 and 211-4 of the Règlement Général of the Autorité des marchés financiers (“AMF”) and has therefore not been submitted to the AMF for prior approval.

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## **SELLING RESTRICTIONS**

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It is made available only to qualified investors, on the condition that it shall not be passed on to any person nor reproduced (in whole or in part), that investors act for their own account and undertake not to retransfer, directly or indirectly, the securities in France, other than in compliance with applicable laws and regulations (Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.612-8-3 of the French Code monétaire et financier).

Prospective investors in Shares of the Company are required to make their own independent investigations and appraisal of the business and financial condition of the Company.

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## DETAILS OF THE INVITATION

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### LISTING ON THE SGX-ST

We have applied to the SGX-ST for permission to deal in and for quotation on the SGX-ST of all our Shares already issued and the New Shares. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptance of applications will be conditional upon, *inter alia*, permission being granted to deal in and for quotation of all the existing issued Shares and the New Shares. Moneys paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, if the said permission is not granted or for any other reason and the applicant will not have any claim against us, the Manager, the Underwriter or the Placement Agent.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares and the New Shares.

A copy of this Prospectus has been lodged with and registered by the Authority who takes no responsibility for its contents. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares or the New Shares being offered or in respect of which the Invitation is made, for investment.

This Prospectus has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as of the date of this Prospectus and there are no material facts the omission of which would make any statements in this Prospectus misleading and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Company, our subsidiaries, our Shares and the New Shares.

Neither our Company, the Manager, the Underwriter, the Placement Agent nor any other party involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Prospectus should be considered to constitute business, financial, legal or tax advice. Each prospective investor should consult his own professional or other advisers for business, financial, legal or tax advice regarding an investment in our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Manager, the Underwriter or the Placement Agent. Neither the delivery of this Prospectus and the Application Forms nor the Invitation (or any other documents relating thereto) shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change or development reasonably likely to involve a change in our affairs or in the statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur and are material, we will make an announcement of the same to the SGX-ST and the public, and if required lodge a supplementary or replacement document or prospectus with the Authority pursuant to Section 241 of the Securities and Futures Act and will take steps to comply with the requirements of the Securities and Futures Act and the regulations issued thereunder. All applicants should take note of any such announcements and/or supplementary or replacement documents or prospectuses and, upon the release or issue of such announcements and/or supplementary or replacement documents or prospectuses, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies.

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## DETAILS OF THE INVITATION

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We are subject to the provisions of the Securities and Futures Act and the SGX-ST Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the Securities and Futures Act, if after this Prospectus is registered but before the close of the Invitation, we become aware of:

- (a) a false or misleading statement or matter in this Prospectus;
- (b) an omission from this Prospectus of any information that should have been included in it under Sections 243 or 244 of the Securities and Futures Act; or
- (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and which would have been required by Sections 243 or 244 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before the Prospectus was lodged,

and that is materially adverse from the point of view of an investor, we will lodge a supplementary or replacement prospectus with the Authority.

Where the Authority issues a stop order pursuant to Section 242 of the Securities and Futures Act, and applications to subscribe for the New Shares have been made prior to the stop order, then:

- (a) in the case where the New Shares have not been issued, we will (as required by law) deem all applications as withdrawn and cancelled and we shall refund the application moneys to you within 14 days of the date of the stop order; or
- (b) in the case where the New Shares have been issued but trading has not commenced, the issue of the New Shares will (as required by law) be deemed void and we shall refund the application moneys to you within 14 days of the date of the stop order.

Moneys paid on account of your application will be returned to you at your own risk, without interest or any share of revenue or benefit arising therefrom, and you will not have any claim against our Company, the Manager, the Underwriter or the Placement Agent.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any other persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose.

**This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the Invitation Shares in any jurisdiction in which such offer, or solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.**

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, from:

**HL Bank  
20 Collyer Quay #01-02  
Tung Centre  
Singapore 049319**

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website, <http://www.sgx.com>.

**The Application List will open at 10.00 a.m. on 23 January 2006 and will remain open until 12.00 noon on the same day or for such further period or periods as our Directors may, in consultation with HL Bank, decide, subject to any limitation under all applicable laws. Where a supplementary or replacement prospectus has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgment of the supplementary or replacement prospectus.**

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## DETAILS OF THE INVITATION

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### INDICATIVE TIMETABLE FOR LISTING

The Invitation shall be open from the date of registration of this Prospectus to 23 January 2006 (12 noon). Applications may be submitted to the persons and by the means as described under “Appendix E: Terms and Conditions and Procedures for Application and Acceptances” of this Prospectus.

In accordance with the SGX-ST’s News Release of 28 May 1993 on the trading of initial public offering shares on a “when issued” basis, an indicative timetable is set out for your reference:

<b>Indicative time/date</b>	<b>Event</b>
23 January 2006 12.00 noon	Close of Application List and closing date and time for the Invitation
24 January 2006	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
25 January 2006 9.00 am	Commence trading on a “when issued” basis
3 February 2006	Last day of trading on a “when issued” basis
6 February 2006 9.00 am	Commence trading on a “ready” basis
9 February 2006	Settlement date for all trades done on a “when issued” basis and for trades done on a “ready” basis on 6 February 2006

The above timetable is only indicative as it assumes that the date of closing of the Application List is 23 January 2006, the date of admission of our Company to the Official List of the SGX-ST is 25 January 2006, the shareholding spread requirement will be complied with and the Invitation Shares will be issued and fully paid-up prior to 25 January 2006. The actual date on which our Shares will commence trading on a “when issued” basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a “when issued” basis and the commencement date of such trading. All persons trading in our Shares on a “when issued” basis do so at their own risk. **In particular, persons trading in our Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if “when issued” trading ends sooner than the indicative date shown above. Persons who have a net sell position traded on a “when issued” basis should close their position on or before the first day of “ready” basis trading.**

**Investors should consult the SGX-ST’s announcement on “ready” trading date on the Internet (at SGX-ST website <http://www.sgx.com>) or the newspapers or check with their brokers on the date on which trading on a “ready” basis will commence.**

We will make public the results of the level of subscription for the Invitation Shares and the basis of allocation of the Invitation Shares, as soon as it is practicable after the close of the Application List:

- (a) through an SGXNET announcement to be posted on the Internet at the SGX-ST website, <http://www.sgx.com>; and
- (b) through a paid advertisement in a local English newspaper.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same through the channels in (a) and (b) above.

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## PLAN OF DISTRIBUTION

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The Issue Price is determined by us, in consultation with the Manager, based on prevailing market conditions and estimated market demand for our Shares determined through a book-building process. The Issue Price is the same for all New Shares and is payable in full on application.

### **Offer Shares**

The Offer Shares are made available to the members of the public in Singapore for subscription at the Issue Price. The terms and conditions and procedures for application and acceptance are described in “Appendix E: Terms and Conditions and Procedures for Application and Acceptances” of this Prospectus.

Pursuant to the terms and conditions contained in the Management and Underwriting Agreement dated 16 January 2006 signed between our Company, the Manager and the Underwriter, the Underwriter has agreed to underwrite our Offer Shares.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors and approved by the SGX-ST.

### **Placement Shares**

The Placement Shares are reserved for placement to the members of the public and institutional investors in Singapore.

Application for the Placement Shares may only be made by way of application form. The terms and conditions and procedures for application and acceptance are described in “Appendix E: Terms and Conditions and Procedures for Application and Acceptances” of the Prospectus.

Pursuant to the terms and conditions in the Placement Agreement dated 16 January 2006 signed between our Company and the Placement Agent, the Placement Agent has agreed to subscribe for and/or procure subscribers for the Placement Shares at the Issue Price. The Placement Agent may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Subscribers of our Placement Shares may be required to pay brokerage (and if so required, such brokerage will be up to 1.0% of the Issue Price), stamp duties and other similar charges.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, the number of Placement Shares not subscribed for shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

Other than Mr Chan Tak Hei, our Executive Director, and Dr Ong Chit Chung, Mr Lim Soon Hock and Mr Tse Man Bun, our Independent Directors, who may each subscribe for New Shares pursuant to the Invitation, none of our substantial shareholders or Executive Directors intends to subscribe for New Shares in the Invitation. We are not aware of any person who intends to subscribe for more than 5% of the New Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for more than 5% of the New Shares. If such person(s) were to make an application for more than 5% of the New Shares pursuant to the Invitation and subsequently be allocated or allotted such number of Shares, we will make the necessary announcements at an appropriate time.

Further, no Shares shall be allocated or allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

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## PROSPECTUS SUMMARY

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*The following summary highlights certain information found in greater detail elsewhere in this Prospectus. In addition to this summary, we urge you to read the entire Prospectus carefully, especially the section on "Risk Factors", before deciding to invest in our Shares.*

### OVERVIEW OF OUR GROUP

Our Company was incorporated under the laws of the Cayman Islands on 14 April 2000 as an exempt company with limited liability. Pursuant to the Restructuring Exercise as described on pages 47 and 48 of this Prospectus, our Company acquired the entire share capital of CFIL.

CFIL was incorporated under the laws of Samoa on 8 February 1997 under the name of Deep Sea Company Limited and subsequently changed its name to the present name on 5 February 2004. The entire share capital of CFIL was previously owned by Jade China, a company owned by our Managing Director, Mr Sung Yu Ching. On 12 July 2004, Jade China divested 49.9% of CFIL to Zhonggang Fisheries, a company in which Pacific Andes holds 70% of its share capital while CIFHK holds the remaining 30%. On 31 December 2004, Golden Target, a wholly-owned subsidiary of Pacific Andes acquired 2% of the share capital of CFIL from Jade China and as a result of this acquisition, CFIL became a subsidiary of Pacific Andes.

Mr Sung, through his experience and business relationships, has been instrumental in shaping and developing our Group's business. Born in the Shandong province of the PRC in 1945, Mr Sung received his education in Taiwan and received a diploma in marine engineering from the National Taiwan Ocean College in 1967. From 1968 to 1982, Mr Sung worked with various shipping companies as a marine engineer on board different types of cargo vessels and oil tankers. From 1982 to 1990, Mr Sung worked with a fishing company as its operations manager for its fishing operations in the Middle East, Africa, South Asia and South America. From 1990 to 1997, while employed with a fishing vessel repairing company in Taiwan, Mr Sung was responsible for arranging the repair of fishing vessels in Taiwan, mainly Russian vessels that operated in the North Pacific Ocean. Consequently, Mr Sung established business relationships with fishing vessel owners conducting fishing operations in those fishing grounds. In 1997, Mr Sung became a shareholder in Chuan-Chuan, a company engaged in the trading of seafood products and vessel spare parts and appliances, and in the provision of ship repairing and construction agency services. Through this company, Mr Sung first established a business relationship with CNFC.

CNFC is a state-owned fishing enterprise of the PRC and is also one of the executing arms of the bilateral fishing agreements entered into by the PRC government with other countries. In view of Mr Sung's extensive fishing operational experience and knowledge, he was engaged in 1999 as a consultant to CNFC to develop its fishing operations along the east African coast of the Arabian Sea. Following this appointment, Mr Sung, through CFIL, was thereafter in 2001 engaged by CIFHK, a subsidiary of CNFC, to manage and operate fishing vessels that it arranged for fishing in the Indian Ocean and the Atlantic Ocean under the CIFHK Vessel Operating Agreement. These operations were undertaken by Mr Sung through CFIL.

In late 2001, as a business expansion strategy, CFIL expanded its fishing management operations to the North Pacific Ocean when it entered into a vessel operating agreement with Perun, a company owned by a group of fishing vessel owners, which has fishing operations in the North Pacific Ocean. This earlier vessel operating agreement was terminated and replaced by the Perun Vessel Operating Agreement in 2004. Perun was previously engaged in fishing and marketing of seafood products internationally and is now engaged solely as an arranger pursuant to and under the Perun Vessel Operating Agreement.

### OUR BUSINESS

CFGL, through CFIL, operates and manages fishing vessels for coastal fishing and deep sea industrial fishing. Our Group currently carries out fishing operations under a vessel management agreement with CIFHK and a vessel operating agreement with Perun.

The sale of our catches are undertaken by our marketing subsidiaries, Superb Choice and Excel Concept while Chanery Investment, Admired Agents and Metro Island are our procurement subsidiaries that procure bunkers, vessel crew, vessel spare parts and other vessel supplies for our Group.

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## PROSPECTUS SUMMARY

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### **CIFHK Arrangement**

Under the CIFHK Management Agreement, the Group currently operates eight fishing vessels in the Indian Ocean and another 19 in the Atlantic Ocean. CIFHK has been mandated by the respective vessel owners to arrange for the management and operation of the vessels. The Group is entitled to a management fee which is calculated based on the gross value of the catches less certain agreed components such as operating expenses and fixed and variable profit entitlements.

For more details on the terms and conditions and arrangements under the CIFHK Management Agreements, please refer to the section “Business – Vessel Operating and Management Agreements” on pages 80 to 82 of this Prospectus.

### **Perun Arrangement**

Under the Perun Vessel Operating Agreement, the Group operates seven fishing vessels in the Pacific Ocean, of which six vessels belong to Russian owners and the remaining vessel is owned by a subsidiary of Perun. Perun has been mandated by the respective vessel owners to arrange for the management and operation of all the seven vessels. Pursuant to the terms of the Perun Vessel Operating Agreement, the Group is entitled to the proceeds of the sale of all the catches. In return, Perun receives a fixed daily charter of US\$11,000 per vessel day and a 20 percent share of the profits from the operations of these vessels.

For more details on the terms and conditions and arrangements under the Perun Vessel Operating Agreement, please refer to the section “Business – Vessel Operating and Management Agreements” on pages 82 to 85 of this Prospectus.

### **OUR FISHING OPERATIONS**

Our fishing operations are conducted all year round and coincide with the fishing seasons of various species of fish. The timing of our fishing operations for a particular specie of fish may be dependent on the migratory patterns and/or seasonal market demand of that specie of fish or the fishing restrictions prescribed by relevant governmental authorities on that specie of fish. The vessels operated and managed by us for the Pacific Ocean operations are equipped with highly sophisticated fish finding technology to identify the size, the location and density of the school, allowing the vessels to optimise the catch and resource value. Once the ship master identifies a fishing area, a mid-water or pelagic trawl net is towed behind the vessel. The ship master monitors the catch sensors attached along the portion of the net that holds the fish. When the optimal catch level is reached and the net is wound in, the fish are immediately dropped into tanks to await processing.

Within hours, some of the harvested fish are converted into primary processed products utilising highly automated, continuous production processes. In the first phase of processing, fish are released from the holding tanks onto a conveyer, sorted according to size and diverted into hoppers at the head of one of the several processing lines. Headed and gutted Alaskan pollock are run through an additional line which extracts roe skeins intact. These skeins are weighed, graded, packaged according to grade and frozen. Fish that have been headed and gutted are frozen on board before being packed into carton boxes or composite paper-plastic sacks and stored inside freezers. The fish wastes from the processes described above are then further processed into feed meal in order to avoid sea pollution and to maximise sales value. The feed meal is packed into composite paper-plastic sacks. The rest of the species of fish that do not require processing are then frozen and packed into carton boxes or composite paper-plastic sacks for storage.

Most of the products are then transshipped to our customers’ transportation vessels at the fishing grounds. In some cases, our fishing vessels discharge our catches at various seaports during port calls or at the end of a fishing voyage. At these seaports, the carton boxes or the composite paper-plastic sacks are delivered directly to our customers.

Payments for our products are made by way of the issuance of a letter of credit or by way of a telegraphic transfer.

## PROSPECTUS SUMMARY

In order to minimise interruptions to our fishing operations, our fishing vessels usually replenish their bunkers and on-board provisions and necessities either at the fishing grounds where we operate or at the seaports during port calls where we discharge our catches or conduct routine maintenance. Replenishment of supplies for our vessels at the fishing grounds is done during the transshipment of our catches to our customers' transportation vessels. Other than the routine maintenance performed by our engineers or our crew on board, our vessels usually undergo annual repair and maintenance at the seaports.

The crew and officers employed on board our fishing vessels are mainly recruited from the PRC, the Middle East, Indonesia, Eastern Europe, Africa and Russia. As at 30 June 2005, our Group employed a total of 632 crew and officers on board all the fishing vessels that we operate and manage.

In order to support our fishing operations, we have fleet managers and support staff stationed at the vessel owners' offices in several cities in Russia, the Middle East, Africa and the PRC wherein our support services are conducted. We have offices in Qingdao and Shidao, the PRC and Hong Kong that house all our administrative functions, including procurement, invoicing, ship repairing and treasury management.

Our fleet managers are responsible for the overall management of the fishing operations on the assigned fishing grounds where our Group operates. The fleet managers' duties may include crew management, supervision of catch discharges, monitoring of on-board supplies, formulation of fishing strategies and liaison with relevant governmental authorities and other regulatory bodies.

In addition to our fishing operations, from time to time we also acquire catches from vessels of other fishing companies for processing on board the fishing vessels we operate in order to maximise the processing capacity of these fishing vessels. This does not constitute a significant portion of our business.

### FISHING GROUNDS

Presently, our major fishing locations are in the Indian Ocean, the Atlantic Ocean and the Pacific Ocean. Generally, the main species of fish caught from these fishing grounds, and the respective total weight sold (in Tonnes) during FY2002, FY2003, FY2004 and HY June 2005, are as follows:

Fishing Ground	Main Species of Fish	Countries where the Fish are Sold to	Total Weight (in Tonnes) Sold Per Country:			
			FY2002	FY2003	FY2004	HY June 2005
Indian Ocean <sup>(1)</sup>	Cuttlefish, Squid, Ribbon Fish, Grouper	The PRC	17,009	16,175	3,429	–
		Japan	1,577	2,587	662	–
		Europe	1,698	1,683	523	–
		Others	311	285	642	–
Atlantic Ocean <sup>(1)</sup>	Cuttlefish, Octopus, Squid, Grouper	Japan	–	–	2,721	–
		Europe	–	–	2,587	–
Pacific Ocean	Alaskan Pollock, Herring, Pacific Cod, Hake, Squid, Halibut	The PRC	7,914	18,200	31,558	19,136
		Japan	376	200	373	873
		Europe	–	–	2,422	4,682
		Korea	–	146	6,783	4,745
		Others	–	–	1,986	4,704

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## PROSPECTUS SUMMARY

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**Note:**

- (1) For FY2002, FY2003 and FY2004, the Indian Ocean and the Atlantic Ocean catches as disclosed above were sold by the Group under the CIFHK Vessel Operating Agreement and for HY June 2005, the Indian Ocean and the Atlantic Ocean catches as disclosed above were sold by CIFHK in accordance with the terms of the CIFHK Management Agreement.

### **Indian Ocean**

We commenced our fishing operations on the Arabian Sea in the Indian Ocean in late 2001. The main species of fish caught in these waters are the Cuttlefish, Grouper, Ribbon Fish and Squid. Our catches from this fishing ground are discharged either at sea or at seaports in the Middle East and South East Asia.

The eight fishing vessels that we manage and operate in the Arabian Sea are arranged by CIFHK under the CIFHK Management Agreement. CIFHK arranges and procures fishing licences for these vessels when they operate on waters of foreign countries.

### **Atlantic Ocean**

We commenced our fishing operations along the West African coast in the Atlantic Ocean in 2004. The main species of fish caught in these waters are the Cuttlefish, Grouper, Octopus and Squid. Our catches from these waters are discharged at seaports in West Africa.

The 19 fishing vessels that we manage and operate in these waters are arranged by CIFHK under the CIFHK Management Agreement. CIFHK arranges and procures fishing licences for these vessels when they operate on waters of foreign countries.

### **Pacific Ocean**

#### North Pacific

We commenced our fishing operations on the Sea of Okhotsk and the Bering Sea in the North Pacific Ocean in 2001. Our vessels operate on the international waters and the economic waters of Russia. The main species of fish caught and processed in these waters are the Alaskan Pollock, Herring, Hake, Squid, Pacific Cod and Halibut. Our catches from these waters are typically transshipped to our customers' transportation vessels at the fishing grounds or at the seaports in the PRC and South Korea during port calls or at the end of the fishing voyages.

Besides our own catches, we also acquire catches from the vessels of other fishing companies for processing on board the fishing vessels we operate in order to maximise the processing capacity of the fishing vessels we operate. This would include purchases from fishing vessels operating in the economic waters of Canada where the processing of such catches on board the fishing vessels operated by us are conducted on the economic waters of Canada.

The five fishing vessels that we manage and operate in the Sea of Okhotsk and the Bering Sea are arranged by Perun under the Perun Vessel Operating Agreement. These fishing vessels possess fishing quotas and licences necessary for them to operate within the Russian economic waters.

#### South Pacific

We commenced our fishing operations on the international waters of the South Pacific Ocean close to the South American coast since June 2004 where we have deployed two of the fishing vessels we manage and operate to this fishing ground. The main species of fish caught in these waters is the Chilean Jack Mackerel. Our catches from these waters are transshipped to transportation vessels at the fishing grounds.

The fishing vessels that we manage and operate in these waters are arranged by Perun under the Perun Vessel Operating Agreement. No fishing licence or quota is required for fishing in these waters. Our fishing operations at the South Pacific Ocean are currently not governed by any rules or regulations of any RFMOs.

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## PROSPECTUS SUMMARY

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### **OUR COMPETITIVE STRENGTHS**

We believe that we possess the following competitive strengths that differentiate us from our competitors:

#### **Experienced management team**

Our management team has extensive technical and managerial expertise in the fishing industry, as well as valuable business relationships with the key players in the fishing industry. Our Chairman, Mr Ng Joo Kwee, has over 10 years of experience in the fishing industry. Our Managing Director, Mr Sung, has over 20 years of experience in the fishing industry. Mr Sung has been instrumental in the growth and expansion achieved by our Group over the years. In addition, the Group has employed a management team with extensive knowledge and experience in fishing operations. Many of our Executive Officers are skilled to apply the latest fishing know-how and technology to our fishing operations.

Our fleet managers have an average of 10 years of experience in fishing vessel management and operations on the various fishing grounds where they are assigned to. Our fleet managers are responsible for the overall management of the fishing operations on the assigned fishing grounds where our Group operates. The fleet managers' duties may include crew management, supervision of catch discharges, monitoring of on-board supplies, the formulation of fishing strategies and the liaison with relevant governmental authorities and other regulatory bodies.

#### **Stringent quality control at sea**

We maintain an effective quality control programme on board the fishing vessels to ensure that catch quality meets the requirements of the customers. This quality control programme specifies the standard handling, processing and freezing procedures for our catches on board the fishing vessels. These standards and procedures were developed based on the quality requirements of our customers. No significant quality claims have been raised by our customers against the Group since the commencement of our operations.

#### **Effective crew incentive programme**

In addition to the fixed monthly salaries, our vessel crew members are also entitled to variable bonuses based on the catch quantities of the fishing vessels to which they are assigned and the compliance with specified quality control standards. Our Directors believe that not all fishing companies provide for variable bonuses as an incentive to its crew members.

#### **Diversified fishing locations**

Our current fishing operations cover the Pacific Ocean, the Atlantic Ocean and the Indian Ocean. The distribution of fishing locations across various locations worldwide enables us to redeploy our fishing vessels and hedge against disruptions to our fishing operations that may result from drastic weather changes or major climatic disruptions such as the El Nino.

#### **Ability to process the fish catches on board the fishing vessels**

Most of the fishing vessels that we manage and operate in remote fishing grounds are installed with equipment for processing, freezing and storing our catches. This ensures the preservation of the quality of our catches and allows us to market our catches at a better price.

#### **Access to the extensive logistics network and capability of CNFC and Pacific Andes**

CNFC has established an extensive on-shore logistics network in West Africa, the Indian Sub-continent, South East Asia and the Middle East for its coastal and deep sea fishing operations in the Indian Ocean and the Atlantic Ocean. Our Group is able to utilise this network to support the expansion of our deep sea industrial fishing operations.

Pacific Andes has been servicing the logistics needs of its fish suppliers that operate in the Pacific Ocean, the Atlantic Ocean and the Indian Ocean by taking delivery of fish catches directly at the fishing grounds. In return, Pacific Andes supplies provisions to the fishing vessels so that they can operate continuously at the fishing grounds without the need to call at ports to discharge fish catches and/or to replenish on-board supplies and necessities. As Pacific Andes is a major customer as well as the controlling shareholder of the Group, we are likely to be assured of continued logistics support with minimal disruptions.

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## PROSPECTUS SUMMARY

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### **Access to the extensive distribution network established by CNFC and Pacific Andes in the PRC**

Both Pacific Andes and CNFC have established an extensive network in the PRC for the distribution of fish. CNFC, being one of the largest state-owned fishing companies in the PRC, and its affiliated companies, have offices located in major coastal cities in the PRC and own and control warehouses, discharging ports and reserved railways for the processing, transportation, storage and marketing of fish and seafood products. Pacific Andes has been supplying frozen seafood products to the PRC since 1990 and has likewise established its network to support the transportation, storage and marketing of fish and seafood products. For the year ended 31 March 2005, Pacific Andes' revenue attributable to the PRC market was about US\$326 million.

The equity interest held by CIFHK, a subsidiary of CNFC, and Pacific Andes in our Company gives us ready and available access to the PRC market.

### **Access to the nationwide crew recruitment network of CNFC in the PRC**

The PRC has an abundant supply of fishing vessel crew who are willing to work offshore for prolonged periods. CNFC has one of the largest nationwide referral, recruitment and placement networks in the PRC for fishing vessel crew. This network not only serves CNFC's needs for its overseas fishing operations but also serves similar needs of other PRC state-owned fishing companies. Being a fishing company, CNFC keeps track of the performance of its fishing vessel crew and is able to locate experienced and suitable fishing vessel crew of PRC nationality for different fishing operations. Through this network, we have access to and are able to recruit experienced crew of PRC nationality at a reasonable cost when required.

## **OUR PROSPECTS**

Our Directors believe that the prospects for our business are derived from the following areas:

- growth in fish consumption in the PRC as a result of increasing affluence; and
- improvements in operations that may lead to higher catch volumes which in turn will generate higher sales of fish.

### **Increasing demand for fish worldwide**

Globally, more than 1 billion people rely on fish as an important source of animal protein as fish provides at least 30 percent of their animal protein intake. About 2.6 billion people of the world's population derives at least 20 percent of its animal protein intake from fish. Our Directors believe that the demand for fish is expected to rise as the world becomes increasingly health conscious and dietary habits shift towards consumption of more fish.

According to the FAO\*, world demand for fishery products, derived from capture and aquaculture activities, is projected to expand by almost 50 million Tonnes, from 133 million Tonnes in 1999/2001 to 183 million Tonnes by 2015. During the same projection period, however, the total world fishery production is projected to expand by only 43 million Tonnes from 129 million Tonnes to 172 million Tonnes. Out of the expected increase of 43 million Tonnes, 73 percent would come from aquaculture.

A comparison of the demand and supply projections for the fishery products shows that the demand would tend to exceed potential supply.

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\* FAO has not consented to the inclusion of this statement for the purpose of Section 249 of the Securities and Futures Act and is thereby not liable for this statement under Sections 253 and 254 of the Securities and Futures Act. The Directors have not verified the accuracy of the contents of this statement. The Directors have included this statement in its proper form and context in this Prospectus. This statement is derived from the databases of FAOSTAT found at the following uniform resource locator: <http://www.fao.org/fi/statist/FISOFT/FISHPLUS.asp>. Any references to FAO or FAOSTAT or the use of any of the statistics, materials or databases of FAO and FAOSTAT in this Prospectus do not imply in any way an endorsement by FAO in respect of the Invitation nor does the authorisation by FAO for the use by our Company of such statistics, materials or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.

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## PROSPECTUS SUMMARY

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### **Increasing demand in the PRC**

On the demand side, based on information on the Food Balance Sheet of the FAOSTAT database\*, the PRC's fishery consumption per capita, was estimated to be about 25.6 kg in 2003, representing a significant increase when compared with 11.5 kg in 1990. Based on FAO\* exploratory calculations, the projected per capita demand of fishery products in the PRC would reach 34.3 kg by 2030, due mainly to the rapid economic development and consumption growth. With this increasing rate, the PRC alone needs to increase its annual production by 24.3 million Tonnes of fishery products. In light of its zero-growth policy for fishing in its waters, the future increase in the supply of fish to the PRC would be mostly reliant on aquaculture and imports of fish from other countries or from deep sea fishing operations in international waters, amongst others.

In the past 10 years, the PRC, the main market for the Group's products, has experienced an increase in fish production. Based on the FAO Fishery Statistics for 2003\*, the PRC has a share of approximately 28 percent of the total world fish production and its fish production increased by a growth rate of 9.8 percent per annum from 1980 to 2003. In 2000, its fish production per capita of 21 kg is relatively higher than the world's total average of 17.6 kg.

However, the growth in the fish production in the PRC is driven mainly by its rapid growing aquaculture industry for freshwater species of fish. Based on the FAO Fishery Statistics for 2003\*, the PRC, with an annual production of about 17.6 million Tonnes, has a share of approximately 65 percent of the total world fish aquaculture production. In 2000, if the fish aquaculture production is excluded, the PRC fish capture production per capita of 9.1 kg is relatively lower than the world average of 13.8 kg.

Our Directors believe that the future growth in the PRC's freshwater aquaculture production may slow down due to the shortage of suitable aquaculture farming areas in the PRC as a result of environmental pollution and the reclamation of the farming ponds into industrial and residential land.

Based on statistics obtained from the FAO\*, the total quantity of fresh, frozen and processed fishery products imported into the PRC was about 365,000 Tonnes in 1990. The total quantity imported increased to about 2.47 million Tonnes in 2000. This represented an average compound growth rate of approximately 21 percent per annum from 1990. Over the same period, the population of the PRC increased from 1.15 billion to 1.27 billion, representing an average compound growth rate of approximately 1 percent per annum.

### **Improvements in operations**

Based on information from the FAO\*, an estimated 7 million Tonnes of the fish production are discarded from fishing vessels each year. In 2002, out of the estimated 131.8 million Tonnes that were not discarded, not less than 32 million Tonnes were processed into feed meal and other non-food items, virtually all derived from natural stocks of pelagic marine fish.

Our Directors believe that the high percentage of catch discard and reduction to feed meal and non-food uses are driven not only by the consumer preferences, but also, to a considerable extent, by the lack of appropriate freezing and processing equipment on board the fishing vessels, limited storage spaces on board the fishing vessels, remoteness of the fishing grounds and the non-availability of logistics support in transporting the fish catches to the markets. To address these problems, most of the fishing vessels that we manage and operate in remote fishing grounds are installed with equipment for processing, freezing and storing our catches. In addition, we are able to leverage on the logistics support of Pacific Andes, our major customer and our controlling shareholder, by taking delivery of our catches directly at the fishing grounds we operate on.

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\* FAO has not consented to the inclusion of this statement for the purpose of Section 249 of the Securities and Futures Act and is thereby not liable for this statement under Sections 253 and 254 of the Securities and Futures Act. The Directors have not verified the accuracy of the contents of this statement. The Directors have included this statement in its proper form and context in this Prospectus. This statement is derived from the databases of FAOSTAT found at the following uniform resource locator: <http://www.fao.org/fi/statist/FISOFT/FISHPLUS.asp>. Any references to FAO or FAOSTAT or the use of any of the statistics, materials or databases of FAO and FAOSTAT in this Prospectus do not imply in any way an endorsement by FAO in respect of the Invitation nor does the authorisation by FAO for the use by our Company of such statistics, materials or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.

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## PROSPECTUS SUMMARY

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### OUR BUSINESS STRATEGY AND FUTURE PLANS

In view of our Company's prospects, we have identified the following components to form part of our business strategy:

- increasing our fishing grounds by exploring new fishing grounds as well as forming strategic alliances with fishing companies to tap into different fishing grounds;
- reducing wastage and improving yields of our catches by managing and operating vessels that are well equipped with large storage, freezing and processing capabilities to support our expanded fishing ground operations;
- adopting state-of-the-art fishing methods that are appropriate for our fishing operations; and
- integrating and strengthening our fishing operations in the area of logistics capacity.

All these strategies will be executed through the following business development plans:

#### Acquisition of fishing vessels

We are planning to expand our deep sea industrial fishing capabilities in the Pacific Ocean and the Atlantic Ocean through the acquisition of fishing vessels that are capable of conducting fishing operations at remote fishing grounds over an extended period of time without the need to call at seaports. The main characteristics of such fishing vessels are their large storage and freezing capacity and their on-board fish processing capability.

#### Operational alliances with fishing companies

We are also planning to expand our fishing operations in both the Pacific Ocean and the Atlantic Ocean so as to increase the volume of our catches to meet the increasing demand for fishery products in the PRC. We are currently pursuing the opportunity of entering into new vessel operating or management agreements or any other forms of operational alliances with fishing companies in different countries that have abundant fishery resources. Our experiences in operating and managing the vessels under the Perun Vessel Operating Agreement and CIFHK Vessel Operating Agreement (and since 1 January 2005, the CIFHK Management Agreement) has provided us with a solid foundation to operate and manage fishing operations in different fishing grounds.

#### Strengthen our transportation capabilities

We are planning to strengthen our own vessel transportation capabilities through the acquisition of a fleet of transportation vessels to lower our transportation costs and to prolong the duration of our fishing operations while at the various fishing grounds.

#### Establishment of a logistics base in the PRC to support our fishing operations in the Pacific Ocean

We plan to buy or lease berthing spaces, warehouses and ship repairing facilities located at or near strategic seaports in the PRC to provide continuous support to our fishing operations in the Pacific Ocean. By having dedicated berthing spaces, warehouses and ship repairing facilities, we will be able to lower our overall operational costs.

### OUR CONTACT DETAILS

Our principal business address is at the 32<sup>nd</sup> Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong and our registered office is located at 2nd Floor, Cayside, Harbour Drive, P.O. Box 30592-SMB, George Town, Grand Cayman, Cayman Islands. Our telephone number is (852) 2548 2666. Our facsimile number is (852) 2548 9666.

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## THE INVITATION

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Issue Size	:	57,000,000 New Shares, offered by way of public offer and placement, comprising 1,000,000 Offer Shares and 56,000,000 Placement Shares.  The New Shares, upon issue and allotment, will rank <i>pari passu</i> in all respects with the existing issued Shares.
Issue Price	:	S\$1.25 for each New Share.
The Offer	:	The Offer comprises an invitation by our Company to the public in Singapore to subscribe for and/or purchase the 1,000,000 Offer Shares at the Issue Price, subject to and on the terms and conditions of this Prospectus.
The Placement	:	The Placement comprises a placement of 56,000,000 Placement Shares at the Issue Price, subject to and on the terms and conditions of this Prospectus.
Purpose of the Invitation	:	Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX-ST will enhance our public image regionally and overseas and enable us to tap the capital markets for the expansion of our operations.
Use of Proceeds	:	Details are described and as set out under “Use of Proceeds” on page 38 of this Prospectus.
Listing Status	:	Prior to the Invitation, there has been no public market for our Shares. Our Shares will be quoted on the Main Board of the SGX-ST, subject to the admission of our Company to the Official List of the SGX-ST, and permission for dealing in and for quotation of our Shares being granted by the SGX-ST.
Risk Factors	:	Investing in our Shares involves risks which are described in the section titled “Risk Factors” beginning on page 31 of this Prospectus.

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## RISK FACTORS

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*An investment in our Shares involves risks. You should carefully evaluate each of the following risk factors (which are not intended to be exhaustive) and all of the other information set forth in this Prospectus before deciding to invest in our Shares. Some of the following risk factors relate principally to the industry in which we operate and our business in general. Other considerations relate principally to general economic and political conditions, the securities market and ownership of the Shares, including possible future sales of our Shares.*

*If any of the following risks actually occur, our business, financial condition, results of operations and/or prospects could be materially and adversely affected. In such circumstances, the market price of our Shares could decline and you may lose all or part of your investment. To the best of our Directors' knowledge and belief, all risk factors which are material to investors in making an informed judgement on our Group have been set out below.*

### **RISKS RELATED TO OUR BUSINESS**

#### **We may be affected by changes in our fishing quotas**

At present, the five vessels deployed in the Russian economic waters which we operate and manage pursuant to the Perun Vessel Operating Agreement have certain fishing quotas which have been allocated to the owners of these vessels by the Russian fishing authorities under a quota allocation system. Under the quota allocation system, the Russian fishing authorities will review the historic utilisation of the quotas by the end of a five-year period in order to determine the quota allocation for the next five-year period. The current quotas which have been allocated to the owners of these vessels will be subject to a review by the Russian fishing authorities by the end of 2008. In the event that the quotas to be allocated to owners of these vessels are significantly reduced due to under-utilisation, and if Perun is unable to provide our Group with alternative quotas, we may be forced to operate our fishing vessels in locations, or to limit our fishing to species of fish, which are not restricted by any specific quota system. In this regard, our operations, business, financial performance and prospects may be adversely affected.

#### **We may be affected by the non renewal of fishing licences attached to our vessels**

A large number of fishing vessels which we operate require fishing licences from the respective governments or governmental agencies of the territorial waters in which we operate. We are unable to guarantee that every fishing licence will be renewed by those governments or government agencies. In the event that any fishing licence is not renewed, our operations may be adversely affected.

#### **Past financial performance of the Group may not be an indication of future financial performance**

During the period from FY2002 to FY2004, the Group operated four different types of vessels under the CIFHK Vessel Operating Agreement, wherein different charter hire rates applied to each type of vessels. Under the CIFHK Vessel Management Agreement which came into effect on 1 January 2005, the Group only operates and manages three types of vessels with differing charter hire rates.

In addition, the Group was entitled to, under the CIFHK Vessel Operating Agreement, the proceeds of the sale of the catches, after deducting necessary fees and expense, whilst the Group is now entitled to management fees based on the agreed formula set out in the CIFHK Vessel Management Agreement. In view of the change in the contractual arrangements between CIFHK and the Group, the manner in which revenues are received by the Group under the CIFHK Vessel Management Agreement and the amount of revenues received thereof are also correspondingly different.

Accordingly, investors should note that the past financial performance of the Group (as presented for the period from FY2002 to FY2004 and HY June 2004) under the CIFHK Vessel Operating Agreement may not be an indication of the future financial performance of the Group in view of the fact that (i) the number and types of vessels operated by the Group (and hence, the applicable charter hire rates) during the period from FY2002 to FY2004 were different as compared to HY June 2005 and may be different for subsequent periods and (ii) the manner in which revenues are received by the Group under the CIFHK Vessel Management Agreement and correspondingly, the amount of revenues received thereof, after the aforesaid change of contractual arrangement, are different from those under the CIFHK Vessel Operating Agreement.

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## RISK FACTORS

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### **Our risk profile may change if we acquire fishing and/or transportation vessels in the future**

Our Company currently does not own any fishing or transportation vessels. It is our business strategy and future plan to purchase our own fishing and/or transportation vessels to further expand our fishing operations. Whilst it is our intention to use part of the net proceeds to acquire new fishing and/or transportation vessels as described on page 38 of this Prospectus, we may require additional financing for the acquisition of such vessels. There is no assurance that these vessels purchased will be fully utilised by our Group. Accordingly, our risk profile may change if our Group purchases any such vessels.

### **We may be affected by the increase in the costs of bunkers**

The costs of bunkers accounted for approximately 28%, 27%, 30% and 34% of our cost of sales (excluding the charter hire costs of our fishing vessels) for FY2002, FY2003, FY2004 and HY June 2005 respectively. Therefore, an increase in global oil prices may have a significant and direct impact on our profit margins and hence our profitability. There is no assurance that we will be able to pass on all the costs increase to our customers in order to maintain our profit margins. In the event that we are not in a position to do so, the results of our operations and financial performance may be adversely affected.

### **Our operations may be affected by any change in existing regulations or the imposition of new regulations**

Certain of our operations are governed by applicable governmental laws and regulations in effect where our fishing grounds are located. Any changes made to these laws and/or regulations which are unfavourable to our operations may have an adverse impact on our business and prospects.

For fishing in international waters, our fishing operations could be governed by rules and regulations of RFMOs. These RFMOs may impose certain catch certification requirements or quotas on the fishing of certain species of fish. Presently, the RFMOs do not govern any of the species of fish which the Group is catching. However, in the event that the RFMOs impose new requirements or quotas which affect any specie of fish which the Group is catching, our operations on international waters could be restricted and regulated by these new RFMOs. Under these fishing quota system and catch certification requirements, fishing vessels of the member states of the RFMOs are allocated with fishing quotas based on their historic landing records and catch certification is required for these fishing vessels before their products could be marketed into the member states. If our operations are so restricted or regulated, our operations and business may be adversely impacted.

### **We are dependent on the continuity of the Perun Vessel Operating Agreement**

We use fishing vessels arranged under the Perun Vessel Operating Agreement for our fishing operations in the Pacific Ocean. In the event that the aforesaid agreement is terminated or if Perun fails to perform its obligations under the Perun Vessel Operating Agreement (including the failure to secure the necessary fishing licenses or quotas for our operations) and we fail to secure in a timely manner replacement fishing vessels on no less favourable terms, our business and financial performance as well as prospects could be adversely affected. For more details on the contributions of our operations under the Perun Vessel Operating Agreement to our Group's revenue and profits, please refer to the section "Management's Discussion and Analysis of Financial Condition And Results of Operations" at pages 59 and 60 of this Prospectus.

### **We may be affected by drastic weather conditions or major climate disruptions**

Drastic weather conditions affecting the fishing grounds where our fishing vessels operate such as storms, cyclones and typhoons may decrease the volume of our fish catches or may even hamper our fishing operations. Our operations may also be adversely affected by major climatic disruptions such as El Nino which in the past has caused significant decreases in catches worldwide.

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## RISK FACTORS

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### **We may be affected by a dramatic reduction in the fish stocks**

Due to rampant overfishing, the world's stocks of numerous species of fishes have been dwindling while demand for fish as a source of food has been rising steadily over the years. If this situation is not rectified or improved, resulting in a dramatic reduction of the species of fishes that we catch, our operations and prospects may be adversely affected.

### **We may be affected by communicable diseases on board**

An outbreak of a communicable disease on board a fishing vessel that we operate may disrupt our fishing operations for that particular vessel for an extended period of time if a significant number of its crew are afflicted and, as a result, are unable to perform their work. As we are unable to replace sick crew immediately if the fishing vessel is at a fishing ground and far from any port where replacement crew is available, our operations and our ability to generate revenue might be affected.

### **We may not be successful in obtaining replacement vessels to replace damaged vessels**

If any of the fishing vessels we operate is damaged and as a result thereof, cannot be used for our fishing operations, we may not be able to secure a replacement vessel in a timely manner. Our operations may therefore be adversely affected if such a situation arises.

### **We may be affected by an economic slow down in the PRC**

The principal market for our catches is the PRC. For FY2002, FY2003, FY2004 and HY June 2005, our revenue derived from the PRC as a percentage of total revenue was 79.7%, 73.8%, 44.1% and 41.2% respectively. We are therefore vulnerable to an economic slowdown in the PRC which may affect demand for fish and other seafood products and thus affect the amount of our total revenue. Moreover, if there are any unforeseen events such as outbreak of wars, terrorist attacks or other political, economic or social events in the PRC that may lead to a protracted economic slowdown, the demand for our catches may decrease and affect our business and financial performance adversely.

### **We may not be successful in acquiring vessels for our fishing and transportation operations in the future**

As part of our growth strategy, from time to time, we may acquire fishing and/or transportation vessels for our operations. The success of our vessel acquisitions depends on a number of factors, including amongst others:

- our ability to identify suitable vessels for acquisition; and
- the successful conclusion of any vessel acquisition agreement on terms that are satisfactory to us.

If we are unsuccessful in our acquisition of vessels, our growth prospects may be adversely affected.

### **We may not be successful in securing other vessel management or vessel operating agreements**

As part of our growth strategy, from time to time, we may seek new vessel management agreements or vessel operating agreements with fishing companies, vessel owners or vessel arrangers in countries that have abundant fishery resources. Our ability to secure new agreements depends on a number of factors, including amongst others:

- our ability to identify suitable opportunities;
- the successful conclusion of any vessel management agreement or vessel operating agreement on terms that are satisfactory to us;
- the extent to which we are able to exercise control over the fishing operations covered by these new agreements; and
- our ability to successfully integrate the fishing operations under these new agreements with our existing operations.

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## RISK FACTORS

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If we are unsuccessful in securing new vessel management or vessel operating agreements, our growth prospects may be adversely affected.

### **We may require additional financing in the future**

We may need to obtain additional debt or equity financing to fund acquisitions, working capital or capital expenditures. Additional equity financing may result in dilution to the holders of our Shares. Additional debt financing may increase our financing costs and reduce our profitability and our loan agreements may contain terms and conditions that may restrict our freedom to operate and manage our business, such as terms and conditions that:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- require us to maintain debt service coverage ratios and leverage ratios; and
- require us to use our assets, including our cash balances, as collateral for our loans.

We cannot assure you that we will be able to obtain any additional financing, or if obtained at all, on terms that are acceptable to us.

### **RISKS RELATED TO AN INVESTMENT IN OUR SECURITIES**

#### **Future sales of securities by our Company or existing shareholders may adversely affect the price of our Shares**

The market price of our Shares could decline after the Invitation as a result of sales of a large number of Shares or the perception that these sales could occur. These sales also might make it more difficult for us to offer Shares in the future at a time and at a price that we deem appropriate. Upon completion of the Invitation, we will have an aggregate of 362,040,000 Shares issued and outstanding. Except as described under “Moratorium” on page 107 of this Prospectus, there are no restrictions on the ability of our existing shareholders to sell their Shares.

#### **Investors in our Shares will face immediate and substantial dilution in the book value per Share and may experience future dilution**

Our Issue Price of S\$1.25 is higher than our Group’s NTA per Share of S\$0.2002 (approximately US\$0.1188) as at 30 June 2005. Thus, there is an immediate and substantial dilution in the book value per Share. Please refer to the section “Dilution” on page 46 of this Prospectus for more details. Further, if we were to raise funds in the future by way of a placement of Shares, rights issue or other equity-linked securities (which result in issue of new Shares) and if any shareholders are unable or unwilling to participate in such fund-raising, such shareholders will suffer dilution in their shareholding interests.

#### **Our Shares have never been publicly traded. Their prices might be volatile**

Prior to the Invitation, there has not been a public market for our Shares. We cannot predict the extent to which a trading market will develop or how liquid that market might become. The Issue Price is determined by negotiations between representatives of the Underwriter and us and may not be indicative of prices that will prevail in the trading market after the completion of the Invitation.

The trading prices of our Shares could be subject to fluctuations in response to quarterly variations in our results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting us, our suppliers, our customers or our competitors, our involvement in litigation, additions or departures in key personnel, any announcements by us of corporate developments, changes in financial estimates by securities analysts, the operating and stock price performance of other companies and other events or factors. The global financial markets have experienced significant price and volume fluctuations and market prices of shares of companies have been and continue to be extremely volatile. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

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## RISK FACTORS

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**We are a Cayman Islands incorporated company and the rights and protection accorded to our Shareholders may not be the same as those applicable to shareholders of a Singapore incorporated company**

Our Company was incorporated in the Cayman Islands as an exempted company and is subject to Cayman Companies Act. The Companies Act may provide shareholders of Singapore incorporated companies certain rights and protection of which there may be no corresponding or similar provisions under Cayman Companies Act. As such, if you invest in our Shares, you may or may not be accorded the same level of shareholder rights and protection that a shareholder of a Singapore incorporated company would be accorded under the Companies Act. We have set out in Appendix C a summary of certain provisions under the Cayman Companies Act and in Appendix B a summary of the Memorandum of Association and selected Articles of our Company. Explanatory statements on specific issues have been set out on pages C-1 to C-5 of this Prospectus. Each of the summaries and explanatory statements is not intended to be and does not constitute legal advice and any person wishing to have advice on the differences between Cayman Islands Companies Act and Companies Act and/or the laws of any jurisdiction with which he is not familiar with is recommended to seek independent legal advice. Copies of the Memorandum of Association and the Articles of our Company are available for inspection at such place and time as set out on page 129 of this Prospectus under paragraph 41 of the “General and Statutory Information” section.

**It may not be possible for investors to effect service of process, including certain judgements, on us in Singapore**

We are incorporated in the Cayman Islands and most of our significant assets are located outside Singapore. Additionally, all of our executive Directors as at the date of this Prospectus reside outside Singapore. As such, it may not be possible for investors to effect service of process, including judgements, on us or these persons within Singapore, or to enforce against us or such persons judgements obtained in Singapore courts within Singapore, including judgements predicated upon the provisions of the Companies Act.

**Our majority shareholder, Super Investment, will retain majority control over our Group after the Invitation**

Upon the completion of the Invitation, Super Investment will own approximately 84.26% of the issued Shares. As a result, it will be able to exercise significant influence over all matters requiring shareholder approval, including matters relating to mergers or other business combinations, the acquisition or disposal of assets, our access to capital markets, the payment of dividends, the election of Directors and even the reduction of capital. Further, it will have veto power with respect to any shareholder action or approval requiring a majority vote. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Company, even if such change may be beneficial to our minority shareholders.

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## INVITATION STATISTICS

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<b>Issue Price</b>	S\$1.25
<b>NTA<sup>(1)(6)</sup></b>	
NTA per Share based on the unaudited balance sheet of our Group as at 30 June 2005 adjusted for the Restructuring Exercise and Sub-Division ("Adjusted NTA"):-	
(a) before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 305,040,000 Shares	20.02 cents
(b) after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 362,040,000 Shares	34.94 cents
Premium of Issue Price per Share over the Adjusted NTA per Share as at 30 June 2005:-	
(a) before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 305,040,000 Shares	524.38%
(b) after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 362,040,000 Shares	257.76%
<b>Earnings<sup>(2)(5)</sup></b>	
Historical net EPS of our Group for FY2004 based on the pre-Invitation share capital of 305,040,000 Shares	9.75 cents
Historical net EPS of our Group had the Service Agreements set out on pages 100 to 102 of this Prospectus been effected for FY2004 and based on the pre-Invitation share capital of 305,040,000 Shares	9.44 cents
<b>Price Earnings Ratio</b>	
Historical price earnings ratio based on the historical net EPS of our Group for FY2004	12.82 times
Historical price earnings ratio based on the historical net EPS of our Group had the Service Agreements <sup>(5)</sup> set out on pages 100 to 102 of this Prospectus been effected for FY2004	13.24 times
<b>Net Operating Cash Flow<sup>(3) (4) (5)</sup></b>	
Historical net operating cash flow per Share of our Group for FY2004 based on the pre-Invitation share capital of 305,040,000 Shares	12.85 cents
Historical net operating cash flow per Share of our Group for FY2004 had the Service Agreements <sup>(5)</sup> set out on pages 100 to 102 of this Prospectus been effected for FY2004 and based on the pre-Invitation share capital of 305,040,000 Shares	12.53 cents
<b>Price To Net Operating Cash Flow<sup>(5)</sup></b>	
Historical price to net operating cash flow ratio based on the historical net operating cash flow per Share for FY2004	9.73 times
Historical price to net operating cash flow ratio based on the historical net operating cash flow per Share had the Service Agreements set out on pages 100 to 102 of this Prospectus been effected for FY2004	9.98 times

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## INVITATION STATISTICS

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### Market Capitalisation

Market capitalisation based on Issue Price of S\$1.25 per Share and post-Invitation share capital of 362,040,000 Shares S\$452.55 million

#### Notes:-

- (1) The Adjusted NTA is computed based on the net assets after deducting minority interests and based on an exchange rate of S\$1.00: US\$0.5934, being the closing rate as at 30 June 2005.
- (2) Earnings for FY2004 is computed based on an exchange rate of S\$1.00: US\$0.5933, being the average rate for the year ended 31 December 2004.
- (3) Net operating cash flow is defined as net profit after tax attributable to shareholders after adding back depreciation and amortisation of deferred charter hire.
- (4) Historical net operating cash flow for FY2004 is computed based on an exchange rate of S\$1.00: US\$0.5933, being the average rate for the year ended 31 December 2004.
- (5) The cost incurred on the Service Agreements set out on pages 100 to 102 is computed based on an exchange rate of US\$1.00: HK\$7.80, being the closing rate as at 31 December 2004.
- (6) The estimated net proceeds of the New Shares is computed based on an exchange rate of S\$1.00 : US\$0.6012, being the closing rate as at the Latest Practicable Date.

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## USE OF PROCEEDS

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The net proceeds from the sale of New Shares are estimated to be approximately S\$65.43 million. The net proceeds represent the amount that we will receive after payment of underwriting commissions and other transaction expenses related to the Invitation (estimated to be approximately S\$5.82 million).

We intend to use the net proceeds for the purposes set out below:

- (a) approximately S\$50.85 million (approximately US\$30.57 million) to be used either for the acquisition of new fishing and transportation vessels or any prepayment to be made in connection with any future vessel operating/management agreements as described in the section “Our Business Strategy and Future Plans” on page 95 of this Prospectus; and
- (b) the balance of approximately S\$14.58 million (approximately US\$8.77 million) to be used for our working capital.

Pending the deployment of the net proceeds from the issue of New Shares as aforesaid, the funds will be placed in short-term deposits or money market instruments as our Directors may deem fit.

In the opinion of the Directors, no minimum amount must be raised by the Invitation.

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## DIVIDEND POLICY

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Our subsidiary, CFIL, had declared dividends during the past three financial years.

Details of such dividends declared to the then shareholders of CFIL and which were paid in the subsequent years respectively are set out below:-

	<u>FY2002</u> (US\$'000)	<u>FY2003</u> (US\$'000)	<u>FY2004</u> (US\$'000)
CFIL	–	3,400	5,885

Save as disclosed above, no other dividend has been paid or proposed by our Company or its subsidiaries since their respective date of incorporation.

We may declare dividends by ordinary resolution of our shareholders at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. Our Board of Directors may, without the approval of our shareholders, also declare interim dividends. We must pay all cash dividends out of our distributable profits.

Prior to FY2004, we did not have any dividend policy. Since FY2004, we have commenced adopting the policy of distributing dividends of not less than one-third ( $\frac{1}{3}$ ) of our net profits attributable to shareholders ("Proposed Dividend"). Notwithstanding the Proposed Dividend policy, we had declared an interim dividend of US\$5 million in September 2005 to Super Investment, our existing shareholder, being an amount less than one-third ( $\frac{1}{3}$ ) of our net profits. Subject to the above paragraph and in the absence of any circumstance that might reduce the amount of our revenue reserve available to pay dividends, we intend to recommend and distribute the Proposed Dividend for FY2005 and each FY thereafter. The Proposed Dividend for FY2005 will not be less than the amount equal to the balance of one-third ( $\frac{1}{3}$ ) of our net profits for FY2005 (i.e., less the interim dividend of US\$5 million declared to Super Investment). The form, frequency and amount of future dividends on our Shares will depend on our earnings, our financial position, our results of operations, our capital needs, our plans for expansion and other factors which our Directors may deem appropriate.

However, investors should note that all the foregoing statements, including the statements on the Proposed Dividend, are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion. Investors should not treat the Proposed Dividend as an indication of our Group's future dividend policy. No inference should or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends in any of the periods discussed.

We intend to declare our future dividends (if any) and pay such dividends in S\$ with effect from the date of admission of our Company to the Official List of the SGX-ST.

Information relating to taxes payable on dividends is set out under "Appendix A: Taxation" of this Prospectus.

## SHARE CAPITAL

CFGL was incorporated on 14 April 2000 under the Cayman Companies Act as an exempt company with limited liability under the name of Active Wise Limited. As at the date of incorporation, our authorised share capital was US\$50,000 comprising 50,000 ordinary shares of US\$1.00 each and our issued and paid-up share capital was US\$1.00, comprising 1 ordinary share of US\$1.00. On 4 July 2005, 30,503,999 ordinary shares of US\$1.00 each were allotted and issued to Super Investment pursuant to the completion of the Restructuring Exercise further described on pages 47 and 48 of this Prospectus. As at the date of lodgment of this Prospectus, our authorised share capital was US\$80,000,000 comprising 800,000,000 Shares and our issued and paid-up capital was US\$30,504,000 comprising 305,040,000 Shares, and we have only one class of shares in the capital of our Company, being the Shares. There are no founder, management, deferred or unissued shares reserved for issue for any purpose other than the Invitation. The rights and privileges of our Shares are stated in our Articles.

Pursuant to written resolutions dated 1 November 2005, our shareholders approved, *inter alia*, the following:

- (a) the adoption of a new set of Articles;
- (b) the issue of up to 57,000,000 New Shares pursuant to the Invitation which when fully paid, allotted and issued, will rank *pari passu* in all respect with the existing issued Shares; and
- (c) that our Directors be authorised to allot and issue shares and/or convertible securities (where the maximum number of shares to be issued upon conversion is determinable at the time of the issue of such securities) in our Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter upon such terms and conditions and for such purposes and to such persons as our Directors shall in their absolute discretion deem fit, provided that the aggregate number of such shares and/or convertible securities to be issued pursuant to such authority shall not exceed 50 percent of the issued share capital of our Company, of which the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders of our Company shall not exceed 20 percent of the issued share capital of our Company (the percentage of issued share capital being based on the post-invitation issued share capital after adjusting for any subsequent consolidation or subdivision of shares). Unless revoked or varied by our Company in general meeting, such authority shall continue to be in force until the conclusion of our next Annual General Meeting or the date by which our next Annual General Meeting is required by law or by our Articles to be held, whichever is earlier.

Details of the changes in our issued and paid-up share capital since our incorporation and the issued and paid-up share capital immediately after the Invitation are as follows:

	Number of Shares		Paid-up Capital (US\$)
	Par Value US\$1.00	Par Value US\$0.10	
At incorporation	1	–	1
New ordinary shares of US\$1 each issued pursuant to the Restructuring Exercise	30,503,999	–	30,503,999
Sub-division of ordinary shares of US\$1 into 10 ordinary shares of US\$0.10 each	(30,504,000)	305,040,000	–
Pre-Invitation Share Capital	–	305,040,000	30,504,000
New ordinary shares of US\$0.10 each to be issued pursuant to the Invitation	–	57,000,000	5,700,000
Post-Invitation Share Capital	–	362,040,000	36,204,000

## SHARE CAPITAL

The authorised share capital and shareholders' funds of our Company as at incorporation, after adjustments to reflect the Restructuring Exercise and declaration of the interim dividend of US\$5 million in December 2005, and after the Invitation are set out below.

	As at Incorporation US\$	After the Restructuring Exercise US\$	After the Invitation US\$
<b>Authorised Share Capital</b>			
Ordinary shares of US\$1.00 each	50,000	–	–
Ordinary shares of US\$0.10 each	–	80,000,000	80,000,000
<b>Shareholders' Equity</b>			
	US\$	US\$	US\$
Issued and paid-up share capital	1	30,504,000	36,204,000
Share premium	–	–	33,636,000
Accumulated profits	–	9,796,000	9,796,000
Total shareholders' equity (as at 30 December 2005)	1	40,300,000	79,636,000

As at the date of lodgment of this Prospectus, our authorised share capital was US\$80,000,000 comprising 800,000,000 Shares and our issued and paid-up capital was US\$30,504,000 comprising 305,040,000 Shares, and we have only one class of shares in the capital of our Company, being the Shares. There are no founder, management, deferred or unissued shares reserved for issue for any purpose other than the Invitation. The rights and privileges of our Shares are stated in our Articles of Association.

The changes in the issued and paid-up share capital of our Company and our subsidiaries within the three years preceding the date of lodgment of this Prospectus are set out below:

### Our Company

Date	Event	No of Shares Issued/ Transferred	Par Value	Issue Price Per Share	Resultant Issued Share Capital
14 April 2000	Incorporation	1	US\$1.00	US\$1.00	US\$1.00
14 April 2000	Transfer of share from Company Secretaries Limited to ATC Trustees (Cayman) Limited	1	US\$1.00	–	US\$1.00
15 February 2005	Transfer of share from ATC Trustees (Cayman) Limited to Chan Tak Hei	1	US\$1.00	–	US\$1.00
27 June 2005	Transfer of share from Chan Tak Hei to Super Investment	1	US\$1.00	–	US\$1.00
4 July 2005	Restructuring Exercise (as described on pages 47 to 48 of this Prospectus)	30,503,999	US\$1.00	US\$1.00	US\$30,504,000
6 July 2005	Restructuring Exercise (as described on pages 47 to 48 of this Prospectus)	305,040,000	US\$0.10	US\$0.10	US\$30,504,000

## SHARE CAPITAL

### Our Subsidiaries

#### Smart Group

<b>Date</b>	<b>Event</b>	<b>No of Shares Issued/ Transferred</b>	<b>Par Value</b>	<b>Issue Price Per Share</b>	<b>Resultant Issued Share Capital</b>
14 June 2000	Allotment of share to Company Secretaries Limited on incorporation	1	US\$1.00	US\$1.00	US\$1.00
14 June 2000	Transfer of share from Company Secretaries Limited to ATC Trustees (Cayman) Limited	1	US\$1.00	–	US\$1.00
27 June 2005	Transfer of share from ATC Trustees (Cayman) Limited to the Company	1	US\$1.00	–	US\$1.00

#### CFIL

<b>Date</b>	<b>Event</b>	<b>No of Shares Issued/ Transferred</b>	<b>Par Value</b>	<b>Issue Price Per Share</b>	<b>Resultant Issued Share Capital</b>
8 February 1997	Allotment of share to Sung Yu Ching on incorporation	1	US\$1.00	US\$1.00	US\$1.00
16 February 2004	Allotment of shares to Sung Yu Ching	999	US\$1.00	US\$1.00	US\$1,000
18 February 2004	Transfer of shares from Sung Yu Ching to Jade China	1,000	US\$1.00	–	US\$1,000
12 July 2004	Transfer of shares from Jade China to Zhonggang Fisheries	499	US\$1.00	–	US\$1,000
31 December 2004	Transfer of shares from Jade China to Golden Target	20	US\$1.00	–	US\$1,000
30 June 2005	Transfer of shares from Jade China, Zhonggang Fisheries and Golden Target to Super Investment	1,000	US\$1.00	–	US\$1,000
1 July 2005	Transfer of shares from Super Investment to Smart Group	1,000	US\$1.00	–	US\$1,000

## SHARE CAPITAL

### Chanery Investment

<b>Date</b>	<b>Event</b>	<b>No of Shares Issued/ Transferred</b>	<b>Par Value</b>	<b>Issue Price Per Share</b>	<b>Resultant Issued Share Capital</b>
5 March 2003	Allotment of share to Niu Jian on incorporation	1	US\$1.00	US\$1.00	US\$1.00
6 May 2003	Transfer of share from Niu Jian to Sung Yu Ching	1	US\$1.00	–	US\$1.00
9 February 2004	Transfer of share from Sung Yu Ching to CFIL	1	US\$1.00	–	US\$1.00

### Excel Concept

<b>Date</b>	<b>Event</b>	<b>No of Shares Issued/ Transferred</b>	<b>Par Value</b>	<b>Issue Price Per Share</b>	<b>Resultant Issued Share Capital</b>
11 February 2004	Allotment of share to Novel Dynamic Limited <sup>(1)</sup> on Incorporation	1	US\$1.00	US\$1.00	US\$1.00
28 May 2004	Allotment of shares to Novel Dynamic Limited <sup>(1)</sup>	74	US\$1.00	US\$1.00	US\$75.00
24 July 2004	Allotment of shares to Standguard Nominees (H.K.) Limited	7	US\$1.00	US\$1.00	US\$82.00
24 July 2004	Allotment of shares to Guardstand Nominees (H.K.) Limited	18	US\$1.00	US\$1.00	US\$100.00
24 July 2004	Allotment of shares to Novel Dynamic Limited <sup>(1)</sup>	25	US\$1.00	US\$1.00	US\$125.00

### Superb Choice

<b>Date</b>	<b>Event</b>	<b>No of Shares Issued/ Transferred</b>	<b>Par Value</b>	<b>Issue Price Per Share</b>	<b>Resultant Issued Share Capital</b>
28 March 2003	Allotment of share to Sung Yu Ching on incorporation	1	US\$1.00	US\$1.00	US\$1.00
9 February 2004	Transfer of share from Sung Yu Ching to CFIL	1	US\$1.00	–	US\$1.00

## SHARE CAPITAL

### Admired Agents

<b>Date</b>	<b>Event</b>	<b>No of Shares Issued/ Transferred</b>	<b>Par Value</b>	<b>Issue Price Per Share</b>	<b>Resultant Issued Share Capital</b>
20 May 2004	Allotment of share to Novel Dynamic Limited <sup>(1)</sup> on incorporation	1	US\$1.00	US\$1.00	US\$1.00
28 May 2004	Allotment of shares to Novel Dynamic Limited	74	US\$1.00	US\$1.00	US\$75.00
24 July 2004	Allotment of shares to Standguard Nominees (H.K.) Limited	7	US\$1.00	US\$1.00	US\$82.00
24 July 2004	Allotment of shares to Guardstand Nominees (H.K.) Limited	18	US\$1.00	US\$1.00	US\$100.00
24 July 2004	Allotment of shares to Novel Dynamic Limited <sup>(1)</sup>	25	US\$1.00	US\$1.00	US\$125.00

### Metro Island

<b>Date</b>	<b>Event</b>	<b>No of Shares Issued/ Transferred</b>	<b>Par Value</b>	<b>Issue Price Per Share</b>	<b>Resultant Issued Share Capital</b>
20 May 2004	Allotment of share to Novel Dynamic Limited <sup>(1)</sup> on incorporation	1	US\$1.00	US\$1.00	US\$1.00
28 May 2004	Allotment of shares to Novel Dynamic Limited <sup>(1)</sup>	74	US\$1.00	US\$1.00	US\$75.00
24 July 2004	Allotment of shares to Standguard Nominees (H.K.) Limited	7	US\$1.00	US\$1.00	US\$82.00
24 July 2004	Allotment of shares to Guardstand Nominees (H.K.) Limited	18	US\$1.00	US\$1.00	US\$100.00
24 July 2004	Allotment of shares to Novel Dynamic Limited <sup>(1)</sup>	25	US\$1.00	US\$1.00	US\$125.00

**Note:**

(1) Novel Dynamic Limited holds these shares as nominee of CFIL.

## CAPITALISATION AND INDEBTEDNESS

The following table shows our cash and cash equivalents and capitalisation as at 30 December 2005:

- (i) on an actual basis as adjusted to give effect to the Restructuring Exercise; and
- (ii) as adjusted to give effect to the issue of 57,000,000 New Shares pursuant to the Invitation and the application of the net proceeds.

You should read this table in conjunction with the Consolidated Financial Statements of CFIL<sup>(1)</sup> and the related notes set out in Appendix F, Appendix G and Appendix H of this Prospectus and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 53 to 66 of this Prospectus.

<i>US\$'000</i>	<b>As at 30 December 2005</b>	
	<b>Actual</b>	<b>As Adjusted for the Invitation</b>
Cash and cash equivalents	11,829	51,165
Short-term debt:		
Unsecured	17,142	17,142
	17,142	17,142
Long-term debt:		
Unsecured	22,858	22,858
	22,858	22,858
Issued and paid-up capital	30,504	36,204
Share premium	–	37,136
Accumulated profits	9,796	9,796
Estimated expenses of Invitation	–	(3,500)
<b>Total shareholders' equity</b>	40,300	79,636
<b>Total capitalisation and indebtedness</b>	80,300	119,636

As at 30 December 2005, we had a 30-month term loan credit facility of US\$40 million. The term loan credit facility was fully utilised as at 30 December 2005. Amounts of this term loan which are repayable within 12 months are classified as short-term debt. Other than this term loan, we had no other short-term or long-term credit facilities.

As at 30 December 2005, we did not have any outstanding contingent liabilities.

**Note:**

- (1) The Consolidated Financial Statements of our Company (on a proforma group basis) for the financial years ended 31 December 2002, 31 December 2003 and 31 December 2004 and for the six-month financial period ended 30 June 2005 are identical to the Consolidated Financial Statements of CFIL for the corresponding financial years and financial period.

## DILUTION

Dilution is defined as the amount by which the Issue Price paid by subscribers of our Shares pursuant to this Invitation exceeds our NTA per Share after the Invitation.

The NTA of our Company as at 30 June 2005 (adjusted for the Restructuring Exercise) was S\$61.07 million or S\$0.2002 (approximately US\$0.1188) per Share. Net tangible book value per Share is determined by dividing our net tangible book value (total tangible assets less total liabilities) as at 30 June 2005 by the number of outstanding Shares at that date.

Pursuant to the Invitation in respect of 57,000,000 New Shares at the Issue Price, our NTA per Share, after adjusting for the estimated proceeds from the Invitation and based on the post-Invitation issued and paid-up share capital of 362,040,000 Shares, would have been S\$0.3494. This represents an immediate increase in NTA per Share of S\$0.1492 to our existing shareholders and an immediate dilution in NTA per Share of S\$0.9006 or approximately 72.05 percent to new investors.

The following table illustrates the dilution per Share:

	<b>S\$</b>
Issue Price	1.25
NTA per Share as at 30 June 2005 based on the pre-Invitation issued share capital of 305,040,000 Shares	0.2002
Increase in NTA per Share attributable to existing shareholders	0.1492
NTA per Share after the Invitation	0.3494
Dilution in NTA per Share to new public investors <sup>(1)</sup>	0.9006

The following table summarises the total number of Shares acquired by our Directors and substantial shareholders during the period of three years prior to the date of lodgment of this Prospectus, the total consideration paid by them and the average effective cash cost per Share to our Directors and substantial shareholders, and to our new public shareholders pursuant to the Invitation.

	<b>Number of Shares Acquired</b>	<b>Total Consideration (S\$)</b>	<b>Average Effective Cash Cost per Share (S\$)</b>
<b>Substantial Shareholders</b>			
Super Investment	305,040,000	61,068,959	0.2002
<b>New public shareholders</b> <sup>(1)</sup>	57,000,000 <sup>(1)</sup>	71,250,000	1.25

**Note:**

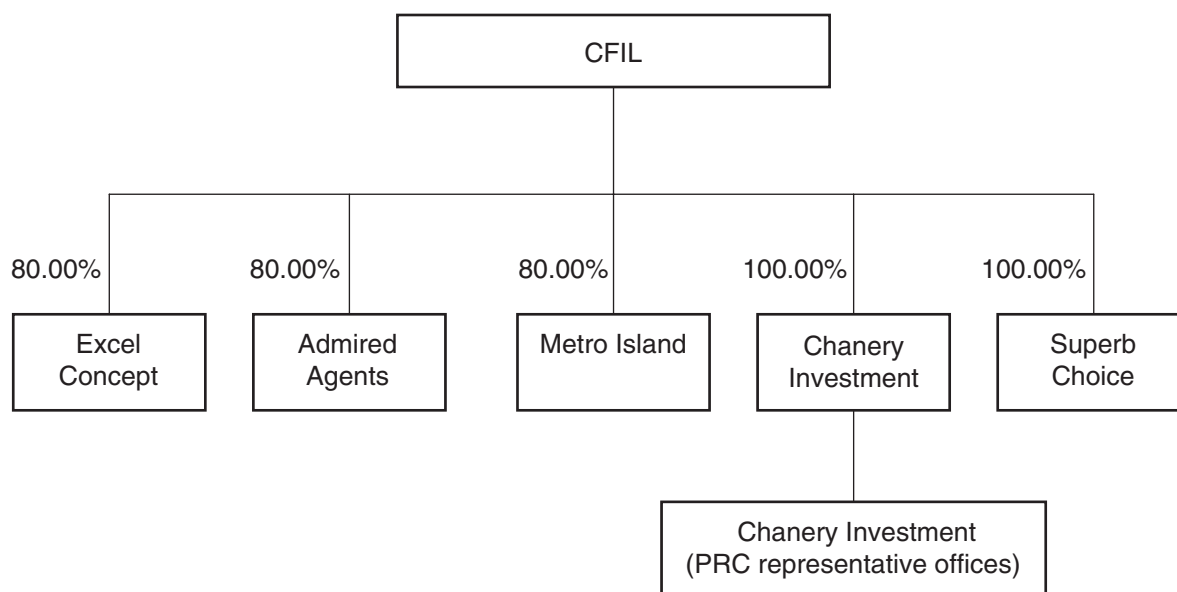
(1) Please refer to notes (1) to (3) at page 105 of this Prospectus.

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## RESTRUCTURING EXERCISE

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Prior to the Invitation, a restructuring exercise (the “Restructuring Exercise”) was carried out to rationalise and streamline our corporate structure, resulting in our Company becoming the holding company of our Group. The following diagram shows our Group prior to the Restructuring Exercise:



The details of the Restructuring Exercise are:

### 1. First Stage

#### Incorporation of Super Investment

Super Investment was incorporated in Cayman Islands, with an initial authorised share capital of US\$50,000 comprising 50,000 ordinary shares of US\$1.00 each, of which one ordinary share was subsequently issued to Company Secretaries Limited and that share was transferred to ATC Trustees (Cayman) Limited on the same date. On 27 June 2005, Golden Target acquired the entire issued share capital of Super Investment from ATC Trustees (Cayman) Limited at a consideration of US\$1.00. On 30 June 2005, 481 ordinary shares were subsequently issued to Jade China, 499 shares to Zhonggang and 19 shares to Golden Target in consideration for the sale of their entire shareholdings in CFIL to Super Investment.

### 2. Second Stage

#### Acquisition of CFGL

CFGF was incorporated in Cayman Islands with an initial authorised share capital of US\$50,000 comprising 50,000 ordinary shares of US\$1.00 each, of which one ordinary share was subsequently issued to Company Secretaries Limited. On that same date, Company Secretaries Limited transferred that one ordinary share to ATC Trustees (Cayman) Limited. On 15 February 2005, the abovesaid one ordinary share was transferred to Chan Tak Hei, an Executive Director, at par. On 27 June 2005, Super Investment acquired the entire issued share capital of the CFGF from Chan Tak Hei at a consideration of US\$1.00.

#### Incorporation of Smart Group

Smart Group was incorporated in Cayman Islands with an initial authorised share capital of US\$50,000 comprising 50,000 ordinary shares of US\$1.00 each, of which one ordinary share was subsequently issued to Company Secretaries Limited and that share was transferred to ATC Trustees (Cayman) Limited on the same date. On 27 June 2005, CFGF acquired the entire issued share capital of Smart Group from ATC Trustees (Cayman) Limited at a consideration of US\$1.00.

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## RESTRUCTURING EXERCISE

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### 3. Third Stage

#### Acquisition of CFIL and its respective subsidiaries by Smart Group

Super Investment transferred to Smart Group the entire issued share capital of CFIL at a consideration of US\$30,504,637 (being the amount equal to the consolidated NTA of CFIL as at 31 March 2005 after taking into account the dividend payment of US\$5,885,000 then declared for FY2004).

The consideration for the transfer was not paid in cash but was left outstanding as a debt of US\$30,504,637 payable on demand by Smart Group to Super Investment (the "Smart Group Debt").

### 4. Fourth Stage

#### Assignment of the Smart Group Debt by Super Investment to CFGL

Super Investment assigned to CFGL the benefit of the Smart Group Debt. The consideration of US\$30,504,637 for the assignment due from CFGL to Super Investment (the "Super Investment Debt") was not paid in cash but was left outstanding as a debt of US\$30,504,637 payable on demand by CFGL to Super Investment.

### 5. Fifth Stage

#### Issue of fully paid shares by the CFGL to Super Investment

In satisfaction of the Super Investment Debt (which amounted to US\$30,503,999), CFGL issued to Super Investment 30,503,999 Shares at US\$1.00 each, credited as fully paid. The balance of US\$638 of the Smart Group Debt was settled in cash by CFGL.

### 6. Sixth Stage

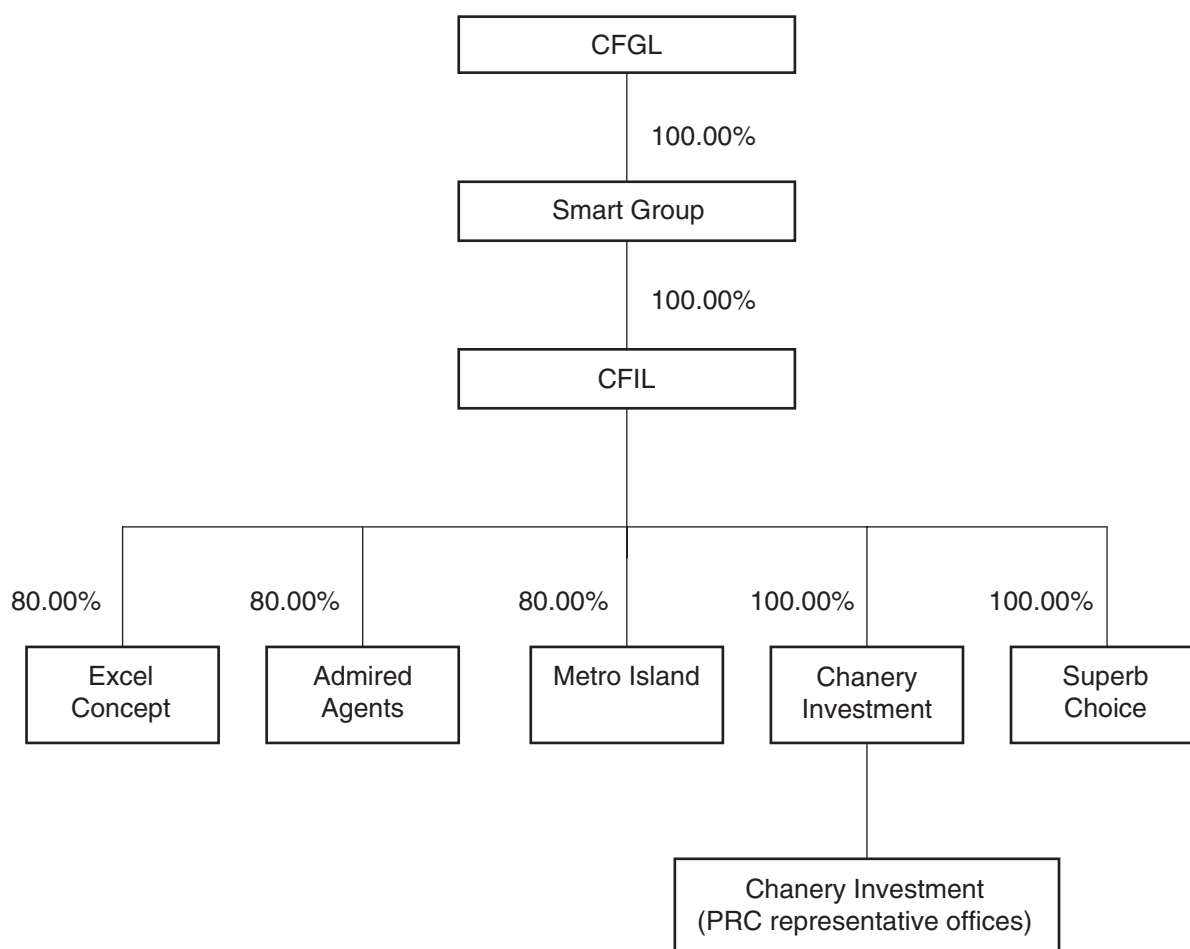
#### Subdivision of shares in CFGL

Subdivision of shares in CFGL of US\$1.00 each into 10 shares of US\$0.10 each.

Following the completion of the Restructuring Exercise, the structure of our Group is as set out under "Group Structure" on pages 49 to 50 of this Prospectus.

## GROUP STRUCTURE

As at the date of this Prospectus, our Group structure is as set out below:



Our Company currently has seven subsidiaries<sup>(1)</sup>, the details of which are set out below.

Name	Date and Place of Incorporation	Principal Business	Issued and Paid-up Capital	Percentage Owned
Smart Group	14 June 2000/ Cayman Islands	Investment holding	US\$1.00	100.00%
CFIL	8 February 1997/ Samoa	Management and operation of fishing vessels for deep sea fishing	US\$1,000.00	100.00%
Excel Concept	5 January 2004/ British Virgin Islands	Sale agent for frozen seafood	US\$125.00	80.00% <sup>(2)</sup>
Admired Agents	30 March 2004/ British Virgin Islands	Procurement agent for fishing vessel bunkers and other supplies	US\$125.00	80.00% <sup>(2)</sup>
Metro Island	8 April 2004/ British Virgin Islands	Procurement agent for fishing vessel bunkers and other supplies	US\$125.00	80.00% <sup>(2)</sup>

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## GROUP STRUCTURE

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<b>Name</b>	<b>Date and Place of Incorporation</b>	<b>Principal Business</b>	<b>Issued and Paid-up Capital</b>	<b>Percentage Owned</b>
Chanery Investment	5 March 2003/ British Virgin Islands	Procurement of fishing vessel bunkers and other supplies	US\$1.00	100.00%
Superb Choice	28 March 2003/ British Virgin Islands	Sale of the catches of the Group	US\$1.00	100.00%

Our Company currently has no associated companies.

**Notes:**

- (1) All our subsidiaries are either incorporated in the Cayman Islands, the British Virgin Islands or Samoa and have representatives in Hong Kong, the PRC, Oman, Mauritania and Russia.
- (2) The remaining 20.00% of the shareholding in these companies are held by independent third parties.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

You should read the following in conjunction with the Consolidated Financial Statements of CFIL<sup>(1)</sup> and the related notes set out in Appendix F, Appendix G and Appendix H of this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out on pages 53 to 66 of this Prospectus.

### OPERATING RESULTS OF OUR GROUP

(US\$'000)	Audited			Unaudited	
	FY2002	FY2003	FY2004	HY June 2004	HY June 2005
Revenue	39,366	55,062	94,646	52,408	53,134
Cost of sales	(34,551)	(47,611)	(71,940)	(37,317)	(28,669)
Gross profit	4,815	7,451	22,706	15,091	24,465
Selling expenses	(2,334)	(2,507)	(3,165)	(1,089)	(1,178)
Administrative expenses	(592)	(622)	(1,891)	(798)	(1,286)
Total operating expenses	(2,926)	(3,129)	(5,056)	(1,887)	(2,464)
Other operating income	–	–	3	–	90
Profit from operations	1,889	4,322	17,653	13,204	22,091
Finance costs	–	–	–	–	(433)
Profit before taxation	1,889	4,322	17,653	13,204	21,658
Income tax expenses	–	–	–	–	–
Profit after taxation	1,889	4,322	17,653	13,204	21,658
Earnings per Share (US cents) <sup>(2)</sup>	0.62	1.42	5.79	4.33	7.10

#### Notes:

- (1) The Consolidated Financial Statements of our Company (on a proforma group basis) for the financial years ended 31 December 2002, 31 December 2003 and 31 December 2004 and for the six-month financial period ended 30 June 2005 are identical to the Consolidated Financial Statements of CFIL for the corresponding financial years and financial period.
- (2) For comparative purposes, the earnings per Share for the past three financial years ended 31 December 2004 and the six-month financial period ended 30 June 2005 have been calculated based on profit after taxation and the pre-Invitation share capital of 305,040,000 Shares.

Pacific Andes, our indirect holding company, had on 2 November 2005 released an announcement through the SGXNet of the unaudited financial information of our Group for the nine months ended 30 September 2005, together with the corresponding period in 2004 as follows:

	9 months ended 30 September 2004 (unaudited) US\$'000	9 months ended 30 September 2005 (unaudited) US\$'000
Revenue	73,190	77,324
Profit after taxation	16,498	28,705
The above is illustrated as follow:		
<u>Revenue</u>		
Perun Vessel Operating Agreement	46,678	76,600
CIFHK Vessel Operating Agreement	26,512	–
CIFHK Vessel Management Agreement	–	724
	73,190	77,324
<u>Profit After Taxation</u>		
Perun Vessel Operating Agreement	16,403	27,981
CIFHK Vessel Operating Agreement	95	–
CIFHK Vessel Management Agreement	–	724
	16,498	28,705

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

### FINANCIAL POSITION OF OUR GROUP

(US\$'000)	Audited As at 31 December 2004	Unaudited As at 30 June 2005
<b>Non-current assets</b>		
Equipment	22	321
Vessel operating deposits	1,450	–
Deferred charter hire	44,800	42,000
	46,272	42,321
<b>Current assets</b>		
Deferred expenses	2,800	2,655
Trade receivables	552	7,022
Other receivables and prepayment	5	4,784
Current portion of deferred charter hire	5,600	5,600
Cash at bank and in hand	12,083	21,026
	21,040	41,087
<b>Current liabilities</b>		
Trade payables	28,335	1,763
Other payables and accrued expenses	2,112	5,407
Amount due to shareholder	16,400	–
Current portion of bank loan	–	5,714
	46,847	12,884
<b>Net current (liabilities)/assets</b>	(25,807)	28,203
<b>Total assets less current liabilities</b>	20,465	70,524
<b>Non-current liability</b>		
Bank borrowings	–	34,286
<b>Net assets</b>	20,465	36,238
<b>Share capital</b>	1	1
<b>Reserves</b>	20,464	36,237
	20,465	36,238
Net assets per Share (US cents)	6.71	11.88

**Note:**

For comparative purposes, the net assets per Share has been calculated based on the pre-Invitation share capital of 305,040,000 Shares.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our results of operations and financial position should be read in conjunction with the Consolidated Financial Statements of CFIL<sup>(1)</sup>, and the related notes included elsewhere in this Prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in "Risk Factors" beginning on page 31 of this Prospectus. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Manager, the Underwriter, the Placement Agent or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to "Cautionary Note on Forward Looking Statements" on page 10 of this Prospectus.

**Note:**

- (1) The Consolidated Financial Statements of our Company (on a proforma group basis) for the financial years ended 31 December 2002, 31 December 2003 and 31 December 2004 and for the six-month financial period ended 30 June 2005 are identical to the Consolidated Financial Statements of CFIL for the corresponding financial years and financial period.

### OVERVIEW

#### Revenue

For the past three financial years ended 31 December 2004, we derived our revenue from the sales of fish catches under the CIFHK Vessel Operating Agreement and Perun Vessel Operating Agreement. In FY2002 and FY2003, our major fishing locations were in the Indian Ocean and the Pacific Ocean. In FY2004, we expanded our fishing operations in the Atlantic Ocean. The main species of our fish caught include Alaskan Pollock, Herring, Pacific Cod, Hake, Grouper, Squid, Octopus and Cuttlefish.

With effect from 1 January 2005, the CIFHK Vessel Operating Agreement has been replaced by the CIFHK Management Agreement under which the sale and marketing of the fish catches is handled by CIFHK and the Group is entitled to a management fee which is calculated based on the gross value of the catches less certain agreed components such as operating expenses, and fixed and variable returns payable to CIFHK. Since then, the Group has not recognised the sales of the fish catches derived from and the related operating expenses incurred under the CIFHK Management Agreement as its revenue and expenses respectively. Instead, only the management fee income from CIFHK has been recognised as revenue.

The revenue of the Group for the periods under review is directly related to the scale of our fishing operations. Set out below are the number and the total gross tonnages of fishing vessels operated by the Group, and the sale quantities, revenue and average unit price per Tonne of fish catch by fishing locations during the periods under review:

	As at 31 December 2002	As at 31 December 2003	As at 31 December 2004	As at 30 June 2004	As at 30 June 2005
<b>Total number of fishing vessels:</b>					
Pacific Ocean	1	2	7	7	7
Indian Ocean	28	28	10	10	8
Atlantic Ocean	–	–	19	19	19
	29	30	36	36	34
Total GRT (Tonnes)	16,335	20,044	41,764	41,764	38,678

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	FY2002 (Tonnes)	FY2003 (Tonnes)	FY2004 (Tonnes)	HY June 2004 (Tonnes)	HY June 2005 (Tonnes)
<b>Sale quantities by fishing locations:</b>					
Pacific Ocean	8,290	18,546	43,122	22,166	34,140
Indian Ocean	20,595	20,730	5,256	2,218	–
Atlantic Ocean	–	–	5,308	2,482	–
Total sale quantities (Tonnes)	28,885	39,276	53,686	26,866	34,140

	FY2002 (US\$'000)	%	FY2003 (US\$'000)	%	FY2004 (US\$'000)	%	HY June 2004 (US\$'000)	%	HY June 2005 (US\$'000)	%
<b>Revenue:</b>										
Pacific Ocean	8,275	21.02	17,876	32.47	55,971	59.14	34,474	65.78	52,471	98.75
Indian Ocean	31,091	78.98	37,186	67.53	18,700	19.76	8,297	15.83	189	0.36
Atlantic Ocean	–	–	–	–	19,975	21.10	9,637	18.39	474	0.89
Total	39,366	100.00	55,062	100.00	94,646	100.00	52,408	100.00	53,134	100.00

During HY June 2005, the decrease in the sale quantities derived from the fishing grounds in the Indian Ocean and the Atlantic Ocean is attributable to the replacement of the CIFHK Vessel Operating Agreement by the CIFHK Management Agreement with effect from 1 January 2005. As the Group no longer handles the sale and marketing of the fish catches, under the CIFHK Management Agreement, the Group therefore only recorded the management fee income as revenue in HY June 2005.

	FY2002 (US\$/Tonne)	FY2003 (US\$/Tonne)	FY2004 (US\$/Tonne)	HY June 2004 (US\$/Tonne)	HY June 2005 (US\$/Tonne)
<b>Average unit price per Tonne of fish catch:</b>					
Pacific Ocean	998	964	1,298	1,555	1,537
Indian Ocean	1,510	1,794	3,558	3,741	–
Atlantic Ocean	–	–	3,763	3,883	–
Total average	1,363	1,402	1,763	1,951	1,537

The increase in the average unit price per Tonne of fish catch in the Pacific Ocean for FY2004 was attributable to the increase in the market price of Alaskan Pollock roe. The increase in the average unit price per Tonne of fish catch in the Indian for FY2004 was attributable to the vessel redeployment plan implemented during the last quarter of FY2003 to focus on the high-value Cephalopod species.

An analysis of the sales revenue and sales quantities by geographical region of the Group for the periods under review is set out as follows:

	FY2002 (US\$'000)	%	FY2003 (US\$'000)	%	FY2004 (US\$'000)	%	HY June 2004 (US\$'000)	%	HY June 2005 (US\$'000)	%
The PRC	31,363	79.67	40,609	73.75	41,716	44.08	25,098	47.89	21,872	41.16
Japan	4,472	11.36	9,160	16.63	23,163	24.47	13,511	25.78	12,389	23.32
Europe	3,254	8.27	3,797	6.90	8,696	9.19	2,709	5.17	3,591	6.76
Korea	–	–	1,353	2.46	16,002	16.91	8,820	16.83	13,371	25.16
Others	277	0.70	143	0.26	5,069	5.35	2,270	4.33	1,911	3.60
Total	39,366	100.00	55,062	100.00	94,646	100.00	52,408	100.00	53,134	100.00

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	FY2002 (Tonnes)	FY2003 (Tonnes)	FY2004 (Tonnes)	HY June 2004 (Tonnes)	HY June 2005 (Tonnes)
The PRC	24,923	34,375	34,987	22,767	19,136
Japan	1,953	2,787	3,756	1,763	873
Europe	1,698	1,683	5,532	1,428	4,682
Korea	–	146	6,783	595	4,745
Others	311 <sup>(1)</sup>	285 <sup>(1)</sup>	2,628 <sup>(2)</sup>	313 <sup>(2)</sup>	4,704 <sup>(3)</sup>
<b>Total</b>	<b>28,885</b>	<b>39,276</b>	<b>53,686</b>	<b>26,866</b>	<b>34,140</b>

Notes:

- (1) represents sales of fish catches to Middle East.  
(2) represents sales of fish catches to Africa and North America.  
(3) represents sales of fish catches to Africa.

The PRC is our major market which accounted for 79.67% and 73.75% of total sales in FY2002 and FY2003 respectively. Following the expansion of our operations in FY2003, we have been increasing our sales to Japan, Korea and European markets. In FY2004, HY June 2004 and HY June 2005, sales to the PRC market only accounted for 44.08%, 47.89% and 41.16% of our total sales respectively.

### Cost of Sales

Our cost of sales accounted for 87.8%, 86.5%, 76.0%, 71.2% and 54.0% of our revenue in FY2002, FY2003, FY2004, HY June 2004 and HY June 2005 respectively. An analysis of the major components of cost of sales is set out as follows:

	FY2002 (US\$'000)	% of total cost of sales	FY2003 (US\$'000)	% of total cost of sales	FY2004 (US\$'000)	% of total cost of sales	HY June 2004 (US\$'000)	% of total cost of sales	HY June 2005 (US\$'000)	% of total cost of sales
Charter hires	17,164	49.7	23,333	49.0	28,258	39.3	15,887	42.6	9,156	31.9
Bunker fuel	4,852	14.0	6,629	13.9	13,308	18.5	7,525	20.2	6,633	23.1
Crew wages and bonus	4,825	14.0	7,312	15.4	11,810	16.4	6,068	16.3	5,231	18.2
Repair and maintenance <sup>(1)</sup>	4,111	11.9	4,184	8.8	10,871	15.1	4,304	11.5	5,279	18.4
Others <sup>(2)</sup>	3,599	10.4	6,153	12.9	7,693	10.7	3,533	9.4	2,370	8.4
<b>Total</b>	<b>34,551</b>	<b>100.0</b>	<b>47,611</b>	<b>100.0</b>	<b>71,940</b>	<b>100.0</b>	<b>37,317</b>	<b>100.0</b>	<b>28,669</b>	<b>100.0</b>

Note:

- (1) The increase in the repair and maintenance expenses in FY2004 was attributed to the increase in the number of fishing vessels which were operated and managed by the Group in the Pacific Ocean under the Perun Vessel Operating Agreement.  
(2) Includes provisions, packing materials, vessel insurances and port charges.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Charter hires

The charter hires accounted for 49.7%, 49.0%, 39.3%, 42.6% and 31.9% of the total cost of sales for FY2002, FY2003, FY2004, HY June 2004 and HY June 2005 respectively.

An analysis of the major components of the charter hires is set out as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	HY June 2004 (US\$'000)	HY June 2005 (US\$'000)
Perun:					
Fixed charter hires	3,140	7,406	–	–	–
Variable charter hires	407	693	6,003	4,531	6,356
Amortisation of deferred fixed charter hires	–	–	5,600	2,800	2,800
CIFHK:					
Fixed charter hires	13,282	13,642	16,637	8,556	–
Variable charter hires	335	1,592	18	–	–
<b>Total</b>	<b>17,164</b>	<b>23,333</b>	<b>28,258</b>	<b>15,887</b>	<b>9,156</b>

Number of vessels managed and operated by the Group at the end of each financial year, HY June 2004 and HY June 2005 under vessel operating and management agreements with:

	31 December 2002	31 December 2003	31 December 2004	30 June 2004	30 June 2005
Perun	1	2	7	7	7
CIFHK	28	28	29	29	27
<b>Total</b>	<b>29</b>	<b>30</b>	<b>36</b>	<b>36</b>	<b>34</b>

For FY2002, FY2003 and FY2004, the fixed and variable charter hires were determined based on the vessel operating agreements with Perun and CIFHK respectively. There was no significant variation of the basis of fixed and variable charter hire calculation during FY2002, FY2003 and FY2004 except that the Group entered into an agreement with Perun in January 2004 to amend the Perun Vessel Operating Agreement. Under the amendment, the Group was granted with an option to prepay the fixed charter hires for a 10-year period starting from FY2004 at US\$56 million. The Group exercised the prepayment option in FY2004. The prepaid charter hire, recognised by the Group as deferred charter hire, is amortised over a 10-year period using straight line method.

Owing to the replacement of the CIFHK Vessel Operating Agreement by the CIFHK Management Agreement, the fixed and variable charter hires are no longer payable by the Group to CIFHK with effect from 1 January 2005.

### Bunker fuel

The increase in the bunker fuel expenses in FY2003 and FY2004 was attributed to the increase in the number of fishing vessels which were operated and managed by the Group in the Pacific Ocean under the Perun Vessel Operating Agreement and the increase in the unit costs of the bunker fuel.

Owing to the replacement of the CIFHK Vessel Operating Agreement by the CIFHK Management Agreement with effect from 1 January 2005, the Group is no longer required to bear the bunker fuel expenses incurred for those vessels managed by the Group under the CIFHK Management Agreement. As a result, the bunker fuel expenses incurred for HY June 2005 decreased accordingly.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### Crew wages and bonus

Crew wages and bonus are paid to the crew on board the fishing vessels. The amounts of crew wages and crew bonus were determined with reference to the employment contracts and the catch performance of each fishing vessel respectively. The increase in the crew wages and bonus during FY2002, FY2003 and FY2004 was attributed to the increase in the number of crew and the catch quantities.

Owing to the replacement of the CIFHK Vessel Operating Agreement by the CIFHK Management Agreement with effect from 1 January 2005, the Group is no longer required to bear the crew wages and bonus incurred for those vessels managed by the Group under the CIFHK Management Agreement. As a result, the crew wages and bonus incurred for HY June 2005 decreased accordingly.

### **Operating expenses**

Our operating expenses comprise mainly selling expenses and administrative expenses.

### Selling expenses

Selling expenses, comprising mainly freightage and sales commission, accounted for 5.93%, 4.55%, 3.34%, 2.08% and 2.22% of our revenue for FY2002, FY2003, FY2004, HY June 2004 and HY June 2005 respectively. An analysis of the selling expenses by geographical location is set out as follows:

	FY2002 (US\$'000)	% of sales	FY2003 (US\$'000)	% of sales	FY2004 (US\$'000)	% of sales	HY June 2004 (US\$'000)	% of sales	HY June 2005 (US\$'000)	% of sales
Pacific Ocean	180	0.46	178	0.32	920	0.97	203	0.39	1,178	2.22
Indian Ocean	2,154	5.47	2,329	4.23	871	0.92	313	0.60	–	–
Atlantic Ocean	–	–	–	–	1,374	1.45	573	1.09	–	–
<b>Total</b>	<b>2,334</b>	<b>5.93</b>	<b>2,507</b>	<b>4.55</b>	<b>3,165</b>	<b>3.34</b>	<b>1,089</b>	<b>2.08</b>	<b>1,178</b>	<b>2.22</b>

### Administrative expenses

Administrative expenses include mainly salary-related expenses (including remuneration of directors and administrative staff), premise-related expenses (such as office maintenance and utilities), and other miscellaneous costs. These accounted for 1.50%, 1.13%, 2.00%, 1.52% and 2.42% of our revenue for FY2002, FY2003, FY2004, HY June 2004 and HY June 2005 respectively.

### Financing expenses

Financing expenses in HY June 2005 represent interest payable for the term loan of US\$40 million obtained from a bank in April 2005.

### **Taxation**

Pursuant to the vessel management and operating agreements entered into by the Group with CIFHK and Perun respectively, CIFHK and Perun bear all tax consequences, if any, relating to these agreements. Accordingly, no provision for income tax is required.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### REVIEW OF PAST OPERATING PERFORMANCE

#### Breakdown of Past Performance by Fishing Locations

##### Revenue

	FY2002 (US\$'000)	%	FY2003 (US\$'000)	%	FY2004 (US\$'000)	%	HY June 2004 (US\$'000)	%	HY June 2005 (US\$'000)	%
Pacific Ocean	8,275	21.02	17,876	32.47	55,971	59.14	34,474	65.78	52,471	98.75
Indian Ocean	31,091	78.98	37,186	67.53	18,700	19.76	8,297	15.83	189	0.36
Atlantic Ocean	-	-	-	-	19,975	21.10	9,637	18.39	474	0.89
<b>Total</b>	<b>39,366</b>	<b>100.00</b>	<b>55,062</b>	<b>100.00</b>	<b>94,646</b>	<b>100.00</b>	<b>52,408</b>	<b>100.00</b>	<b>53,134</b>	<b>100.00</b>

##### Profit (Loss) before income tax

	FY2002 (US\$'000)	%	FY2003 (US\$'000)	%	FY2004 (US\$'000)	%	HY June 2004 (US\$'000)	%	HY June 2005 (US\$'000)	%
Pacific Ocean	1,608	85.12	2,830	65.48	18,359	104.00	15,022	113.77	22,714	104.88
Indian Ocean	335	17.73	1,546	35.77	(3,636)	(20.60)	(4,698)	(35.58)	189	0.87
Atlantic Ocean	-	-	-	-	3,654	20.70	3,239	24.53	474	2.19
Finance costs	-	-	-	-	-	-	-	-	(433)	(2.00)
Unallocated corporate expenses	(54)	(2.85)	(54)	(1.25)	(724)	(4.10)	(359)	(2.72)	(1,286)	(5.94)
<b>Total</b>	<b>1,889</b>	<b>100.00</b>	<b>4,322</b>	<b>100.00</b>	<b>17,653</b>	<b>100.00</b>	<b>13,204</b>	<b>100.00</b>	<b>21,658</b>	<b>100.00</b>

##### Profit (Loss) before income tax margins

	FY2002 (%)	FY2003 (%)	FY2004 (%)	HY June 2004 (%)	HY June 2005 (%)
Pacific Ocean	19.43	15.83	32.80	43.57	43.29
Indian Ocean	1.08	4.16	(19.44)	(56.62)	100.00
Atlantic Ocean	-	-	18.29	33.61	100.00
Overall margin	4.80	7.85	18.65	25.19	40.76

#### Breakdown of Past Performance by Geographical Region

##### Revenue

	FY2002 (US\$'000)	%	FY2003 (US\$'000)	%	FY2004 (US\$'000)	%	HY June 2004 (US\$'000)	%	HY June 2005 (US\$'000)	%
The PRC	31,363	79.67	40,609	73.75	41,716	44.08	25,098	47.89	21,872	41.16
Japan	4,472	11.36	9,160	16.63	23,163	24.47	13,511	25.78	12,389	23.32
Europe	3,254	8.27	3,797	6.90	8,696	9.19	2,709	5.17	3,591	6.76
Korea	-	-	1,353	2.46	16,002	16.91	8,820	16.83	13,371	25.16
Others	277	0.70	143	0.26	5,069	5.35	2,270	4.33	1,911	3.60
<b>Total</b>	<b>39,366</b>	<b>100.00</b>	<b>55,062</b>	<b>100.00</b>	<b>94,646</b>	<b>100.00</b>	<b>52,408</b>	<b>100.00</b>	<b>53,134</b>	<b>100.00</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Profit (Loss) before income tax

	FY2002 (US\$'000)	%	FY2003 (US\$'000)	%	FY2004 (US\$'000)	%	HY June 2004 (US\$'000)	%	HY June 2005 (US\$'000)	%
The PRC	1,661	87.93	3,501	81.00	8,143	46.13	5,662	42.88	10,062	46.46
Japan	245	12.97	550	12.73	4,279	24.24	4,814	36.46	5,420	25.03
Europe	34	1.80	157	3.63	1,523	8.63	513	3.89	1,523	7.03
Korea	–	–	162	3.75	4,941	27.99	3,778	28.61	5,853	27.02
Others	3	0.16	6	0.14	(509)	(2.88)	(1,204)	(9.12)	519	2.40
Finance costs	–	–	–	–	–	–	–	–	(433)	(2.00)
Unallocated corporate expenses	(54)	(2.86)	(54)	(1.25)	(724)	(4.11)	(359)	(2.72)	(1,286)	(5.94)
<b>Total</b>	<b>1,889</b>	<b>100.00</b>	<b>4,322</b>	<b>100.00</b>	<b>17,653</b>	<b>100.00</b>	<b>13,204</b>	<b>100.00</b>	<b>21,658</b>	<b>100.00</b>

### Profit (Loss) before income tax margins

	FY2002 (%)	FY2003 (%)	FY2004 (%)	HY June FY2004 (%)	HY June 2005 (%)
The PRC	5.30	8.62	19.52	22.56	46.01
Japan	5.48	6.00	18.47	35.63	43.74
Europe	1.04	4.13	17.51	18.93	42.41
Korea	–	11.97	30.88	42.83	43.77
Others	1.08	4.20	(10.04)	(53.04)	27.16
Overall margin	4.80	7.85	18.65	25.19	40.76

### Breakdown of Past Performance by Perun Vessel Operating Agreement and CIFHK Vessel Operating Agreement/CIFHK Management Agreement

#### Revenue

	FY2002 (US\$'000)	%	FY2003 (US\$'000)	%	FY2004 (US\$'000)	%	HY June 2004 (US\$'000)	%	HY June 2005 (US\$'000)	%
Perun	8,275	21.02	17,876	32.47	55,971	59.14	34,474	65.78	52,471	98.75
CIFHK	31,091	78.98	37,186	67.53	38,675	40.86	17,934	34.22	663	1.25
<b>Total</b>	<b>39,366</b>	<b>100.00</b>	<b>55,062</b>	<b>100.00</b>	<b>94,646</b>	<b>100.00</b>	<b>52,408</b>	<b>100.00</b>	<b>53,134</b>	<b>100.00</b>

#### Gross profit (loss)

	FY2002 (US\$'000)	%	FY2003 (US\$'000)	%	FY2004 (US\$'000)	%	HY June 2004 (US\$'000)	%	HY June 2005 (US\$'000)	%
Perun	1,920	39.88	3,140	42.14	20,062	88.36	15,491	102.65	23,802	97.29
CIFHK	2,895	60.12	4,311	57.86	2,644	11.64	(400)	(2.65)	663	2.71
<b>Total</b>	<b>4,815</b>	<b>100.00</b>	<b>7,451</b>	<b>100.00</b>	<b>22,706</b>	<b>100.00</b>	<b>15,091</b>	<b>100.00</b>	<b>24,465</b>	<b>100.00</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Profit (Loss) before income tax

	FY2002 (US\$'000)	%	FY2003 (US\$'000)	%	FY2004 (US\$'000)	%	HY June 2004 (US\$'000)	%	HY June 2005 (US\$'000)	%
Perun	1,680	85.12	2,830	65.48	18,359	104.00	15,022	113.77	22,714	104.88
CIFHK	335	17.73	1,546	35.77	18	0.10	(1,459)	(11.05)	663	3.06
Finance costs	-	-	-	-	-	-	-	-	(433)	(2.00)
Unallocated corporate expenses	(54)	(2.85)	(54)	(1.25)	(724)	(4.10)	(359)	(2.72)	(1,286)	(5.94)
<b>Total</b>	<b>1,889</b>	<b>100.00</b>	<b>4,322</b>	<b>100.00</b>	<b>17,653</b>	<b>100.00</b>	<b>13,204</b>	<b>100.00</b>	<b>21,658</b>	<b>100.00</b>

### Gross profit (loss) margins

	FY2002 (%)	FY2003 (%)	FY2004 (%)	HY June 2004 (%)	HY June 2005 (%)
Perun	23.20	17.57	35.84	44.93	45.36
CIFHK	9.31	11.59	6.84	(2.23)	100.00
Overall margin	12.23	13.53	23.99	28.80	46.04

### Profit (Loss) before income tax margins

	FY2002 (%)	FY2003 (%)	FY2004 (%)	HY June 2004 (%)	HY June 2005 (%)
Perun	19.43	15.83	32.80	43.57	43.29
CIFHK	1.08	4.16	0.05	(8.14)	100.00
Overall margin	4.80	7.85	18.65	25.19	40.76

## REVIEW OF RESULTS OF OPERATIONS

### **FY2002 vs FY2003**

#### Revenue

In FY2003, sales of the Group amounted to US\$55.1 million, representing an increase of 39.9% over the sales of US\$39.4 million in FY2002. In term of sales quantities, FY2003 has an increase of sales quantities of 36.0% from 28,885 Tonnes in FY2002 to 39,276 Tonnes.

Sales quantities derived from fishing operations in the Pacific Ocean increased by 123.7% from 8,290 Tonnes in FY2002 to 18,546 Tonnes in FY2003. The increase in the sales quantities in the Pacific Ocean was attributed to the commencement of operation of the second fishing vessel operated and managed by the Group under the Perun Vessel Operating Agreement. Sales value from the catches in the Pacific Ocean increased by 116.0% from US\$8.3 million in FY2002 to US\$17.9 million in FY2003 correspondingly.

Our revenue from the Indian Ocean increased 19.6% from US\$31.1 million in FY2002 to US\$37.2 million in FY2003 as we focused on catching of high-value Cuttlefish in FY2003. Although the efficiency of the vessels operated and managed in the Indian Ocean improved significantly during FY2003, the overall catch performance was only slightly higher than FY2002 due to the joint decision of CIFHK and the Group to re-deploy 18 vessels from their then fishing grounds in the Indian Ocean during the third quarter of FY2003. The vessel re-deployment plan was aimed at the exploration of new fishing grounds in the Indian Ocean and the Atlantic Ocean to focus on high-value Cephalopod species.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### Cost of sales and gross profit margin

In line with the sales increase, our cost of sales increased by 37.8% from US\$34.6 million in FY2002 to US\$47.6 million in FY2003.

The increase in cost of sales is mainly attributed to the increase in charter hire, bunker fuel and crew wages and bonus expenses incurred for the second fishing vessel managed and operated under the Perun Vessel Operating Agreement for fishing in the Pacific Ocean.

The gross profit margin increased from 12.2% in FY2002 to 13.5% in FY2003 due to the overall increase in the selling prices of our fish.

### Operating expenses

With the expansion of our business, our operating expenses increased by 6.9% from US\$2.9 million in FY2002 to US\$3.1 million in FY2003.

Selling expenses relate mainly to freight costs incurred in the transportation of fish catches from fishing grounds to the customers.

The low selling expenses incurred for the Pacific Ocean operation for FY2002 and FY2003 is attributed to a significant portion of the sales of fish catches from the Pacific Ocean operation being transacted at Free on Board terms with the customers bearing the freight costs.

The high selling expenses incurred for the Indian Ocean operation for FY2002 and FY2003 is attributed to sales of catches from these operations being transacted at Carriage and Freight terms with the Group bearing the freight costs.

With the Pacific Ocean operation being the major contributor to the Group's significant revenue growth, selling expenses has declined as a percentage of revenue from FY2002 to FY2003.

The increase in administrative expenses was attributable to the increase in staff and payroll cost.

### Profit before income tax

Our profit before income tax increased by US\$2.4 million from a profit of US\$1.9 million in FY2002 to US\$4.3 million in FY2003 as a result of higher sales and higher gross profit margin in FY2003.

## **FY2003 vs FY2004**

### Revenue

In FY2004, the sales of the Group amounted to US\$94.6 million, representing an increase of 71.9% over the sales of US\$55.1 million in FY2003. In term of sales quantities, FY2004 saw an increase of sales quantities of 36.7% from 39,276 Tonnes in FY2003 to 53,686 Tonnes.

Sales quantities derived from fishing operations in the Pacific Ocean increased by 132.5% from 18,546 Tonnes in FY2003 to 43,122 Tonnes in FY2004. The increase in the sales quantities in the Pacific Ocean was attributed to the commencement of operation of an additional five fishing vessels operated and managed by the Group under the Perun Vessel Operating Agreement. Sales value from the catches in the Pacific Ocean increased by 213.1% from US\$17.9 million in FY2003 to US\$56.0 million in FY2004 correspondingly. The average unit price per Tonne of fish catch in the Pacific Ocean for FY2004 increased to US\$1,298 per Tonne from US\$964 per Tonne for FY2003. The increase in the average unit price per Tonne of fish catch in the Pacific Ocean for FY2004 was attributable to the increase in the market price of Alaskan Pollock roe.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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During FY2004, we commenced fishing operations in the Atlantic Ocean in January 2004 with 19 fishing vessels upon the completion of the vessel re-deployment plan initiated during the third quarter of FY2003. During FY2004, the total catch quantities and catch value of these 19 fishing vessels were 5,308 Tonnes and US\$20.0 million respectively due to the focus of high value Cephalopod species.

As a result of the vessel re-deployment plan, the number of fishing vessels that operated in the Indian Ocean was reduced from 28 in FY2003 to 10 in FY2004. Sales from the catches in the Indian Ocean dropped significantly by 49.7% from US\$37.2 million in FY2003 to US\$18.7 million in FY2004. However, the average value per Tonne of catches improved from US\$1,794 in FY2003 to US\$3,558 in FY2004 due to the focus of the remaining vessels in targeting high-value Cephalopod species.

### Cost of sales and gross profit margin

In line with the sales increase, our cost of sales increased by 51.1% from US\$47.6 million in FY2003 to US\$71.9 million in FY2004.

The increase in cost of sales is mainly attributed to the increase in charter hire, bunker fuel, crew wages and bonus expenses incurred for the addition of five fishing vessels managed and operated under the Perun Vessel Operating Agreement for fishing in the Pacific Ocean.

The gross profit margin increased from 13.5% in FY2003 to 24.0% in FY2004 due to the reduction of charter hire expenses following the exercise of the charter hire prepayment option in January 2004 and the overall increase in the selling prices of our catches. However the gross profit margin of the Group under the CIFHK Vessel Operating Agreement decreased due to the reduction in the aggregate catch quantities which resulted from the non-operating time spent on crew training on new fishing methods and the relocation of fishing vessels to new fishing grounds. The decrease in the gross profit margin of the Group under the CIFHK Vessel Operating Agreement partially offset the overall increase in the gross profit margin of the Group.

### Operating expenses

With the expansion of our fishing fleet from 30 vessels to 36 vessels, our operating expenses increased by 61.6% from US\$3.1 million in FY2003 to US\$5.1 million in FY2004.

Selling expenses increased by 26.2% from US\$2.5 million in FY2003 to US\$3.2 million in FY2004. The increase in selling expenses for Pacific Ocean operation is attributed to the deployment of two fishing vessels to the South Pacific Ocean for which the sales of fish catches are transacted at Carriage and Freight terms with the Group bearing the freight costs.

During FY2003, 19 vessels were redeployed from the Indian Ocean to the Atlantic Ocean. Accordingly, the selling expenses for the Indian Ocean operation have declined with a similar increased selling expenses incurred for the Atlantic Ocean operation.

With the Pacific Ocean operation being the major contributor to the Group's revenue of US\$94.6 million representing an increase of 71.9% over the sales of US\$55.1 million in FY2003, selling expenses as a percentage of sales decreased from 4.6% in FY2003 to 3.3% in FY2004.

Administrative expenses increased by 204.0% from US\$0.6 million in FY2003 to US\$1.9 million in FY2004. The increase in administrative expenses was attributable to the increase of staff payroll cost, legal fee and office expenses. In FY2004, legal fees of US\$85,000 (representing approximately 4.5% of total administrative expenses for FY2004) were incurred for legal services rendered in relation to the negotiations and/or execution of the CIFHK Management Agreement and the Perun Vessel Operating Agreement. The increase in staff payroll cost and office expenses was due to the increase in the number of our staff to cater for the expansion of our fishing fleet.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### Profit before income tax

Our profit before income tax increased by 308.4% from US\$4.3 million in FY2003 to US\$17.7 million in FY2004.

The increase in the net profit before tax was mainly attributed to the reduction of charter hire expenses under the Perun Vessel Operating Agreement following the exercise of the charter hire prepayment option in January 2004 and the overall increase in the selling prices of our fish caught in the Pacific Ocean.

The fishing operations in the Atlantic and the Indian Oceans recorded a net profit before tax and a net loss before tax of US\$3.7 million and US\$3.6 million respectively. Although the vessel re-deployment plan did achieve higher average selling prices for the fish caught in the Indian and the Atlantic Oceans, the aggregated sales value of fish caught in these two fishing grounds remained fairly the same as compared with FY2003 due to decrease in the aggregated catch quantities from these two fishing grounds. The reduction in the aggregated catch quantities resulted from the non-operating time spent on the crew training for new fishing methods and relocation of vessels to new fishing grounds in the Indian Ocean and the Atlantic Ocean.

### **HY June 2004 vs HY June 2005**

#### Revenue

In HY June 2005, revenue of the Group amounted to US\$53.1 million, representing an increase of 1.4% over HY June 2004. In term of sales quantities, HY June 2005 has an increase of 27.1% from 26,866 Tonnes in HY June 2004 to 34,140 Tonnes.

Sales quantities derived from fishing operations in the Pacific Ocean increased by 54.0% from 22,166 Tonnes in HY June 2004 to 34,140 Tonnes in HY June 2005. The increase in sales quantities is due to the commencement of our fishing operations on the international waters of the South Pacific Ocean where we deployed two fishing vessels and the improvement of processing capabilities of the fishing vessels which are operated and managed under the Perun Vessel Operating Agreement. During HY June 2005, sales value from the catches in the Pacific Ocean increased by 52.2% from US\$34.5 million in HY June 2004 to US\$52.5 million in HY June 2005 correspondingly.

As the CIFHK Vessel Operating Agreement has been replaced by the CIFHK Management Agreement since 1 January 2005, the Group therefore did not record the sales of the fish catches derived from the fishing operations in the Indian Ocean and the Atlantic Ocean during HY June 2005 as revenue due to the sales and marketing of these fish catches are no longer handled by the Group. Instead, the Group recorded the management fee income received under the CIFHK Management Agreement as revenue for HY June 2005.

#### Cost of sales and gross profit margin

Our cost of sales for HY June 2005 is only related to the fishing operations in the Pacific Ocean due to replacement of the CIFHK Vessel Operation Agreement by the CIFHK Management Agreement with effect from 1 January 2005. When compared with the cost of sales relating to the Pacific Ocean fishing operations for HY June 2004 of US\$19.0 million, it increased by 51.0% due to the increase in the expenses incurred for charter hire, bunker fuel and crew wages and bonus.

The increase in the overall gross profit margin from 28.8% for HY June 2004 to 46.0% for HY June 2005 is mainly attributable to (i) our Pacific Ocean fishing operations with gross profit margin of 45.4% and 44.9% for HY June 2005 and HY June 2004, respectively, accounting for 97.3% of the Group's gross profit for HY June 2005 and (ii) the change in contractual arrangements with CIFHK where the CIFHK Vessel Operating Agreement was replaced by the CIFHK Vessel Management Agreement under which the sales of the fish catches and the related operating expenses incurred for the fishing operations in the Indian and Atlantic Oceans are not recognised by the Group, the details of which are set out under the section "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview – Revenue" on page 53 of this Prospectus.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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### Operating expenses

Our operating expenses increased by 30.6% from US\$1.9 million in HY June 2004 to US\$2.5 million in HY June 2005.

Selling expenses increased by 8.2% to US\$1.2 million in HY June 2005 due to the increase in sales revenue.

Administrative expenses increased by 61.2% from US\$798,000 in HY June 2004 to US\$1.3 million in HY June 2005 due to the expansion in fishing operations.

### Profit before income tax

Our profit before income tax increased by 64.0% from US\$13.2 million in HY June 2004 to US\$21.7 million in HY June 2005.

For FY2004, 2 of the vessels managed and operated by the Group under the Perun Vessel Operating Agreement were sent for refurbishment and repairs, leaving only 5 vessels that were deployed at the fishing grounds. These 2 vessels were subsequently deployed to the fishing grounds during the period falling within HY June 2005. That contributed to a higher operating efficiency and correspondingly contributed to the increase in profits for HY June 2005.

## REVIEW OF FINANCIAL POSITION

### Non-current Assets

As at 31 December 2004 and 30 June 2005, our non-current assets amounted to US\$46.3 million and US\$42.3 million, comprised mainly the unamortised portion of deferred charter hire of US\$56 million. The Group amortises the deferred charter hire using straight line method over a 10-year period.

### Current Assets

As at 31 December 2004, our current assets amounted to US\$21.0 million, comprised mainly the deferred expenses for unfinished fishing expeditions, current portion of unamortised deferred charter hire and cash at bank and in hand.

As at 30 June 2005, our current assets increased by US\$20.1 million to US\$41.1 million. The increase was mainly attributed to the increase in the trade receivables resulted from the sales of fish catches close to the end of June 2005 and prepayment of variable charter hire to Perun. Most of the trade receivables as at 30 June 2005 were settled by August 2005.

### Current Liabilities

As at 31 December 2004, our current liabilities amounted to US\$46.8 million, comprised mainly trade payables and amount due to a shareholder. The trade payables included the unpaid portion of the deferred charter hire of US\$26 million which were subsequently settled by the Group through purchase prepayments from customers during first quarter of FY2005. The amount due to a shareholder represented advances obtained from a shareholder to fund the payment of deferred charter hire during FY2004.

As at 30 June 2005, our current liabilities reduced to US\$12.9 million, comprised mainly the current portion of bank loan of US\$5.7 million and other payables and accrued expenses of US\$5.4 million. The reduction in the current liabilities was attributed to the repayment to Jade China of its shareholder loan by bank borrowings and the settlement of the unpaid portion of the deferred charter hire of US\$26 million.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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### Non-current Liability

Our non-current liability is the long-term portion of the US\$40 million term loan obtained from a bank. The term loan is repayable between two to three years. The Directors believe that the Group is able to repay the loan as and when it falls due.

### Share Capital and Reserves

As at 31 December 2004, share capital and reserves amounted to US\$20.5 million.

As at 30 June 2005, share capital and reserves increased to US\$36.2 million due to profit retention.

### **LIQUIDITY AND CAPITAL RESOURCES**

Our business growth and expansion have been financed through a combination of cash generated from our operating activities, capital contributed by shareholders, prepayments from customers and shareholder's and bank loans. The Directors believe, in their reasonable opinion, that the working capital of the Group as at the Latest Practicable Date is sufficient for the present requirements of the Group.

Net cash flow summary for FY2004 and HY June 2005 is as follows:

	FY2004 (US\$'000)	HY June 2005 (US\$'000)
Net cash generated from operating activities	29,104	14,086
Net cash used in investing activities	(30,022)	(26,280)
Net cash from financing activities	13,001	21,137
Net increase in cash and cash equivalents	12,083	8,943
Cash and cash equivalents at beginning of the year / period	–	12,083
Cash and cash equivalents at end of the year / period	12,083	21,026

### **FY2004**

In FY2004, cash generated from operating activities before changes in working capital was approximately US\$23.3 million. Working capital increased by approximately US\$5.8 million. The cash inflows from working capital was mainly due to the decrease in trade receivables of US\$4.5 million and the increase in trade payables of US\$0.9 million.

The net cash used in investing activities of US\$30.0 million was the payment of deferred charter hires.

The net cash from financing activities of US\$13.0 million was an advance from Jade China to finance the payment of deferred charter hires.

### **HY June 2005**

In HY June 2005, cash generated from operating activities before changes in working capital was approximately US\$24.9 million. Working capital decreased by approximately US\$10.8 million. The cash outflows from working capital was mainly due to the increase in trade receivables and other receivables and prepayments of US\$6.5 million and US\$4.8 million respectively.

The net cash used in investing activities was about US\$26.3 million, including US\$26.0 million for the payment of deferred charter hires.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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The net cash from financing activities of US\$21.1 million represented the net cash inflows from bank borrowings of US\$40 million after repayment of amount due to a shareholder of US\$15.8 million and payment of dividend of US\$3.1 million for FY2004.

### CAPITAL EXPENDITURES AND DIVESTMENTS

The material expenditure of our Group for FY2002, FY2003, FY2004, HY June 2005 and up to the Latest Practicable Date are as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	HY June 2005 (US\$'000)	Up to the Latest Practicable Date (US\$'000)
Payment of deferred charter hires	–	–	56,000	–	–
Equipment	–	–	24	186	418
Motor vehicles	–	–	–	123	128

### FOREIGN EXCHANGE EXPOSURE

Our Group has limited exposure to foreign currency risk as we transact mainly in the United States dollars.

Our net foreign exchange gain for the past three financial years ended 31 December 2004 and six-month financial period ended 30 June 2005 are as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	HY June 2005 (US\$'000)
Foreign exchange gain	–	–	1	16
As a percentage of profit before income tax (%)	N.A.	N.A.	Negligible	Negligible

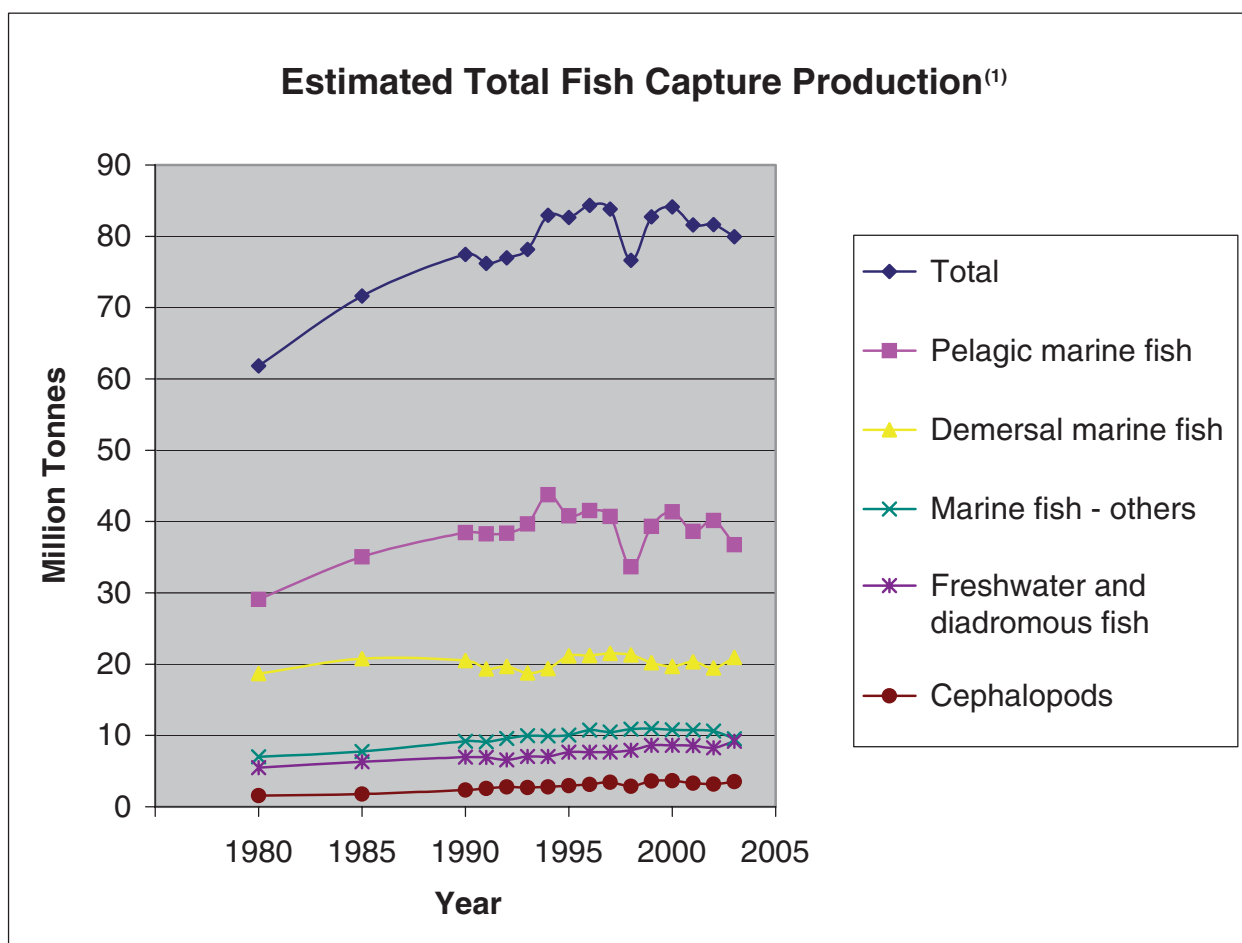
## BUSINESS

### INDUSTRY BACKGROUND

#### Fish capture production

Over the past 10 years, average annual global fish capture production has been at historically high levels on record with estimated production in excess of 80 million Tonnes per annum. The estimated total fish capture production was derived by the Company using statistics on the Total Capture Production from FAOSTAT\*, excluding the production tonnage from non-fish or those catches under the categories of aquatic mammals, aquatic plants, crustaceans, miscellaneous aquatic animals, molluscs and others. Our Directors are of the view that the categories that were excluded are not considered fish.

Set out below is the estimated annual global total fish capture production from 1980 to 2003:



**Note:**

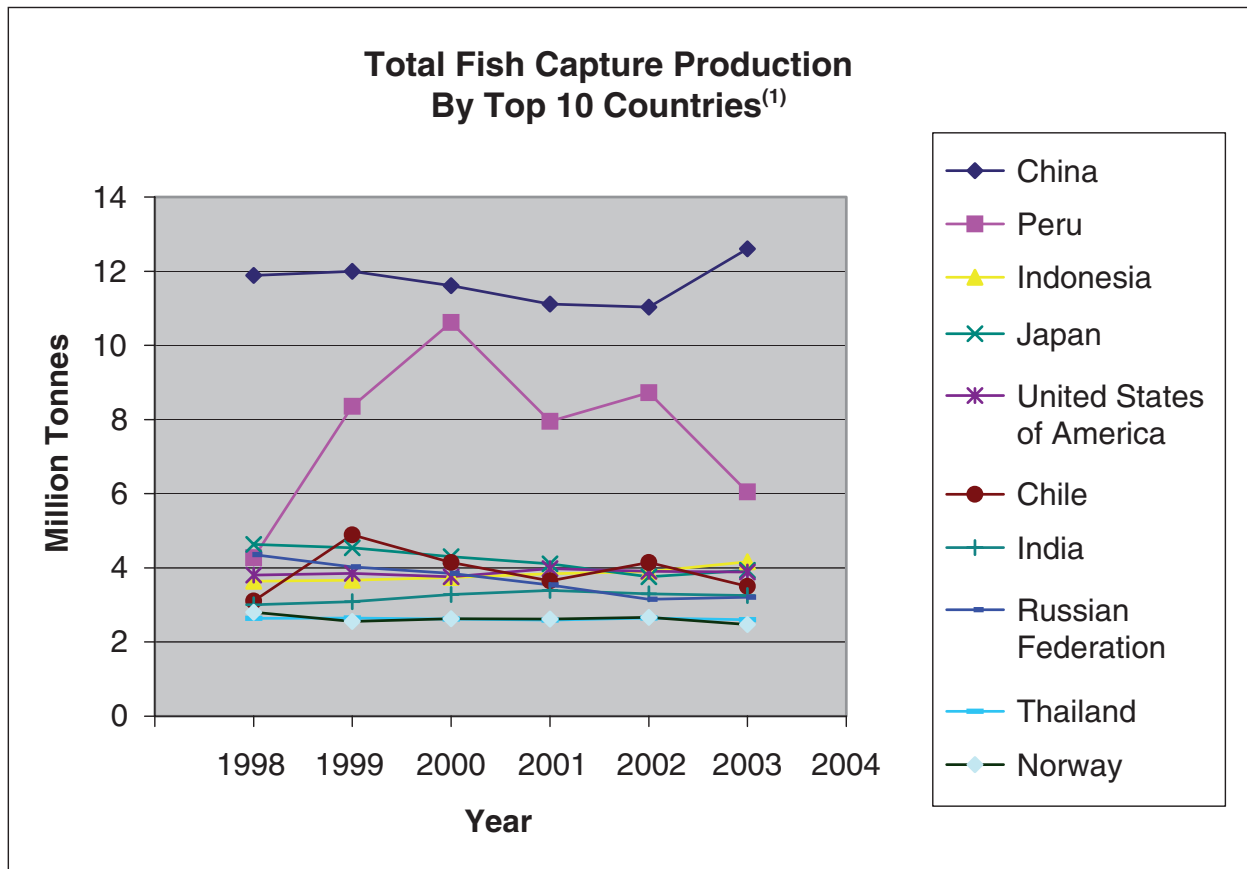
(1) Quantities above reflect total fish capture production based on data and statistics of FAOSTAT\* (excluding those classified under the categories of aquatic mammals, aquatic plants, crustaceans, miscellaneous aquatic animals, molluscs and others)

In 1998, total fish capture production declined below 80 million Tonnes to 76.6 million Tonnes due mainly to the impact of El Nino. Following the decline in 1998, total fish capture production recovered to 82.7 million Tonnes in 1999 and 80 million Tonnes in 2003, levels that are close to the historical maximum recorded in 1996 and 1997.

\* FAO has not consented to the inclusion of this statement for the purpose of Section 249 of the Securities and Futures Act and is thereby not liable for this statement under Sections 253 and 254 of the Securities and Futures Act. The Directors have not verified the accuracy of the contents of this statement. The Directors have included this statement in its proper form and context in this Prospectus. This statement is derived from the databases of FAOSTAT found at the following uniform resource locator: <http://www.fao.org/fi/statist/FISOFT/FISHPLUS.asp>. Any references to FAO or FAOSTAT or the use of any of the statistics, materials or databases of FAO and FAOSTAT in this Prospectus do not imply in any way an endorsement by FAO in respect of the Invitation nor does the authorisation by FAO for the use by our Company of such statistics, materials or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.

## BUSINESS

The PRC and Peru were the two top producing countries in 2003, each with an annual production in excess of 6 million Tonnes. The remaining eight of the top 10 producing countries are Chile, Indonesia, the United States, Japan, Norway, the Russian Federation, Thailand and India. Set out below are their fish capture production quantities during the period from 1998 to 2003:



**Note:**

(1) Quantities above reflect total fish capture production based on data and statistics of FAOSTAT\* (excluding those classified under the categories of aquatic mammals, aquatic plants, crustaceans, miscellaneous aquatic animals, molluscs and others)

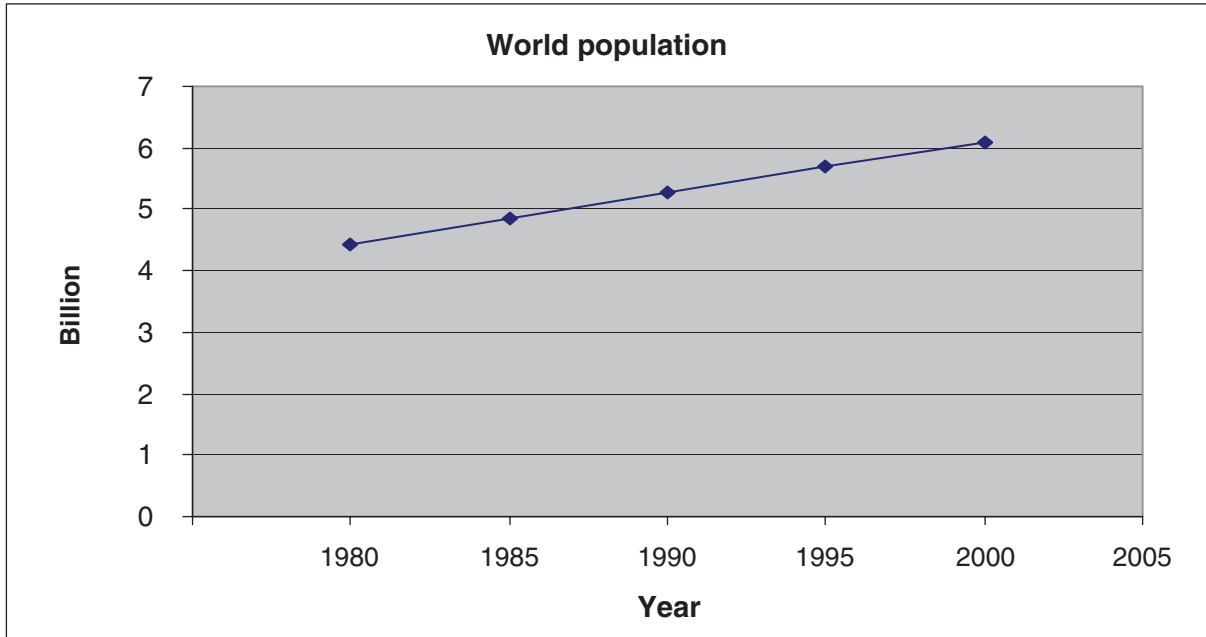
The gradual decrease in the fish capture production of the PRC from 1998 to 2002 was attributed to the adoption of a zero-growth policy since 1998 for fishing in its waters due to over-fishing. The increase in the fish capture production of the PRC in 2003 was attributed to the increase in fresh water catches.

**Utilisation**

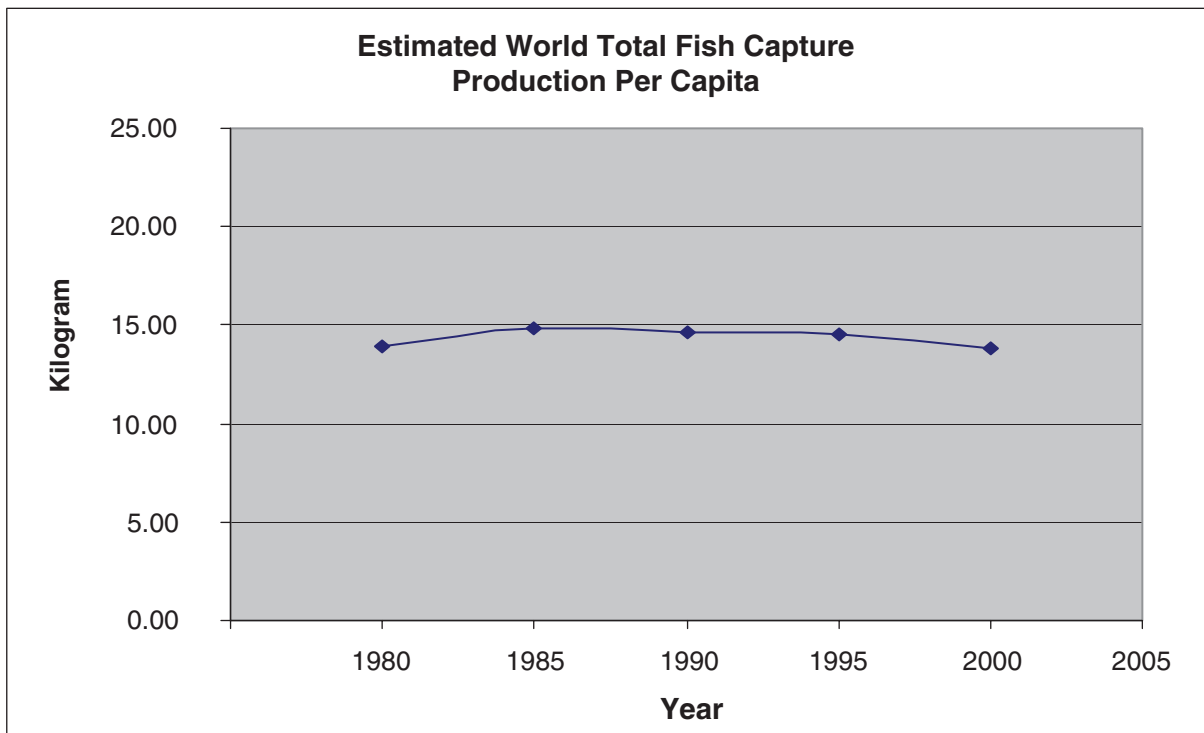
During the period from 1990 to 2000, the world population grew from 5.3 billion to 6.1 billion, representing a growth rate of about 1.43 percent per annum. However, from 1990 to 2000, total fish capture production grew at a slower rate of about 0.8 percent per annum. As a result, world total fish capture production per capita decreased from a high of 14.7 kg to 13.8 kg in 2000.

\* FAO has not consented to the inclusion of this statement for the purpose of Section 249 of the Securities and Futures Act and is thereby not liable for this statement under Sections 253 and 254 of the Securities and Futures Act. The Directors have not verified the accuracy of the contents of this statement. The Directors have included this statement in its proper form and context in this Prospectus. This statement is derived from the databases of FAOSTAT found at the following uniform resource locator: <http://www.fao.org/fi/statist/FISOFT/FISHPLUS.asp>. Any references to FAO or FAOSTAT or the use of any of the statistics, materials or databases of FAO and FAOSTAT in this Prospectus do not imply in any way an endorsement by FAO in respect of the Invitation nor does the authorisation by FAO for the use by our Company of such statistics, materials or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.

## BUSINESS



\*Source: United Nations Population Information Network



\*Source: Compiled from data extracted from United Nations Population Information Network and FAO Fishstat database (excluding those classified under the categories of aquatic mammals, aquatic plants, crustaceans, miscellaneous aquatic animals, molluscs and others in the FAOSTAT)

\* The United Nations and/or FAO, as the case may be, has not consented to the inclusion of this statement, table or compilation, as the case may be, for the purpose of Section 249 of the Securities and Futures Act and is thereby not liable for this statement table or compilation under Sections 253 and 254 of the Securities and Futures Act. The Directors have not verified the accuracy of the contents of this statement and/or data. The Directors have included this statement, table and/or compilation, as the case may be, in its/their proper form and context in this Prospectus. This statement, table and/or compilation, as the case may be, is/are derived from the databases of the United Nations and/or FAOSTAT found at the following uniform resource locator: <http://esa.un.org/unpp/> and <http://www.fao.org/fi/statist/FISOFT/FISHPLUS.asp> respectively. Any references to the United Nations, FAO or FAOSTAT or the use of any of the statistics, materials and/or databases of the United Nations, FAO and FAOSTAT in this Prospectus do not imply in any way an endorsement by the United Nations and/or FAO in respect of the Invitation nor does any authorisation by the United Nations and/or FAO, as the case may be, for the use by our Company of such statistics, materials and/or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.

## BUSINESS

Our Directors believe that the global potential demand for fish products will continue to grow strongly due to economic development and population increase but, at the same time, the fishery resources are currently not fully utilised.

Globally, it is estimated that more than 1 billion people rely on fish as an important source of animal protein (i.e. fish provides at least 30 percent of their animal protein intakes). According to FAO\*, about 2.6 billion people derive at least 20 percent of its animal protein intake from fish.

However, based on a report by FAO\*, on average about 7 million Tonnes of fish catches are discarded on board fishing vessels each year. In 2003, of the estimated 131.75 million Tonnes of total fishery production, approximately 32 million Tonnes were processed into feed meal and other non-food items, virtually all derived from the natural stocks of pelagic marine fish, which represented about one-third of the total fishery capture production of the world.

### Estimated total world fishery production and utilisation for the year 2003

World fishery production (in million Tonnes)	Aquaculture	Capture	Total
Pelagic marine fish	0.20	36.75	36.95
Freshwater and diadromous fish	25.79	9.19	34.98
Demersal marine fish	0.83	20.96	21.79
Cephalopods	–	3.51	3.51
Crustaceans	2.79	6.06	8.85
Molluscs	12.30	3.62	15.92
Marine fish – others	0.21	9.54	9.75
<b>Total</b>	<b>42.12</b>	<b>89.63</b>	<b>131.75</b>
Discards	–	7.00	7.00
<b>Total fishery resources exploited</b>	<b>42.12</b>	<b>96.63</b>	<b>138.75</b>

### Utilisation

Human consumption	42.12	57.63	99.75
Feed meal/non-food uses	–	32.00	32.00
Discards	–	7.00	7.00
<b>Total</b>	<b>42.12</b>	<b>96.63</b>	<b>138.75</b>

Our Directors believe that the high percentage of catch discard and reduction to feed meal and non-food uses is driven not only by the market demand, but also, to a considerable extent, due to the following reasons:

- lack of appropriate freezing/processing equipment on board the fishing vessels to process the catches for human consumption;
- limited storage spaces on board the fishing vessels; and
- the non-availability of logistics support for the timely transportation of large quantities of catches from the fishing grounds located far away from the consuming markets.

\* FAO has not consented to the inclusion of this statement for the purpose of Section 249 of the Securities and Futures Act and is thereby not liable for this statement under Sections 253 and 254 of the Securities and Futures Act. The Directors have not verified the accuracy of the contents of this statement. The Directors have included this statement in its proper form and context in this Prospectus. This statement is derived from the databases of FAOSTAT found at the following uniform resource locator: <http://www.fao.org/fi/statist/FISOFT/FISHPLUS.asp>. Any references to FAO or FAOSTAT or the use of any of the statistics, materials or databases of FAO and FAOSTAT in this Prospectus do not imply in any way an endorsement by FAO in respect of the Invitation nor does the authorisation by FAO for the use by our Company of such statistics, materials or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.

## BUSINESS

### Fishers

Over the last three decades, employment in fishing has continued to increase in many countries in line with the increase in fishery production. The number of fishers has been growing at an average rate of 1.27 percent per annum from 1990 to 2002. In 2002, an estimated 28 million people were directly engaged in fishing.

Set out below is an analysis of world fishers by continents:

	1995	1996	1997	1998	1999	2000	2001	2002
<b>Total fishers ('000)</b>								
Asia	22,549	22,913	22,567	22,700	22,230	22,267	22,773	23,319
Africa	2,133	2,297	2,302	2,397	2,434	2,473	2,525	2,504
Europe	828	847	812	810	832	784	757	707
South America	726	758	763	757	740	692	668	677
North and central America	696	594	597	595	598	677	696	697
Oceania	75	73	73	77	77	81	75	76
<b>World</b>	<b>27,007</b>	<b>27,482</b>	<b>27,114</b>	<b>27,336</b>	<b>26,911</b>	<b>26,974</b>	<b>27,494</b>	<b>27,980</b>

The highest number of fishers is in Asia and Africa. This closely reflects the predominance of labour-intensive economies in these continents. However, employment in fishing is decreasing in capital-intensive economies, notably in most European countries and in Japan. The fishing workforce in developed countries is characterised by the advancing age profile of their fishers, mainly resulting from the profession's decreasing attractiveness to younger generations.

### Worldwide fishery resources

Policy-makers and administrators over the world are increasingly recognising that fishery resources must be developed and used in ways that are sustainable. There is a steadily growing collective will in the international community to manage fish resources not only within a country's waters but also international waters in order to ensure the long-term sustainability of fishery resources.

To preserve the fishing resources in their waters, sovereign states are adopting licensing/quota systems and imposing catch certification requirements for fishing within their respective waters. With regard to fishing in international waters, since 1945, some 30 RFMOs have been established under multilateral agreements. RFMOs typically have the objective of implementing management measures designed to secure long-term sustainable fishery resources in the international waters. Controlling measures such as fishing quota system and catch certification requirements have been gradually introduced by these RFMOs. Under these fishing quota systems, fishing vessels of the member states of the RFMOs are allocated with fishing quotas based on their historic landing records. The catch certification requirements on the other hand, need to be obtained and renewed by fishers before they are allowed to market and sell their products in the respective member states.

The global situation of the main marine fish stocks for which assessment information is available follows the general trend observed in previous years. Overall, the number of under-exploited and moderately exploited fish resources continues to decline slightly, the number of fully-exploited stocks remains relatively stable and the number of over-exploited, depleted and recovering stocks is increasing slightly.

An estimated 24 percent of the major marine fish stocks or species groups for which information is available are under-exploited or moderately exploited. Stocks or species groups in this category represent the main source for the potential expansion of total marine catches. About 52 percent of the main stocks or species groups are fully exploited and are therefore producing catches that have reached,

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## BUSINESS

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or are very close to, maximum sustainable limits. Another 16 percent of stocks and species groups are reported as over-exploited. Prospects for expansion or increased production from these stocks are negligible. The remaining 8 percent of stocks have become depleted, or are recovering from depletion and are far less productive than they used to be. Recovery usually implies drastic and long-lasting reductions in fishing pressure and/or the adoption of other management measures to remove conditions that contributed to the stock's over-exploitation and depletion.

### HISTORY AND DEVELOPMENT OF OUR GROUP

Our Company was incorporated under the laws of the Cayman Islands on 14 April 2000 as an exempt company with limited liability. Pursuant to the Restructuring Exercise as described on pages 47 and 48 of this Prospectus, our Company acquired the entire share capital of CFIL.

CFIL was incorporated under the laws of Samoa on 8 February 1997 under the name of Deep Sea Company Limited and subsequently changed its name to the present name on 5 February 2004. The entire share capital of CFIL was previously owned by Jade China, a company owned by our Managing Director, Mr Sung Yu Ching. On 12 July 2004, Jade China divested 49.9% of CFIL to Zhonggang Fisheries, a company in which Pacific Andes holds 70% of its share capital while CIFHK holds the remaining 30%. On 31 December 2004, Golden Target, a wholly-owned subsidiary of Pacific Andes acquired 2% of the share capital of CFIL from Jade China and as a result of this acquisition, CFIL became a subsidiary of Pacific Andes.

Mr Sung, through his experience and business relationships, has been instrumental in shaping and developing our Group's business. Born in the Shandong province of the PRC in 1945, Mr Sung received his education in Taiwan and received a diploma in marine engineering from the National Taiwan Ocean College in 1967. From 1968 to 1982, Mr Sung worked with various shipping companies as a marine engineer on board different types of cargo vessels and oil tankers. From 1982 to 1990, Mr Sung worked with a fishing company as its operations manager for its fishing operations in the Middle East, Africa, South Asia and South America. From 1990 to 1997, while employed with a fishing vessel repairing company in Taiwan, Mr Sung was responsible for arranging the repair of fishing vessels in Taiwan, mainly Russian vessels that operated in the North Pacific Ocean. Consequently, Mr Sung established business relationships with fishing vessel owners conducting fishing operations in those fishing grounds. In 1997, Mr Sung became a shareholder in Chuan-Chuan, a company engaged in the trading of seafood products and vessel spare parts and appliances, and in the provision of ship repairing and construction agency services. Through this company, Mr Sung first established a business relationship with CNFC.

CNFC is a state-owned fishing enterprise of the PRC and is also one of the executing arms of the bilateral fishing agreements entered into by the PRC government with other countries. In view of Mr Sung's extensive fishing operational experience and knowledge, he was engaged in 1999 as a consultant to CNFC to develop its fishing operations along the east African coast of the Arabian Sea. Following this appointment, Mr Sung, through CFIL, was thereafter in 2001 engaged by CIFHK, a subsidiary of CNFC, to manage and operate fishing vessels that it arranged for fishing in the Indian Ocean and the Atlantic Ocean under the CIFHK Vessel Operating Agreement. These operations were undertaken by Mr Sung through CFIL.

In late 2001, as a business expansion strategy, CFIL expanded its fishing management operations to the North Pacific Ocean when it entered into a vessel operating agreement with Perun, a company owned by a group of fishing vessel owners, which has fishing operations in the North Pacific Ocean. This earlier vessel operating agreement was terminated and replaced by the Perun Vessel Operating Agreement in 2004. Perun was previously engaged in fishing and marketing of seafood products internationally and is now engaged solely as an arranger pursuant to and under the Perun Vessel Operating Agreement.

### OUR BUSINESS

CFGL, through CFIL, operates and manages fishing vessels for coastal fishing and deep sea industrial fishing. Our Group currently carries out fishing operations under a vessel management agreement with CIFHK and a vessel operating agreement with Perun.

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## BUSINESS

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The sale of our catches are undertaken by our marketing subsidiaries, Superb Choice and Excel Concept while Chanery Investment, Admired Agents and Metro Island are our procurement subsidiaries that procure bunkers, vessel crew, vessel spare parts and other vessel supplies for our Group.

### **CIFHK Arrangement**

Under the CIFHK Management Agreement, the Group currently operates eight fishing vessels in the Indian Ocean and another 19 in the Atlantic Ocean. CIFHK has been mandated by the respective vessel owners to arrange for the management and operation of the vessels. The Group is entitled to a management fee which is calculated based on the gross value of the catches less certain agreed components such as operating expenses and fixed and variable returns payable to CIFHK.

For more details on the terms and conditions and arrangements under the CIFHK Management Agreements, please refer to the section “Business – Vessel Operating and Management Agreements” on pages 80 to 82 of this Prospectus.

### **Perun Arrangement**

Under the Perun Vessel Operating Agreement, the Group operates seven fishing vessels in the Pacific Ocean, of which six vessels belong to Russian owners and the remaining vessel is owned by a subsidiary of Perun. Perun has been mandated by the respective vessel owners to arrange for the management and operation of all the seven vessels. Pursuant to the terms of the Perun Vessel Operating Agreement, the Group is entitled to the proceeds of the sale of all the catches. In return, Perun receives a fixed daily charter of US\$11,000 per vessel day and a 20 percent share of the profits from the operations of these vessels.

For more details on the terms and conditions and arrangements under the Perun Vessel Operating Agreement, please refer to the section “Business – Vessel Operating and Management Agreements” on pages 82 to 85 of this Prospectus.

## **OUR FISHING OPERATIONS**

Our fishing operations are conducted all year round and coincide with the fishing seasons of various species of fish. The timing of our fishing operations for a particular specie of fish may be dependent on the migratory patterns and/or seasonal market demand of that specie of fish or the fishing restrictions prescribed by relevant governmental authorities on that specie of fish. The vessels operated and managed by us for the Pacific Ocean operations are equipped with highly sophisticated fish finding technology to identify the size, the location and density of the school, allowing the vessels to optimise the catch and resource value. Once the ship master identifies a fishing area, a mid-water or pelagic trawl net is towed behind the vessel. The ship master monitors the catch sensors attached along the portion of the net that holds the fish. When the optimal catch level is reached and the net is wound in, the fish are immediately dropped into tanks to await processing.

Within hours, some of the harvested fish are converted into primary processed products utilising highly automated, continuous production processes. In the first phase of processing, fish are released from the holding tanks onto a conveyer, sorted according to size and diverted into hoppers at the head of one of the several processing lines. Headed and gutted Alaskan pollock are run through an additional line which extracts roe skeins intact. These skeins are weighed, graded, packaged according to grade and frozen. Fish that have been headed and gutted are frozen on board before being packed into carton boxes or composite paper-plastic sacks and stored inside freezers. The fish wastes from the processes described above are then further processed into feed meal in order to avoid sea pollution and to maximise sales value. The feed meal is packed into composite paper-plastic sacks. The rest of the species of fish that do not require processing are then frozen and packed into carton boxes or composite paper-plastic sacks for storage.

Most of the products are then transshipped to our customers' transportation vessels at the fishing grounds. In some cases, our fishing vessels discharge our catches at various seaports during port calls or at the end of a fishing voyage. At these seaports, the carton boxes or the composite paper-plastic sacks are delivered directly to our customers.

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## BUSINESS

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Payments for our products are made by way of the issuance of a letter of credit or by way of a telegraphic transfer.

In order to minimise interruptions to our fishing operations, our fishing vessels usually replenish their bunkers and on-board provisions and necessities either at the fishing grounds where we operate or at the seaports during port calls where we discharge our catches or conduct routine maintenance. Replenishment of supplies for our vessels at the fishing grounds is done during the transshipment of our catches to our customers' transportation vessels. Other than the routine maintenance performed by our engineers or our crew on board, our vessels usually undergo annual repair and maintenance at the seaports.

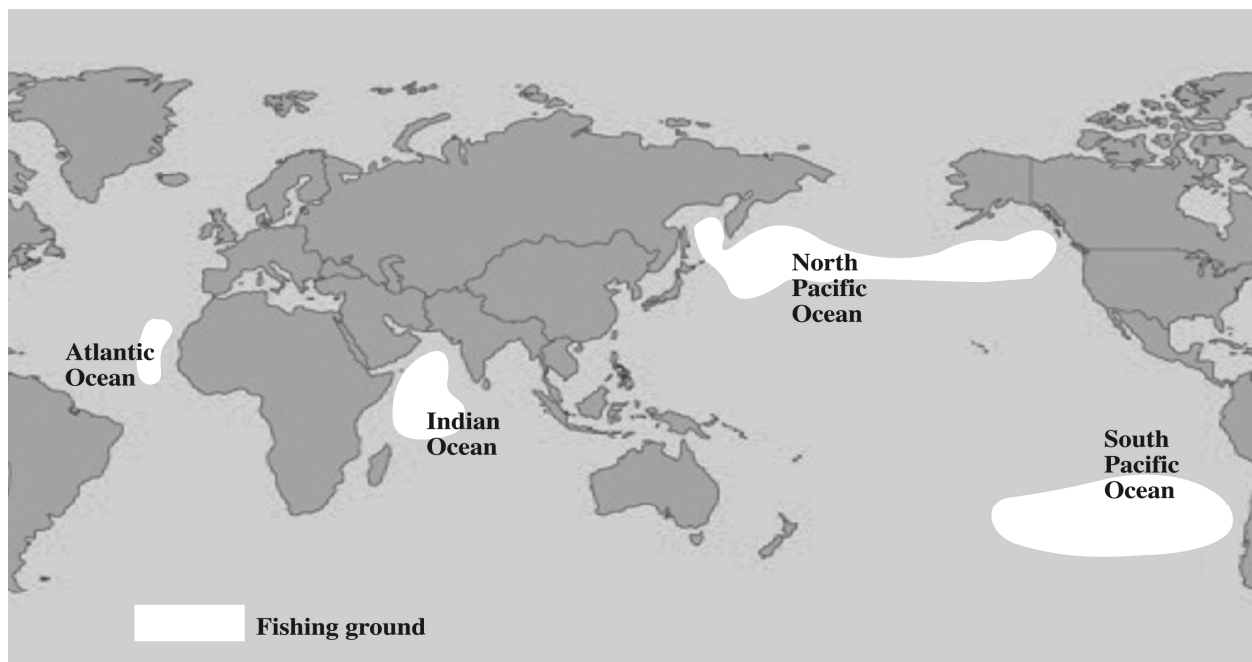
The crew and officers employed on board our fishing vessels are mainly recruited from the PRC, the Middle East, Indonesia, Eastern Europe, Africa and Russia. As at 30 June 2005, our Group employed a total of 632 crew and officers on board all the fishing vessels that we operate and manage.

In order to support our fishing operations, we have fleet managers and support staff stationed at the vessel owners' offices in several cities in Russia, the Middle East, Africa and the PRC wherein our support services are conducted. We have offices in Qingdao and Shidao, the PRC and Hong Kong that house all our administrative functions, including procurement, invoicing, ship repairing and treasury management.

Our fleet managers are responsible for the overall management of the fishing operations on the assigned fishing grounds where our Group operates. The fleet managers' duties may include crew management, supervision of catch discharges, monitoring of on-board supplies, formulation of fishing strategies and liaison with relevant governmental authorities and other regulatory bodies.

In addition to our fishing operations, from time to time we also acquire catches from vessels of other fishing companies for processing on board the fishing vessels we operate in order to maximise the processing capacity of these fishing vessels. This does not constitute a significant portion of our business.

### FISHING GROUNDS



## BUSINESS

Presently, our major fishing locations are in the Indian Ocean, the Atlantic Ocean and the Pacific Ocean. Generally, the main species of fish caught from these fishing grounds, and the respective total weight sold (in Tonnes) during FY2002, FY2003, FY2004 and HY June 2005, are as follows:

Fishing Ground	Main Species of Fish	Countries where the Fish are Sold to	Total Weight (in Tonnes) Sold Per Country:			
			FY2002	FY2003	FY2004	HY June 2005
Indian Ocean <sup>(1)</sup>	Cuttlefish, Squid, Ribbon Fish, Grouper	The PRC	17,009	16,175	3,429	–
		Japan	1,577	2,587	662	–
		Europe	1,698	1,683	523	–
		Others	311	285	642	–
Atlantic Ocean <sup>(1)</sup>	Cuttlefish, Octopus, Squid, Grouper	Japan	–	–	2,721	–
		Europe	–	–	2,587	–
Pacific Ocean	Alaskan Pollock, Herring, Pacific Cod, Hake, Squid, Halibut	The PRC	7,914	18,200	31,558	19,136
		Japan	376	200	373	873
		Europe	–	–	2,422	4,682
		Korea	–	146	6,783	4,745
		Others	–	–	1,986	4,704

**Note:**

- (1) For FY2002, FY2003 and FY2004, the Indian Ocean and the Atlantic Ocean catches as disclosed above were sold by the Group under the CIFHK Vessel Operating Agreement and for HY June 2005, the Indian Ocean and the Atlantic Ocean catches as disclosed above were sold by CIFHK in accordance with the terms of the CIFHK Management Agreement.

### Indian Ocean

We commenced our fishing operations on the Arabian Sea in the Indian Ocean in late 2001. The main species of fish caught in these waters are the Cuttlefish, Grouper, Ribbon Fish and Squid. Our catches from this fishing ground are discharged either at sea or at seaports in the Middle East and South East Asia.

The eight fishing vessels that we manage and operate in the Arabian Sea are arranged by CIFHK under the CIFHK Management Agreement. CIFHK arranges and procures fishing licences for these vessels when they operate on waters of foreign countries.

### Atlantic Ocean

We commenced our fishing operations along the West African coast in the Atlantic Ocean in 2004. The main species of fish caught in these waters are the Cuttlefish, Grouper, Octopus and Squid. Our catches from these waters are discharged at seaports in West Africa.

The 19 fishing vessels that we manage and operate in these waters are arranged by CIFHK under the CIFHK Management Agreement. CIFHK arranges and procures fishing licences for these vessels when they operate on waters of foreign countries.

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## BUSINESS

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### **Pacific Ocean**

#### North Pacific

We commenced our fishing operations on the Sea of Okhotsk and the Bering Sea in the North Pacific Ocean in 2001. Our vessels operate in the international waters and the economic waters of Russia. The main species of fish caught and processed in these waters are the Alaskan Pollock, Herring, Hake, Squid, Pacific Cod and Halibut. Our catches from these waters are typically transshipped to our customers' transportation vessels at the fishing grounds or at the seaports in the PRC and South Korea during port calls or at the end of the fishing voyages.

Besides our own catches, we also acquire catches from the vessels of other fishing companies for processing on board the fishing vessels we operate in order to maximise the processing capacity of the fishing vessels we operate. This would include purchases from fishing vessels operating in the economic waters of Canada where the processing of such catches on board the fishing vessels operated by us are conducted in the economic waters of Canada.

The five fishing vessels that we manage and operate in the Sea of Okhotsk and the Bering Sea are arranged by Perun under the Perun Vessel Operating Agreement. These fishing vessels possess fishing quotas and licences necessary for them to operate within Russian economic waters.

#### South Pacific

Since June 2004, we commenced our fishing operations in the international waters of the South Pacific Ocean close to the South American coast where we have deployed two of the fishing vessels we manage and operate to this fishing ground. The main specie of fish caught in these waters is the Chilean Jack Mackerel. Our catches from these waters are transshipped to transportation vessels at the fishing grounds.

The fishing vessels that we manage and operate in these waters are arranged by Perun under the Perun Vessel Operating Agreement. No fishing licence or quota is required for fishing in these waters. Our fishing operations at the South Pacific Ocean are currently not governed by any rules or regulations of any RFMOs.

### **FISHING VESSELS**

Our Group currently manages and operates a total of 34 fishing vessels as part of our business operations. These fishing vessels are managed and operated by us pursuant to the CIFHK Management Agreement or the Perun Vessel Operating Agreement. A summary of the characteristics of the fishing vessels we manage and operate is set out below.



#### **Trawler**

Number of Trawlers: 27  
Gross Tonnage / Trawler: 290 – 507 Tonnes  
Total Gross Tonnage: 8,448 Tonnes  
Length: 43 – 45 meters  
Number of crew per vessel: 8-15



**Super Trawler**

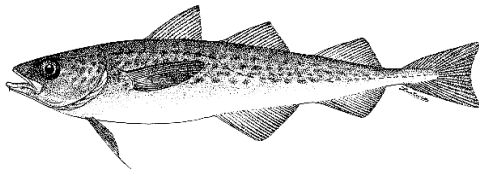
Number of Super Trawlers: 7  
Gross Tonnage / Super Trawler: 3,709 – 4,638  
Tonnes  
Total Gross Tonnage: 30,230 Tonnes  
Length: 87 – 97 meters  
Number of crew per vessel: 85 – 98

**FISH AND OTHER SEAFOOD RANGE**

The following are the principal species of fish and seafood caught and traded by the Group:

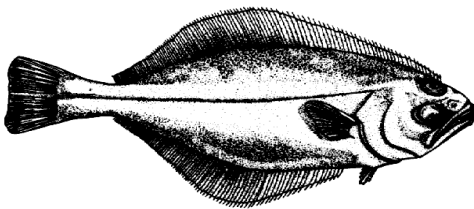
**Demersal Marine Fish**

**Alaskan Pollock**



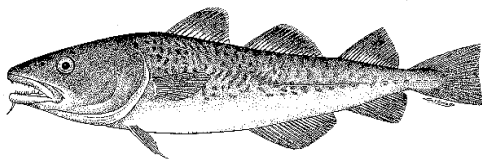
Alaskan Pollock is one of the most harvested species of whitefish and its roe is a high value product for the Japanese market. Alaskan Pollocks caught by our fishing vessels have their heads removed and/or gutted and roe extracted before frozen on board the fishing vessels into uniform blocks before they are packed into composite paper-plastic sacks.

**Halibut**

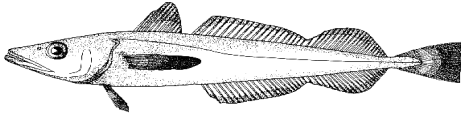


Halibut is the largest of the flat fish. Its belly is white and, depending on the type of bottom where the Halibut is caught, the back ranges from olive-green to nearly black. Halibuts are sorted into different sizes, headed and gutted and then frozen on board the fishing vessel before they are packed into carton boxes.

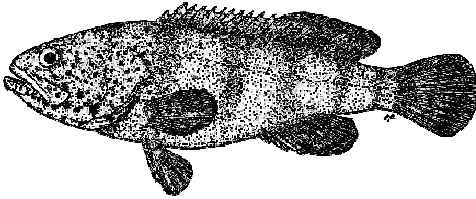
**Pacific Cod**



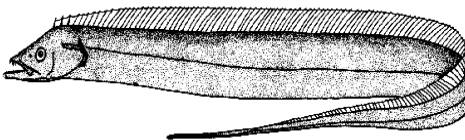
Pacific Cod is a light weight version of the larger Atlantic Cod. It has a pale brown or gray back with numerous spots. Pacific Cods are sorted into different sizes, headed and gutted and then frozen into block forms before they are packed into carton boxes of 30 kgs each.

**Hake**

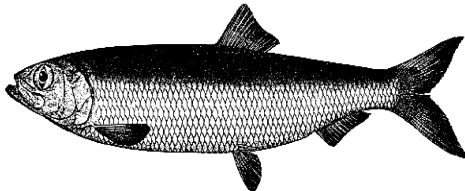
Two dorsal fins and a single anal fin distinguish the Hake, along with its metallic to silverish-gray back and white belly. Hake are sorted into different sizes, headed and gutted and then frozen into block forms before they are packed into carton boxes of 30 kgs each.

**Grouper**

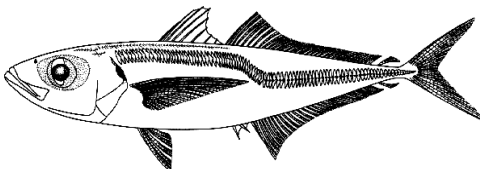
Groupers have heavy bodies, big heads and large mouths. The Grouper targeted by the Group are the red and black Groupers. On board the fishing vessel, the Groupers are sorted into different sizes, headed and gutted (if required by customers) and then frozen either individually or into uniform blocks before they are packed into carton boxes.

**Ribbon Fish**

Ribbon Fish is caught in Indian seas and estuaries, the Malay Archipelago and China. The body is elongated, strongly compressed, ribbon shaped, tapering to a finless point at the tail. Ribbon Fishes are sorted into different sizes and frozen on board the fishing vessel before they are packed into carton boxes.

**Pelagic Marine Fish****Herring**

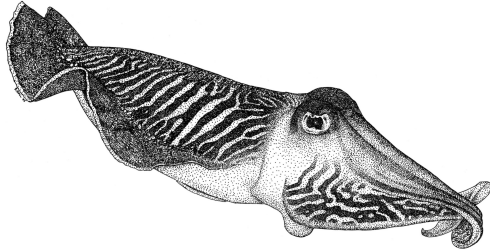
Herring is a type of small, silver fish which shoal in large numbers, usually near the surface. They are characterised by their high oil content which makes them versatile for many uses, including pickling, salting, smoking and canning. The Pacific Herring also has larger eggs, making it significantly more valuable for roe products for the Asian markets, especially the Japanese market. Herrings are sorted into different sizes and frozen on board the fishing vessel before they are packed into carton boxes.

**Chilean Jack Mackerel**

Chilean Jack Mackerel has an elongate and fairly compressed body, a large head and eyelids. On board the fishing vessel, they are sorted into different sizes and then frozen into uniform blocks before they are packed into carton boxes.

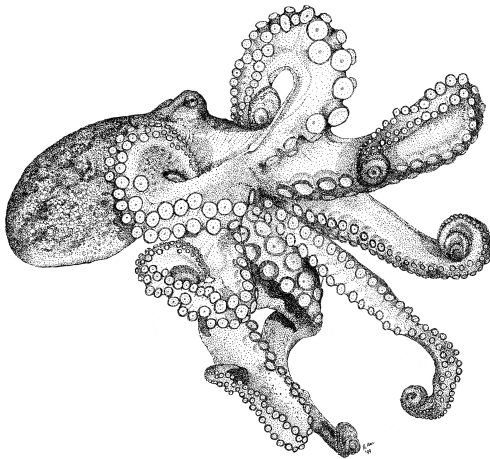
**Cephalopods**

**Cuttlefish**



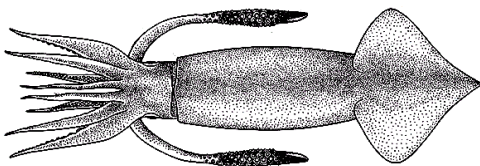
A 10-armed mollusc related to Octopus and Squid, the Cuttlefish sports a fat, oblong body and narrow fins. Cuttlefishes are sorted into different sizes and then frozen into uniform blocks on board the fishing vessel before they are packed into carton boxes.

**Octopus**



Related to Cuttlefish and Squid, the Octopus sports a globe-shaped head, bulging eyes and eight sucker-lined tentacles. It lives in small, dark cracks or crevices in the ocean floor. Various species range in size from a few ounces to over 100 lbs, with overall length, including tentacles, reaching several feet. On board the fishing vessel, the Octopus are sorted into different sizes and then frozen into uniform blocks before they are packed into carton boxes.

**Squid**



Squid is also called calamari or ink fish. The Group fishes for the loligo Squid. On board the fishing vessel, Squids are sorted into different sizes and then frozen into uniform blocks before they are packed into carton boxes.

Of the species of fish that we catch from our fishing grounds, Alaskan Pollock, Halibut, Pacific Cod, Herring and Squid are covered by the Russian quota system. These fishing quotas are arranged by Perun on behalf of the Russian owners of these fishing vessels.

**VESSEL OPERATING AND MANAGEMENT AGREEMENTS**

Our fishing operations are dependent on vessel operating and management agreements concluded by our Group with various arrangers acting on behalf of the owners of fishing vessels. Currently, we have two such arrangements with CIFHK and with Perun covering 27 vessels and seven vessels respectively.

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### **CIFHK Arrangement**

Under the CIFHK Management Agreement, the Group currently operates eight fishing vessels in the Indian Ocean and another 19 in the Atlantic Ocean. CIFHK has been mandated by the respective vessel owners to arrange for the management and operation of the vessels. Accordingly, CIFHK has engaged the Group to manage and operate the 27 fishing vessels on and subject to the terms of the CIFHK Management Agreement for an initial period of three years starting from 1 January 2005, with an option to extend the period for a further term of three years. CIFHK is responsible for ensuring that the necessary approvals / permits / licences for fishing in the territorial waters that the vessels operate in are duly obtained and maintained. The Group is entitled to a management fee which is calculated based on the gross value of the catches less certain agreed components such as operating expenses and fixed and variable profit entitlements. Pursuant to the terms of the CIFHK Vessel Management Agreement, fixed profit entitlement is determined based on the pre-agreed amount for each type of vessel managed under the CIFHK Vessel Management Agreement whilst variable profit entitlement for each vessel managed is calculated based on 60% of the management fee received by the Group for the relevant vessel. The expenses paid by the Company to CIFHK mainly include bunker fuel, crew wages and bonus, repair and maintenance, and fixed charter hire. CIFHK is in turn entitled to a fixed return and, where applicable, a variable return. The fixed return which CIFHK is entitled to is based on an agreed rate of return per vessel day while the variable return is based on a percentage of the management fee payable to the Group.

If new fishing vessels are introduced to the Group under the CIFHK Management Agreement, the three-year period in respect of each new fishing vessel will start from the day that the fishing vessel leaves the seaport on its first fishing voyage. At the end of each of the three-year period, the Group has the option to extend the period for another three years under the CIFHK Management Agreement, such option is only exercisable once for each fishing vessel.

Prior to the commencement of the CIFHK Management Agreement, the Group was engaged to manage and operate fishing vessels under the CIFHK Vessel Operating Agreement, which agreement was terminated with effect from 31 December 2004. Under the CIFHK Vessel Operating Agreement, the Group was responsible for the sale and marketing of the catches. However, as a large percentage of the catches were sold to CIFHK, it therefore did not make sense for the Group to be responsible for the sale and marketing of the catches. As such, it was mutually agreed between our Group and CIFHK that the previous arrangement under the CIFHK Vessel Operating Agreement be terminated and replaced by the CIFHK Management Agreement.

Under the CIFHK Management Agreement, the sale and marketing of the catches is handled by CIFHK. The following measures are taken when determining if the value of the catches as informed by CIFHK (which will be used to determine the management fee due to our Group) is acceptable to the Group:

- (a) prior to the discharge of the catches, the ship master and vessel crew will sort and pack the catches according to species and quality. They will then record and inform both the Company and CIFHK the quantities, species, grades and form of packaging of the catches on board. The ship master and the vessel crew are entitled to bonuses based on the catch value of the ship to which they are attached to. Hence, it is in the interest of the ship master and the vessel crew to ensure that the catch records are accurately kept; and
- (b) during the discharge of the catches, a joint inspection by representatives of the Company and CIFHK of the catches will be carried out to verify the records. Mr Sung will be notified accordingly of the details of the verified catch records. Upon such inspection, CIFHK will inform Mr Sung or his representatives on the value of the catches (based on the species, quantity and quality) which will be used to determine the management fee due to our Group. Through his many years of experience in this industry and coupled with checks conducted with third party industry sources (such as industry periodicals, resources on the internet and information from business associates), Mr Sung is able to determine if the value of the catches as informed by CIFHK is comparable to the prevailing market price. If the value of the catches as informed by CIFHK is accepted, Mr Sung

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will first notify the representatives of the Company through telephone, followed by a notification in writing. The representatives of the Company will thereafter notify CIFHK in writing of the Company's acceptance of the value of the catches as informed by CIFHK and will execute the necessary documentation to record the acceptance. While Mr Sung plays a primary role in the sale of the catches, the Company's management team has extensive experience in the fishing industry and is able to conduct and manage the sale of such catches in the event that Mr Sung is unable to conduct and manage the sale of the catches.

However, under the terms of the CIFHK Management Agreement, the Group reserves the right to purchase the catches from CIFHK if the value of the catches as informed by CIFHK are not acceptable to the Group. The Group will purchase such catches at that value as informed by CIFHK and thereafter manage and conduct the sale of such catches. The revenue and any resultant profits derived from such sale will be attributable to our Company. The CIFHK Management Agreement can be terminated at any time with the written mutual consent from CIFHK and CFIL.

Mr Sung has no direct or indirect interests in the catches other than as a controlling shareholder of our Company. Our Audit Committee will, on a quarterly basis, review the transactions made under the CIFHK Management Agreement to determine if the transactions made thereunder are conducted on arm's length basis and if the procedures put in place are adequate (and if not, to make the necessary recommendations) to ensure that good corporate governance is adhered to. For such purpose, the Audit Committee will engage external auditors to conduct such procedures as the Audit Committee deems appropriate to assist the Audit Committee in its deliberations.

Apart from the terms described above, set out below is a summary of certain further material terms of the CIFHK Management Agreement:-

(a) Operating Limits

CIFHK warrants that the vessels shall possess the necessary approvals to enable CFIL to manage and operate the vessels. Further, CIFHK indemnifies CFIL against any expenses arising out of a breach of the said warranty. Conversely, CFIL undertakes not to utilise the vessels otherwise than in conformity with the insurance policies and certain applicable laws.

(b) Maintenance and operation

CFIL shall maintain the vessels in a good state of repair at the costs of CIFHK and take steps to effect repairs within a reasonable time, failing which, CIFHK shall have the right to terminate CFIL's right to manage the relevant vessel.

The masters and crew are the servants of CIFHK and CIFHK indemnifies CFIL against any costs and claims arising from any claims by any of the masters or crew against CFIL.

CFIL has full and unhindered use of all equipment on board the vessels but shall make no changes to the vessels without the approval of CIFHK.

CIFHK shall arrange for the replacement of vessels which are determined to be not seaworthy by CFIL. The decision of an independent party shall be sought if CIFHK disputes the view of CFIL.

(c) Delivery and re-delivery

At the end of the management period, vessels are to be re-delivered in substantially the same condition. A joint survey shall be conducted by an independent surveyor on the condition of the vessels, such cost to be borne by CFIL.

(d) Personnel

CFIL is allowed to station its personnel to utilise the onshore offices of CIFHK for a monthly facility fee.

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(e) Statements

CIFHK will prepare a monthly statement setting out the operating expenses, the amounts payable and the amounts received from the sale of fish.

CIFHK's auditors will perform an audit on payments received and made and verify such amounts. CFIL is entitled to appoint its auditors. If the determination of the 2 auditors differs, the matter may be referred to a third auditor to be appointed by agreement.

Any overpayment shall be refunded and any shortfall shall be paid for.

### **Perun Arrangement**

For our operations in the Pacific Ocean, we entered into an arrangement with Perun under the Perun Vessel Operating Agreement.

Perun was incorporated on 3 July 1998 under the laws of the British Virgin Islands. Prior to entering into the Perun Vessel Operating Agreement, Perun was principally involved in fishing and marketing of seafood products internationally. Currently, Perun's business is limited to that of arranging vessels pursuant to and under the Perun Vessel Operating Agreement. Perun has previously conducted business activities with Pacific Andes. These business activities commenced in 1998, whereby it sold frozen fish to Pacific Andes at an average value of approximately US\$30 million per annum.

The beneficial owners of Perun are also the beneficial owners of the vessel owners that own six of the seven vessels managed and operated by the Company under the Perun Vessel Operating Agreement. Other than these six vessels and the additional vessel owned by a subsidiary of Perun, Perun does not arrange or own any other vessels.

Under the Perun Vessel Operating Agreement, the Group operates seven fishing vessels in the Pacific Ocean. Perun has been mandated by the respective vessel owners to arrange for the management and operation of the vessels. Accordingly, Perun has engaged the Group to manage and operate all of these fishing vessels on and subject to the terms of the Perun Vessel Operating Agreement for an initial period of 10 years commencing from 1 January 2004. The Group has an option to extend the period for a further term of 10 years. Currently, five vessels are deployed in the Russian economic waters in the North Pacific Ocean. The Russian vessel owners possess the necessary fishing quotas and licences that allow the fishing vessels to operate in the Russian economic waters. The remaining two vessels currently operate in international waters in the South Pacific Ocean where the fishing operations on such waters are not restricted by any governmental fishing quotas. Pursuant to the terms of the Perun Vessel Operating Agreement, the Group is entitled to the proceeds of the sale of all the catches. In return, Perun receives a fixed daily charter of US\$11,000 per vessel day and a 20 percent share of the profits from the operations of these vessels. The Perun Vessel Operating Agreement can be terminated at any time with the written mutual consent from Perun and CFIL.

If new fishing vessels are introduced to the Group under the Perun Vessel Operating Agreement, the 10-year period in respect of each new fishing vessel will start from the day that the fishing vessel leaves the seaport on its first fishing voyage. At the end of each of such 10-year period, the Group has the option to extend the period for another 10 years under the Perun Vessel Operating Agreement, such option is only exercisable once for each fishing vessel.

Our previous arrangements were covered under a vessel operating agreement dated 27 December 2001, which was effectively terminated on 6 January 2004 pursuant to the execution of a termination agreement dated 10 April 2004.

Other than holding 20 percent of the issued shares of our Company's subsidiary, namely Excel Concept, Admired Agents and Metro Island, as security for the payment to it of the 20 percent profit sharing as provided for under the Perun Vessel Operating Agreement, the beneficial owners of Perun are not related to our Group.

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Apart from the terms described above, set out below is a summary of certain further material terms of the Perun Vessel Operating Agreement:-

(a) Operating limits

Perun warrants that the vessels shall possess the necessary approvals and sufficient quantities of the quota will be allocated during the employment period. CFIL is entitled to use the vessels without interruption by Perun so long as the vessels are employed in lawful trades.

(b) Maintenance and operation

CFIL has full possession and control of the vessels and shall maintain the vessels in a good state of repair.

The masters and crew are the servants of CFIL.

(c) Re-delivery and replacement

CFIL may sell a vessel if it determines that the vessel is economically unfit for fishing. 10% of the sale proceeds will be paid to Perun and the remaining 90% will be retained by CFIL.

If CFIL determines that a vessel should not be employed for its operations, Perun shall acquire a replacement vessel and CFIL shall provide financing (as may be necessary) for such acquisition. CFIL has an option to purchase such replacement vessels at a price equivalent to the amount financed by it.

(d) Statements

CFIL will prepare a monthly statement for each vessel setting out the amounts of all fees payable, the net amounts received from the sale of fish and the operating expenses. An audit will be carried out to determine the amount of fees payable.

(e) Inspection and survey

Perun has the right to inspect or survey the vessels.

(f) Title

Perun acknowledges that the legal and beneficial title to the catch is vested in CFIL and CFIL is entitled to sell the catch free from all encumbrances.

### Prepayment of Fixed Fee

Pursuant to the terms of the Perun Vessel Operating Agreement, CFIL exercised, on 20 January 2004, the option to prepay (the "Prepayment") the fixed charter hire (the "Fixed Fee") for each of the vessels operated by CFIL under the Perun Vessel Operating Agreement for the 10-year employment period of each of the seven vessels. The agreed total Fixed Fee to be prepaid by our Group was US\$56 million. In March 2004, CFIL utilised the cash received from Pacific Andes' fish purchase prepayment amounting to US\$30 million towards part payment of the Prepayment. In February 2005, CFIL paid the balance US\$26 million to Perun. In view that the fishing season at the Sea of Okhotsk ended in July 2004, the Group refunded to Pacific Andes a sum of US\$16.4 million (using the proceeds of an interest-free shareholder loan extended by Jade China) with the balance of US\$13.6 million fish purchase prepayment offset against fish sold by CFIL to Pacific Andes. The Group has further repaid the US\$16.4 million shareholder loan from Jade China using the proceeds of a long-term working capital loan obtained from Landsbanki Íslands HF in the second quarter of FY2005. Our Directors believe that the Prepayment will result in significant savings for our Group for the duration of the aforesaid 10-year employment period.

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### Security for the Prepayment

To secure the Prepayment and to ensure that Perun complies with its obligations under the Perun Vessel Operating Agreement, the following documents have been executed in favour of CFIL:

- (a) charges executed by the shareholders of Perun for all the issued shares of Perun (the “Perun Charges”);
- (b) a debenture executed by Perun over all the present and future assets of Perun (the “Perun Debenture”); and
- (c) an entrusted management agreement executed by, amongst others, the shareholders of Perun to vest upon the nominee of CFIL, the management and control of Perun (except the declaration and payment of dividend) in respect of the rights of CFIL under the Perun Vessel Operating Agreement, the Perun Debenture, the Perun Charges and any other security granted in favour of CFIL) for the enforcement of the performance and obligations of the Perun Vessel Operating Agreement (the “Perun Entrusted Management Agreement”).

In the event that an event of default occurs pursuant to the terms of the Perun Charge and Perun Debenture, CFIL shall be entitled to exercise its rights over the security created by those security documents. Such events of default include, among others:-

- (i) the failure of Perun to pay any sum(s) payable from time to time to CFIL on the relevant due date, whether under, arising from or in connection with the Perun Vessel Operating Agreement, the Perun Charge, the Perun Debenture or any other security granted in favour of CFIL by Perun; or
- (ii) the default of Perun in the due performance of any undertaking, condition or obligation on its part to be performed and observed in the Perun Vessel Operating Agreement, the Perun Debenture or any other instruments or agreements entered for the benefit of CFIL.

In addition, to ensure that Perun is able to comply with its obligations under the Perun Vessel Operating Agreement, Perun, has procured, *inter alia*, the execution of the following agreements:-

- (i) an entrusted management agreement (the “VOC Entrusted Management Agreement”) with each of the shareholders of the vessel owning companies (the “Vessel Owning Companies Shareholders”) whereby each of the Vessel Owning Companies Shareholders transfers the management of its respective shares in the Vessel Owning Companies to a Perun nominee and the Perun nominee holds these shares and exercise the rights vested by these shares for and in the interests of Perun. By virtue of the fact that the Perun nominee can exercise the rights attached to the shares, the Perun nominee is effectively entitled to step in and manage the affairs and operations of each of these Vessel Owning Companies on and subject to the terms and conditions of the VOC Entrusted Management Agreement; and
- (ii) a mortgage over each of the six vessels not owned by Perun and arranged, managed and operated under the Perun Vessel Operating Agreement (the “Mortgage”).

Our Group has received the necessary legal opinions from Sokolov, Maslov & Partners (as to Russian law and in relation to the matters set out under sub-paragraphs (i), (ii) and (iii) below), Appleby Spurling Hunter (as to British Virgin Islands law and in relation to the matters set out under sub-paragraph (i) below) and Ashurst (as to English law and in relation to the matters set out under sub-paragraph (i) below) stating that, subject to the assumptions, reservations and other qualifications stated in the respective legal opinions, where applicable, (i) the Perun Charge, the Perun Debenture and the Perun Entrusted Management Agreement are enforceable in accordance with the terms and conditions set out in these documents, (ii) the VOC Entrusted Management Agreement and the Mortgage are enforceable in accordance with the terms and conditions set out in these documents and (iii) our Group is able to obtain legal title to the vessels currently managed under the Perun Vessel Operating Agreement pursuant to and in accordance with the terms and conditions of the respective security arrangement herein contemplated.

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### Fishing Quota System for the Russian Waters

At present, the five vessels deployed in the Russian economic waters which we operate and manage pursuant to the Perun Vessel Operating Agreement have certain fishing quotas which have been allocated to the owners of these vessels by the Russian fishing authorities under a quota allocation system. Under the quota allocation system, the Russian fishing authorities will review the historic utilisation of the quotas by the end of a five-year period in order to determine the quota allocation for the next five-year period. The current quotas which have been allocated to the owners of these vessels will be subject to a review by the Russian fishing authorities towards the end of 2008.

### **SALES AND MARKETING**

All our sales are conducted on a willing-buyer-willing-seller basis. The terms of the sale are agreed based on prevailing market terms and conditions. The sales of our catches are conducted as follows:

(a) Pacific Ocean

Prior to 1 January 2004, Mr Sung, together with Perun, negotiated all sales with our customers in respect of our catches derived by our operations under the Perun Vessel Operating Agreement. From January 2004, Mr Sung has taken sole responsibility of all sale negotiations with our customers following the exercise of the Prepayment option by CFIL under the Perun Vessel Operating Agreement.

(b) Indian Ocean and Atlantic Ocean

Prior to 1 January 2005, Mr Sung, together with CNFC (acting on behalf of CIFHK), negotiated all sales with our customers in respect of our catches derived by our operations under the CIFHK Vessel Operating Agreement.

From 1 January 2005, the title of the fish catches has been retained by CIFHK under the CIFHK Management Agreement and our Group has since then not been involved in the sales negotiation between CIFHK and its customers. However, the CIFHK Management Agreement provides that in the event that the terms of any sale of the catches (including pricing) are not acceptable to us, we have the right to buy those catches from CIFHK on the terms which it proposes to sell whereupon we shall then be entitled to sell such catches on terms determined by us in our discretion.

As fish is a commodity and there are ready buyers for our fishes, we do not currently conduct any marketing activity other than negotiating with the customers for the sale contract terms and the selling prices.

### **OUR CUSTOMERS**

A list of our customers which constituted 5% or more of our sales in FY2002, FY2003, FY2004 and HY June 2005 is as set out below:

Name of customers	Percentage of Total Sales (%):			
	FY2002	FY2003	FY2004	HY June 2005
Pacific Andes	16%	20%	34%	40%
CIFHK	28%	19%	30%	— <sup>(1)</sup>
Zolotaya Orda Limited ("Zolotaya Orda")	27%	21%	—	—
Solar Fish Trading Limited ("Solar Fish")	9%	10%	—	—
Sei Chang Enterprises Co Ltd	—	—	—	7%
Yokohama Trading Co Ltd	—	—	—	9%
Maruha Kabushika Kaisha	— <sup>(1)</sup>	9%	— <sup>(1)</sup>	—
PP World Shipping	—	—	6%	—
Kamkor Co. Ltd.	—	—	5%	8%
Diamond Seafoods Limited	—	—	5%	—
Nichimo Holland	—	—	—	7%
Panapesca S.A.	6%	— <sup>(1)</sup>	—	—

**Note:**

(1) Sales amount less than 5% of our total revenue of the respective financial years and period.

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Our Directors believe that most of our catches are sold to the PRC for food consumption. Our customers for the PRC market are mainly Pacific Andes, CIFHK, Zolotaya Orda and Solar Fish.

The increase or decrease in sales to the customers set out above was attributable to the changes in the prices offered by our customers.

### OUR SUPPLIERS

We use fishing vessels arranged by CIFHK under the CIFHK Vessel Operating Agreement and CIFHK Management Agreement as well as fishing vessels arranged by Perun under the Perun Vessel Operating Agreement. Currently, we operate a total of 34 fishing vessels of various specifications for our fishing operations. Charter hire expenses, including the amortisation of the Prepayment, paid to CIFHK and Perun in FY2002, FY2003, FY2004 and HY June 2005 are as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	HY June 2005 (US\$'000)
Perun	3,547	8,099	11,603	9,156
CIFHK	13,617	15,234	16,655	–
	<u>17,164</u>	<u>23,333</u>	<u>28,258</u>	<u>9,156</u>

We also employed Perun and CIFHK as our sales agents for our catches. Sales commissions paid to Perun and CIFHK in FY2002, FY2003, FY2004 and HY June 2005 are as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	HY June 2005 (US\$'000)
Perun	83	179	–	–
CIFHK	311	372	387	–
	<u>394</u>	<u>551</u>	<u>387</u>	<u>–</u>

Save as disclosed above, there is no vendor who accounts for five percent or more of our total supplier costs (excluding the charter hire expenses and the sales commissions set out above) in FY2002, FY2003 and FY2004 and HY June 2005.

### CREDIT MANAGEMENT

As a general policy, sales to our customers are either on letter of credit terms, on credit terms of 14 days or on a cash prepayment basis. The credit terms are determined on a case-by-case basis depending on the creditworthiness of the customer, the length of our relationship with the customer and the then prevailing market conditions.

Our Group has not made any provisions for the writing off of any amounts in our trade receivables for the last three financial years.

Our Group's aging schedule for our trade receivables as at 31 December 2004 and 30 June 2005 is as follows:

	As at 31 December 2004 (Trade receivables outstanding) (US\$'000)	As at 30 June 2005 (Trade receivables outstanding) (US\$'000)
Less than 6 months	552	7,022
More than 6 months	–	–

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Of the 30 June 2005 balance of US\$7,022,000, no balance remains outstanding as at the Latest Practicable Date.

Our Group's policy for the provision of our trade receivables is as follows:

	<u>Percentage (%)</u>
Less than 6 months	–
More than 6 months but less than 12 months	20
More than 12 months	100

### INVENTORY POLICY

Our inventory comprises raw materials and fish and other catches on board. Raw materials include bunkers, lubricant oil, packing materials and provisions for the catching fish and other marine catches during voyages. Raw materials, stated at costs, are presented in the financial statements as deferred expenses.

Fish and other catches on board are not valued in the financial statements. Instead the expenses incurred in catching fish and other marine catches are deferred in the balance sheet as deferred expenses and released to the profit and loss account as expenses when the fish and marine catches are sold and revenue is recognised for the sale. Expenses on each voyage are deferred to the extent that there is reasonable probability of recovery from sale of fish and other marine catches from that voyage. When it is probable that the costs incurred or to be incurred on a voyage will exceed the estimated value of the catches, the expected loss is recognised as an expense in the profit and loss statement immediately.

There is no provision for inventory and no write off of inventory in the last three financial years ended 31 December 2004. Our inventory turnover is approximately 61 days, 35 days and 21 days for FY2002, FY2003 and FY2004 respectively.

Inventory turnover is expressed as the number of days of vessel operating expenses represented by the deferred expenses incurred in the operation of fishing vessels.

### INSURANCE POLICIES

For our business operations, our Group is currently covered by crew insurances, hull and machinery insurances, cargo insurances and protection and indemnity insurances.

Our Directors are of the view that the fishing vessels we manage and operate are adequately covered by insurance policies in line with industry norms.

### INTELLECTUAL PROPERTY

The nature of our business generally does not require any brand differentiation and thus we do not usually market our services under any particular trademark or logo.

We submitted the following applications to the relevant regulatory authority or supervisory body for the registration of our composite logo (found on the front cover of this Prospectus):

- (i) on 7 July 2005 to the Trademark Office of the PRC;
- (ii) on 14 July 2005 to the Trademark Registry, Intellectual Property Department of Hong Kong;
- (iii) on 15 July 2005 to the Intellectual Property Office of Singapore; and
- (iv) on 20 July 2005 to the Intellectual Property Office of Taiwan.

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Each of these applications was submitted for registration under the following classes of goods:

<b>Class of goods</b>	<b>Brief description</b>
29	Fresh, frozen, processed and unprocessed seafood and seafood products.
35	The bringing together, for the benefit of others, a variety of goods namely fresh seafood and seafood products, processed seafood and seafood products, unprocessed seafood and seafood products.

### RESEARCH AND DEVELOPMENT

Our business and operations do not currently require us to carry out our own research and development activities. However, the equity interest held by CIFHK, a subsidiary of CNFC, in our Company gives us ready and available access to the findings and reports of the research and development conducted by CNFC. CNFC collects and analyses data on, amongst others, the species of fishes in various fishing grounds in the Atlantic Ocean and the Indian Ocean and the catch trends on such fishing grounds. We are able to utilise such data and information to improve on our fishing operations and to increase our catches.

### STAFF TRAINING

We believe in providing our employees with the necessary training to ensure that they are equipped with the right set of skills for proper job performance. Most of the vessel crew are properly trained before coming on board our fishing vessels.

### COMPETITION

Our Directors believe that in terms of the actual fishing at the fishing grounds, it is difficult to identify companies or parties that may be strictly considered to be our competitors. This is partly because the fishing grounds are vast and it is difficult to specifically locate and identify other companies or parties conducting fishing operations in the same scale of operation as we do or catching the same species of fish as us.

As a fishing company, we face competition from other fishing companies in respect of the following:

- in the event that the total catch volume of a particular fish specie is restricted by a governmental body through a quota system, we are or will be competing with other fishing companies in terms of the time spent on our fishing operations. The sooner we reach the maximum catch volume, the lower would be our operating costs and hence our competitiveness in terms of our product pricing would be enhanced;
- in the event that the number of fishing companies operating in a particular fishing ground is restricted by a governmental body through a licensing system, we are or will be competing with other fishing companies for the limited fishing licences; and
- in the event that the fishing operation at a particular fishing ground is not controlled by any governmental body, we are competing with those fishing companies that are operating at the same fishing ground and are equipped with the same type of fishing vessels as ours.

Our main competitors operating in one or more of the fishing grounds at which we operate may include the following companies:

- JSC "Dalryba" (North Pacific)
- JSC "Magadanryba" (North Pacific)
- JSC "Murmansk Trawl Fleet" (North Pacific)
- Shanghai Deep Sea Fisheries Co., Ltd. (South Pacific)
- Hokkaido Gyoren (North Pacific)
- Maruha Corporation (North Pacific)
- Nemoro Godo Suisan (North Pacific)

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### COMPETITIVE STRENGTHS

We believe that we possess the following competitive strengths that differentiate us from our competitors:

#### **Experienced management team**

Our management team has extensive technical and managerial expertise in the fishing industry, as well as valuable business relationships with the key players in the fishing industry. Our Chairman, Mr Ng Joo Kwee has over 10 years of experience in the fishing industry while our Managing Director, Mr Sung, has over 20 years of experience. Mr Sung has been instrumental in the growth and expansion achieved by our Group over the years. In addition, the Group has employed a management team with extensive knowledge and experience in fishing operations. Many of our Executive Officers are skilled to apply the latest fishing know-how and technology to our fishing operations.

Our fleet managers have an average of 10 years of experience in fishing vessel management and operations on the various fishing grounds where they are assigned to. Our fleet managers are responsible for the overall management of the fishing operations on the assigned fishing grounds where our Group operates. The fleet managers' duties may include crew management, supervision of catch discharges, monitoring of on-board supplies, the formulation of fishing strategies and the liaison with relevant governmental authorities and other regulatory bodies.

#### **Stringent quality control at sea**

We maintain an effective quality control programme on board the fishing vessels to ensure that catch quality meets the requirements of the customers. This quality control programme specifies the standard handling, processing and freezing procedures for our catches on board the fishing vessels. These standards and procedures were developed based on the quality requirements of our customers. No significant quality claims have been raised by our customers against the Group since the commencement of our operations.

#### **Effective crew incentive programme**

In addition to the fixed monthly salaries, our vessel crew members are also entitled to variable bonuses based on the catch quantities of the fishing vessels to which they are assigned and the compliance with specified quality control standards. Our Directors believe that not all fishing companies provide for variable bonuses as an incentive to its crew members.

#### **Diversified fishing locations**

Our current fishing operations cover the Pacific Ocean, the Atlantic Ocean and the Indian Ocean. The distribution of fishing locations across various locations worldwide enables us to redeploy our fishing vessels and hedge against disruptions to our fishing operations that may result from drastic weather changes or major climatic disruptions such as the El Nino.

#### **Ability to process the fish catches on board the fishing vessels**

Most of the fishing vessels that we manage and operate in remote fishing grounds are installed with equipment for processing, freezing and storing our catches. This ensures the preservation of the quality of our catches and allows us to market our catches at a better price.

#### **Access to the extensive logistics network and capability of CNFC and Pacific Andes**

CNFC has established an extensive on-shore logistics network in West Africa, the Indian Sub-continent, South East Asia and the Middle East for its coastal and deep sea fishing operations in the Indian Ocean and the Atlantic Ocean. Our Group is able to utilise this network to support the expansion of our deep sea industrial fishing operations.

Pacific Andes has been servicing the logistics needs of its fish suppliers that operate in the Pacific Ocean, the Atlantic Ocean and the Indian Ocean by taking delivery of fish catches directly at the fishing grounds. In return, Pacific Andes supplies provisions to the fishing vessels so that they can operate continuously at the fishing grounds without the need to call at ports to discharge fish catches and / or to replenish on-board supplies and necessities. As Pacific Andes is a major customer as well as the controlling shareholder of the Group, we are likely to be assured of continued logistics support with minimal disruptions.

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### **Access to the extensive distribution network established by CNFC and Pacific Andes in the PRC**

Both Pacific Andes and CNFC have established an extensive network in the PRC for the distribution of fish. CNFC, being one of the largest state-owned fishing companies in the PRC, and its affiliated companies, have offices located in major coastal cities in the PRC and own and control warehouses, discharging ports and reserved railways for the processing, transportation, storage and marketing of fish and seafood products. Pacific Andes has been supplying frozen seafood products to the PRC since 1990 and has likewise established its network to support the transportation, storage and marketing of fish and seafood products. For the year ended 31 March 2005, Pacific Andes' revenue attributable to the PRC market was about US\$326 million.

The equity interest held by CIFHK, a subsidiary of CNFC, and Pacific Andes in our Company gives us ready and available access to the PRC market.

### **Access to the nationwide crew recruitment network of CNFC in the PRC**

The PRC has an abundant supply of fishing vessel crew who are willing to work offshore for prolonged periods. CNFC has one of the largest nationwide referral, recruitment and placement networks in the PRC for fishing vessel crew. This network not only serves CNFC's needs for its overseas fishing operations but also serves similar needs of other PRC state-owned fishing companies. Being a fishing company, CNFC keeps track of the performance of its fishing vessel crew and is able to locate experienced and suitable fishing crew of PRC nationality for different fishing operations. Through this network, we have access to and are able to recruit experienced crew of PRC nationality at a reasonable cost when required.

## **GOVERNMENT REGULATIONS**

Our fishing operations under the CIFHK Management Agreement and the Perun Vessel Operating Agreement are approved and/or licensed by the relevant government ministries or authorities where we conduct our fishing operations. These approvals and licences are procured by CIFHK and Perun respectively.

Our fishing operations in the North Pacific Ocean do not require the grant of any fishing licences by the authorities. Nonetheless, as set out under the section "Risk Factors – risks related to our business" on page 31 of this Prospectus, it requires the grant of fishing quotas by the relevant authorities. The grant of a fishing quota may be revoked if the vessel in the course of its fishing operations, *inter alia*, causes damage to aquatic biological resources of a stipulated amount or violates international treaties relating to the preservation and use of aquatic biological resources.

Our fishing operations in the Atlantic Ocean require the grant of fishing licences, such fishing licences to be procured by CIFHK. The maximum validity period for fishing licences is 1 year. Conditions relating to certain areas are imposed by these licences, such as, (i) the type and method of fishing that is authorised, (ii) the area in which the vessel is authorised to fish, (iii) the period in which the vessel is allowed to fish and (iv) the species and quantities of the catches. Any non-compliance will result in penalties being imposed, including confiscation of the vessels by the relevant authorities. Renewal of licences is subject to compliance with the conditions imposed in relation to the licences and the payment of certain taxes to the relevant authorities.

Our fishing operations in the Indian Ocean also require the grant of fishing licences, such fishing licences to be procured by CIFHK. The maximum validity period for the fishing licences is 1 year. Conditions relating to certain areas are imposed by these licences, such as, (i) ensuring the presence of safety and salvage equipment on board the vessel, (ii) non-transferability of the licence and (iii) areas in which the vessel is not authorised to operate. Any non-compliance will result in penalties being imposed, including confiscation of the vessel, suspension of operations and withdrawal of the licence. Renewal of licences is subject to compliance with certain conditions, including the (i) payment of certain prescribed fees, (ii) ensuring that the application was filed 1 month before expiry of licence and (iii) ensuring that no changes to the specifications of the vessel of crew or fishing equipment have been made since the grant of the licence (in which case, an application for a new licence would have to be made).

None of the fishing licences required for our fishing operations has been revoked by the relevant government ministries or authorities for the past 3 years prior to the Latest Practicable Date.

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## BUSINESS

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Our fishing operations in the South Pacific Ocean are on international waters and therefore, do not require any governmental approval or licence.

We have obtained the necessary business licences for our day-to-day operations. Save as disclosed in this Prospectus, in particular, under the section "Risk Factors" on pages 31 to 35 of this Prospectus, we are not subject to any special legislation or regulatory controls in the countries in which we operate, and which will have a material effect on our business operations, other than those generally applicable to companies and businesses in such countries.

### PROPERTIES AND FIXED ASSETS

We do not own significant amount of fixed assets.

Our subsidiary, Chanery Investment, leases office premises in Shidao, the PRC for its representative office in the PRC. The following property is leased by Chanery Investment:-

Location	Lessor	Gross Build Up Area	Tenure	Rental	Usage
No 18-11 Haigang Road, Shidao, Rongcheng, Weihai, Shandong Province, PRC	Shidao New Port Company Limited	116 sq m	2 years from 1 May 2005	RMB10,000 per annum	Representative Office

Pacific Andes, Perun and CIFHK allow the Group the use of office premises, together with office equipment and transportation vehicles, located in those fishing ports which are close to the fishing grounds.

### EMPLOYEES

As at 30 June 2005, we had 47 full-time permanent employees of whom approximately 17% were management personnel, 83% were administrative and technical personnel.

Our employees are not part of any collective-bargaining arrangement or union. We believe that our management enjoys a cordial and harmonious working relationship with our employees and this is expected to continue. There has not been any incidence of work stoppages or labour disputes which affected our operations.

The table below shows the breakdown of our employees by activity as at the end of each of FY2002, FY2003, FY2004 and HY June 2005:

	FY2002	FY2003	FY2004	HY June 2005
<b>Activity</b>				
Administration and Finance <sup>(1)</sup>	11	12	28	41
Technical	2	2	7	6
Vessel Crew <sup>(2)</sup>	614	555	1,046	632
<b>Total</b>	<b>627</b>	<b>569</b>	<b>1,081</b>	<b>679</b>

#### Notes:

- (1) Two of our fleet managers are on full-time secondment to our Group from CNFC.
- (2) For the three-year period up to 31 December 2004, majority of our employees were on short-term contract basis and employed through a crew recruitment agency or supplied by CIFHK, through CNFC. With effect from 1 January 2005, vessel crew employed on board the vessels operated and managed by our Group under the CIFHK Management Agreement are not classified as our employees as their salary costs are borne by CIFHK. All other vessel crew are employed by our Group on a short-term contract basis through a crew recruitment agency.

## BUSINESS

The table below shows the breakdown of our employees by geographical region as at the end of each of FY2002, FY2003, FY2004 and HY June 2005:

Geographical Region	FY2002	FY2003	FY2004	HY June 2005
Head Office	13	14	35	47
Indian Ocean <sup>(1)</sup>	529	404	286	–
Atlantic Ocean <sup>(1)</sup>	–	–	174	–
Pacific Ocean <sup>(1)</sup>	85	151	586	632
<b>Total</b>	<b>627</b>	<b>569</b>	<b>1,081</b>	<b>679</b>

**Note:**

- (1) For the three-year period up to 31 December 2004, majority of our employees are on short-term contract basis and employed through a crew recruitment agency or supplied by CIFHK through CNFC. With effect from 1 January 2005, vessel crew on board the vessels operated and managed by our Group are employed by CIFHK under the CIFHK Management Agreement. As such in the Atlantic Ocean and the Indian Ocean, 133 crew and 174 crew respectively are no longer classified as our employees as their salary costs are borne by CIFHK. All other vessel crew are employed by our Group on a short-term contract basis through a crew recruitment agency.

### OUR PROSPECTS

Our Directors believe that the prospects for our business are derived from the following areas:

- growth in fish consumption in the PRC as a result of increasing affluence; and
- improvements in operations that may lead to higher catch volumes which in turn will generate higher sales of fish.

#### Increasing demand for fish worldwide

Globally, more than 1 billion people rely on fish as an important source of animal protein as fish provides at least 30 percent of their animal protein intake. About 2.6 billion people of the world's population derives at least 20 percent of its animal protein intake from fish. Our Directors believe that the demand for fish is expected to rise as the world becomes increasingly health conscious and dietary habits shift towards consumption of more fish.

According to the FAO\*, world demand for fishery products, derived from capture and aquaculture activities, is projected to expand by almost 50 million Tonnes, from 133 million Tonnes in 1999/2001 to 183 million Tonnes by 2015. During the same projection period, however, the total world fishery production is projected to expand by only 43 million Tonnes from 129 million Tonnes to 172 million Tonnes. Out of the expected increase of 43 million Tonnes, 73 percent would come from aquaculture.

A comparison of the demand and supply projections for the fishery products shows that the demand would tend to exceed potential supply.

#### Increasing demand in the PRC

On the demand side, based on information on the Food Balance Sheet of the FAOSTAT database\*, the PRC's fishery consumption per capita, was estimated to be about 25.6 kg in 2003, representing a significant increase when compared with 11.5 kg in 1990. Based on FAO\* exploratory calculations, the

\* FAO has not consented to the inclusion of this statement for the purpose of Section 249 of the Securities and Futures Act and is thereby not liable for this statement under Sections 253 and 254 of the Securities and Futures Act. The Directors have not verified the accuracy of the contents of this statement. The Directors have included this statement in its proper form and context in this Prospectus. This statement is derived from the databases of FAOSTAT found at the following uniform resource locator: <http://www.fao.org/fi/statist/FISOFT/FISHPLUS.asp>. Any references to FAO or FAOSTAT or the use of any of the statistics, materials or databases of FAO and FAOSTAT in this Prospectus do not imply in any way an endorsement by FAO in respect of the Invitation nor does the authorisation by FAO for the use by our Company of such statistics, materials or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.

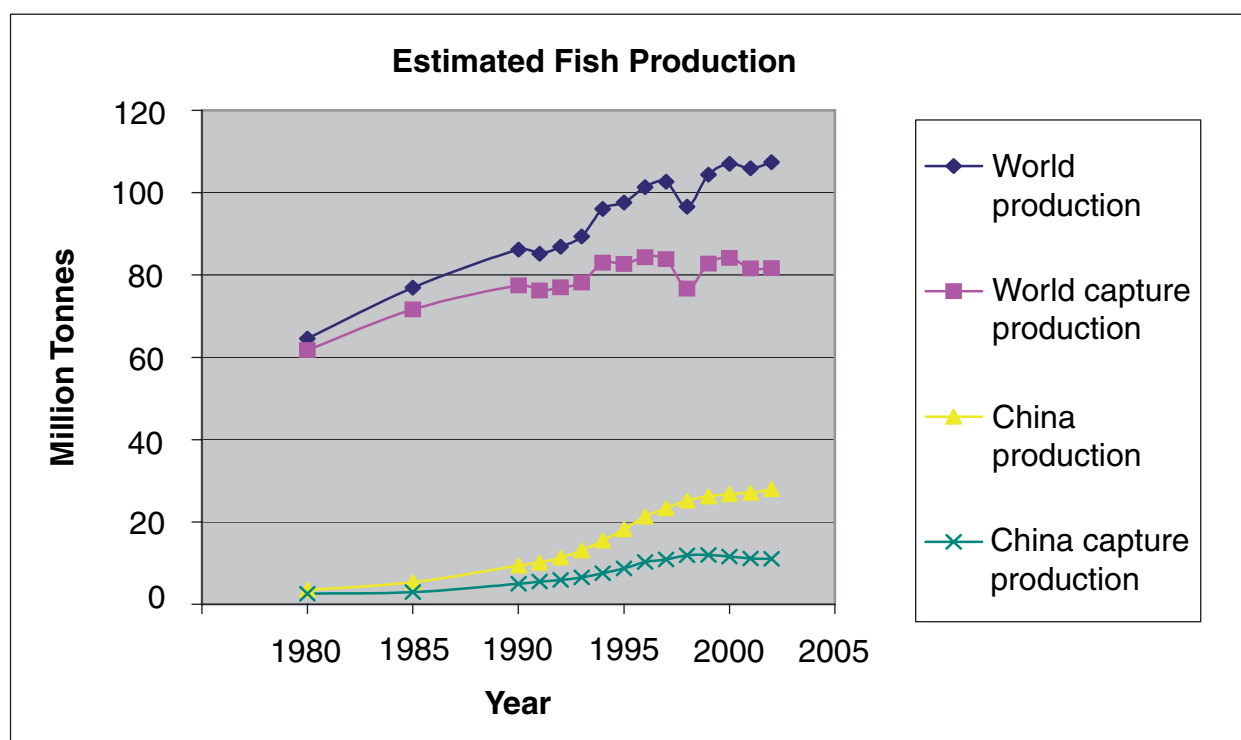
## BUSINESS

projected per capita demand of fishery products in the PRC would reach 34.3 kg by 2030, due mainly to the rapid economic development and consumption growth. With this increasing rate, the PRC alone needs to increase its annual production by 24.3 million Tonnes of fishery products. In light of its zero-growth policy for fishing in its waters, the future increase in the supply of fish to the PRC would be mostly reliant on aquaculture and imports of fish from other countries or from deep sea fishing operations in international waters, amongst others.

In the past ten years, the PRC, the main market for the Group's products, has experienced an increase in fish production. Based on the FAO Fishery Statistics for 2003\*, the PRC has a share of approximately 28 percent of the total world fish production and its fish production increased by a growth rate of 9.8 percent per annum from 1980 to 2003. In 2000, its fish production per capita of 21 kg is relatively higher than the world's total average of 17.6 kg.

However, the growth in the fish production in the PRC is driven mainly by its rapid growing aquaculture industry for freshwater species of fish. Based on the FAO Fishery Statistics for 2003\*, the PRC, with an annual production of about 17.6 million Tonnes, has a share of approximately 65 percent of the total world fish aquaculture production. In 2000, if the fish aquaculture production is excluded, the PRC fish capture production per capita of 9.1 kg is relatively lower than the world average of 13.8 kg.

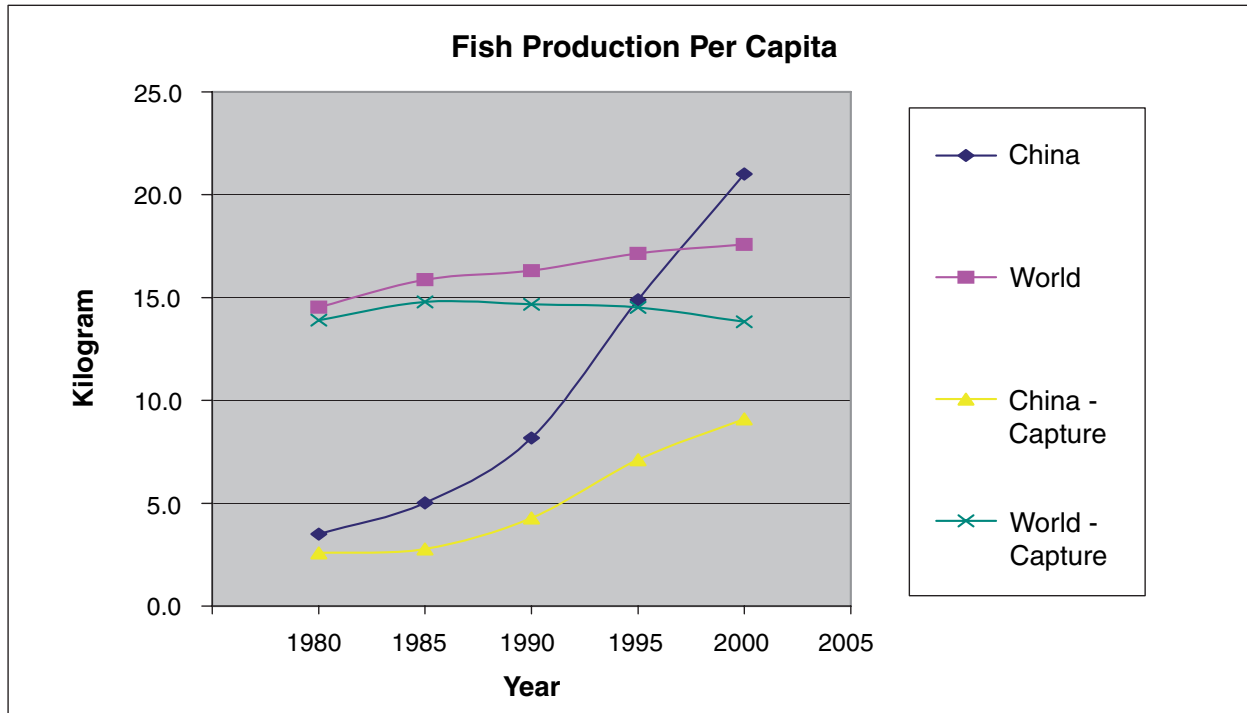
Our Directors believe that the future growth in the PRC's freshwater aquaculture production may slow down due to the shortage of suitable aquaculture farming areas in the PRC as a result of environmental pollution and the reclamation of the farming ponds into industrial and residential land.



\* Source: Compiled from data extracted from United Nations Population Information Network and FAO Fishstat database (excluding those classified under the categories of aquatic mammals, aquatic plants, crustaceans, miscellaneous aquatic animals, molluscs and others in the FAOSTAT)

\* The United Nations and/or FAO, as the case maybe, has not consented to the inclusion of this statement, table or compilation, as the case may be, for the purpose of Section 249 of the Securities and Futures Act and is thereby not liable for this statement table or compilation under Sections 253 and 254 of the Securities and Futures Act. The Directors have not verified the accuracy of the contents of this statement and/or data. The Directors have included this statement, table and/or compilation, as the case may be, in its/their proper form and context in this Prospectus. This statement, table and/or compilation, as the case may be, is/are derived from the databases of the United Nations and/or FAOSTAT found at the following uniform resource locator: <http://esa.un.org/unpp/> and <http://www.fao.org/fi/statist/FISOFT/FISHPLUS.asp> respectively. Any references to the United Nations, FAO or FAOSTAT or the use of any of the statistics, materials and/or databases of the United Nations, FAO and FAOSTAT in this Prospectus do not imply in any way an endorsement by the United Nations and/or FAO in respect of the Invitation nor does any authorisation by the United Nations and/or FAO, as the case may be, for the use by our Company of such statistics, materials and/or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.

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\* Source: Compiled from data extracted from United Nations Population Information Network and FAO Fishstat database (excluding those classified under the categories of aquatic mammals, aquatic plants, crustaceans, miscellaneous aquatic animals, molluscs and others in the FAOSTAT)

Based on statistics obtained from the FAO\*, the total quantity of fresh, frozen and processed fishery products imported into the PRC was about 365,000 Tonnes in 1990. The total quantity imported increased to about 2.47 million Tonnes in 2000. This represented an average compound growth rate of approximately 21 percent per annum from 1990. Over the same period, the population of the PRC increased from 1.15 billion to 1.27 billion, representing an average compound growth rate of approximately 1 percent per annum.

### Improvements in operations

Based on information from the FAO\*, an estimated 7 million Tonnes of the fish production are discarded from fishing vessels each year. In 2002, out of the estimated 131.8 million Tonnes that were not discarded, not less than 32 million Tonnes were processed into feed meal and other non-food items, virtually all derived from natural stocks of pelagic marine fish.

Our Directors believe that the high percentage of catch discard and reduction to feed meal and non-food uses are driven not only by the consumer preferences, but also, to a considerable extent, by the lack of appropriate freezing and processing equipment on board the fishing vessels, limited storage spaces on board the fishing vessels, remoteness of the fishing grounds and the non-availability of logistics support in transporting the fish catches to the markets. To address these problems, most of the fishing vessels that we manage and operate in remote fishing grounds are installed with equipment for processing, freezing and storing our catches. In addition, we are able to leverage on the logistics support of Pacific Andes, our major customer and our controlling shareholder, by taking delivery of our catches directly at the fishing grounds we operate on.

\* The United Nations and/or FAO, as the case maybe, has not consented to the inclusion of this statement, table or compilation, as the case may be, for the purpose of Section 249 of the Securities and Futures Act and is thereby not liable for this statement table or compilation under Sections 253 and 254 of the Securities and Futures Act. The Directors have not verified the accuracy of the contents of this statement and/or data. The Directors have included this statement, table and/or compilation, as the case may be, in its/their proper form and context in this Prospectus. This statement, table and/or compilation, as the case may be, is/are derived from the databases of the United Nations and/or FAOSTAT found at the following uniform resource locator: <http://esa.un.org/unpp/> and <http://www.fao.org/fi/statist/FISOFT/FISHPLUS.asp> respectively. Any references to the United Nations, FAO or FAOSTAT or the use of any of the statistics, materials and/or databases of the United Nations, FAO and FAOSTAT in this Prospectus do not imply in any way an endorsement by the United Nations and/or FAO in respect of the Invitation nor does any authorisation by the United Nations and/or FAO, as the case may be, for the use by our Company of such statistics, materials and/or databases in this Prospectus is to be taken as an indication of the merits of the Invitation, our Company, the Offer Shares and/or the Placement Shares.

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## BUSINESS

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### OUR BUSINESS STRATEGY AND FUTURE PLANS

In view of our Company's prospects, we have identified the following components to form part of our business strategy:

- increasing our fishing grounds by exploring new fishing grounds as well as forming strategic alliances with fishing companies to tap into different fishing grounds;
- reducing wastage and improving yields of our catches by managing and operating vessels that are well equipped with large storage, freezing and processing capabilities to support our expanded fishing ground operations;
- adopting state-of-the-art fishing methods that are appropriate for our fishing operations; and
- integrating and strengthening our fishing operations in the area of logistics capacity.

All these strategies will be executed through the following business development plans:

#### **Acquisition of fishing vessels**

We are planning to expand our deep sea industrial fishing capabilities in the Pacific Ocean and the Atlantic Ocean through the acquisition of fishing vessels that are capable of conducting fishing operations at remote fishing grounds over an extended period of time without the need to call at seaports. The main characteristics of such fishing vessels are their large storage and freezing capacity and their on-board fish processing capability.

#### **Operational alliances with fishing companies**

We are also planning to expand our fishing operations in both the Pacific Ocean and the Atlantic Ocean so as to increase the volume of our catches to meet the increasing demand for fishery products in the PRC. We are currently pursuing the opportunity of entering into new vessel operating or management agreements or any other forms of operational alliances with fishing companies in different countries that have abundant fishery resources. Our experiences in operating and managing the vessels under the Perun Vessel Operating Agreement and CIFHK Vessel Operating Agreement (and since 1 January 2005, the CIFHK Management Agreement) has provided us with a solid foundation to operate and manage fishing operations in different fishing grounds.

#### **Strengthen our transportation capabilities**

We are planning to strengthen our own vessel transportation capabilities through the acquisition of a fleet of transportation vessels to lower our transportation costs and to prolong the duration of our fishing operations while at the various fishing grounds.

#### **Establishment of a logistics base in the PRC to support our fishing operations in the Pacific Ocean**

We plan to buy or lease berthing spaces, warehouses and ship repairing facilities located at or near strategic seaports in the PRC to provide continuous support to our fishing operations in the Pacific Ocean. By having dedicated berthing spaces, warehouses and ship repairing facilities, we will be able to lower our overall operational costs.

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## MANAGEMENT

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### DIRECTORS

Our Board is entrusted with the responsibility for the overall management of our Group. Our Directors' particulars are as follows:

Name	Age	Address	Designation
Ng Joo Kwee	45	Flat D, 1/F, Beaconsfield Court, 7 Shouson Hill Road, Hong Kong	Executive Chairman
Sung Yu Ching	60	No 6, Alley 24, Lane 29, Cheny Hwa 1 <sup>st</sup> Road, Lin 8, Yu Hsing Li, Ku Shan District, Kaohsiung City, Taiwan	Managing Director
Chan Tak Hei	36	Flat 2701, Block P, Kornhill, Hong Kong	Finance Director
Jiang Zuoyi	52	9/F Ganjiakou Mansion, 21 Sanlihe Road, Haidian District, Beijing, the PRC	Non-Executive Director
Cheng Nai Ming	42	Flat B, 16/F, Valiant Park, 52 Conduit Road, Hong Kong	Non-Executive Director
Lau Yu Chuen	50	Flat D, 12/F, Harrison Court, Homantin, Kowloon, Hong Kong	Alternate Director to Cheng Nai Ming
Dr. Ong Chit Chung	56	41 Princess of Wales Road, Singapore 266941	Independent Director
Lim Soon Hock	55	2 Jalan Pasiran, Singapore 308456	Independent Director
Tse Man Bun	62	89 Blue Pool Road, 4/F Flat A, Happy Valley, Hong Kong	Independent Director

Information on the areas of responsibility and working experiences of our Directors is set out below:

**NG JOO KWEE** is our Executive Chairman and was appointed to our Board on 31 October 2005. Mr Ng is responsible for the overall policy making of the Company. Mr Ng is the executive director of Pacific Andes International, a company listed on The Stock Exchange of Hong Kong Limited. Mr Ng is also an executive director of Pacific Andes responsible for the overall sourcing, sales and marketing of frozen seafood products in the PRC. Mr Ng studied in the U.S. at Southeastern Louisiana University in Hammond, Louisiana. From 1983 to 1989, Mr Ng was president of a seafood trading and fishing company in Taiwan. In 1989, Mr Ng joined Pacific Andes International as general manager of its PRC operations, responsible for daily operations, trading activities and the sourcing of frozen seafood products from South America, India, the PRC and Russia.

**SUNG YU CHING** is our Managing Director and was appointed to our Board on 31 October 2005. Mr Sung is responsible for the overall management, business development, strategic planning and sales and marketing functions of the Group. Mr Sung is presently the Chairman of Chuan-Chuan. He graduated from the marine engineering department of National Taiwan Ocean College and obtained his marine engineering licence in Taiwan. From 1967 to 1990, Mr Sung worked with various shipping and fishing companies in the Middle East, Africa, South Asia and South America accumulating experience both as a marine engineer and fishing operations engineer. 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, a company engaged in the trading of seafood products, vessel spare parts and appliances, and provision of ship repairing and construction agency services. In 1999, Mr Sung was engaged as a consultant to CNFC to develop fishing operations along the east African coast of the Arabian Sea.

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## MANAGEMENT

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**CHAN TAK HEI** is an Executive Director and was appointed to our Board on 15 February 2005. Mr Chan holds the position of Finance Director of the Company and is responsible for the overall financial management and corporate planning of the Group. Mr Chan graduated from the Hong Kong Polytechnic with a Bachelor's degree in accountancy and is a fellow member of the Chartered Association of Certified Accountants. Prior to joining the Group in June 2004, Mr Chan was working with Pacific Andes International as its Financial Controller since 1995.

**JIANG ZUOYI** is a Non-executive Director and was appointed to our Board on 31 October 2005. He is currently the Deputy General Manager of CNFC, a position he held since April 1997, as well as a director of CIFHK, a position which he held since January 2001. Mr Jiang has more than ten years of experience in the fishing and agricultural industry, having joined the CNFC group of companies in April 1991 as supervisor (主任) of China National Fisheries (中国水产总公司办公室). From May 1994 to May 1995, he was the general manager of CNFC Hua Nong Corporation (中水华农公司), and between May 1995 and April 1997, Mr Jiang held the position of deputy general manager at China National Fisheries Corporation (中国水产集团总公司), a company currently known as China National Agricultural Development Group Corporation (中国农业发展集团总公司). Mr Jiang attended the Shijiazhuang Military Railway University (石家庄铁道兵工程学院).

**CHENG NAI MING** is a Non-executive Director and was appointed to our Board on 31 October 2005. Mr Cheng is currently the Finance Director of Pacific Andes and Pacific Andes International, positions he held since 1996. Prior to joining the Pacific Andes group in 1994, he was working as an audit manager at Deloitte Touche Tohmatsu. Mr Cheng graduated from the Hong Kong University with a Bachelor's Degree in Social Science in 1987 and has been an associate member of the Hong Kong Institute of Certified Public Accountants since 1994.

**LAU YU CHUEN** was appointed as an alternate Non-executive Director to Cheng Nai Ming on 31 October 2005. From 1984, Mr Lau is the owner of several companies involved in trading of seafood and meat products. Prior to that, Mr. Lau was involved in the seafood and meat trading business as a sole proprietor. From 2000, he became a shareholder in CIFHK and was appointed a director of CIFHK, responsible for sales and marketing of seafood products.

**DR ONG CHIT CHUNG** was appointed as an Independent Director of the Company on 16 January 2006 and is the Chairman of the Audit Committee, Remuneration Committee and Nominating Committee. 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 property, 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 TEE International Limited and NASPAC Marketing 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 of the United States of America and a Bachelor of Arts (1<sup>st</sup> 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.

**LIM SOON HOCK** was appointed as an Independent Director of the Company on 16 January 2006 and has more than 25 years of leadership experience as a board member, chief executive, technopreneur and investor. He was the former Vice President and Managing Director of Compaq Computer Asia Pacific Pte Ltd and 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, government agencies and civic organisations. He is currently the Group Vice-Chairman of Advent Air Ltd and the Corporate Advisor of Westech Electronics 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 Electrical Engineers, UK and the Singapore Institute of Directors.

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## MANAGEMENT

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**TSE MAN BUN** was appointed as an Independent Director of the Company on 16 January 2006 and has over 40 years working experience in the banking industry. He joined The Hongkong & Shanghai Banking Corporation Limited (“HSBC”) in 1968 and retired from the HSBC in December 2002. During his service with the HSBC group, he was assigned many key positions which included, Senior Credit Manager; Managing Director of Wayfoong Financial Limited and Wayfoong Credit Limited; Area Manager, Retail Banking; Senior Executive, Commercial Banking. After his retirement from the HSBC Group, he was appointed Director and Chief Executive of Allied Banking Corporation (HK) Limited, a restricted licensed bank, till October 2004. In December 2004, Mr Tse joined SEA Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited, and is now Executive Director of the company. Mr. Tse is currently an independent director of HSBC Insurance (Asia) Limited, Tysan Holdings Limited and Crystal International Ltd. Apart from the banking field, Mr Tse has an in-depth understanding of the commerce and manufacturing industries, and is well versed in the reviewing and analysis of financial statements of listed companies.

Except as disclosed in the section “Principal Shareholders”, none of our Directors and Executive Officers are related to each other or any of our substantial shareholders; and to the best of our Directors’ knowledge and belief, there are no arrangements or understandings with any of our substantial shareholders, customers, suppliers, or any other person, pursuant to which any of our Directors or Executive Officers were appointed.

### SENIOR MANAGEMENT

Our day-to-day operations are largely handled by our experienced and qualified Executive Officers. Their particulars are as follows:

<b>Name</b>	<b>Age</b>	<b>Address</b>	<b>Designation</b>
Yao Jixiang	59	5-902, No. 180 Beiyuan Road, Chaoyang District, Beijing, the PRC	Fleet Manager (Africa)
Cao Hengzhen	39	2-3-6 Banchangnanli, Chongwen District, Beijing, the PRC	Liaison Manager
Hu Shibao	39	4-801, No.6 Yard, Anhuili 5 District, Chaoyang District, Beijing, the PRC	Fleet Manager (Middle East)
Bredikhin Gennady	50	Room 2803, Block B, No. 18 Shouzhong Road, Qingdao, Shandong, the PRC	Fleet Manager (Pacific Ocean)
Roman Emelyanov	34	Room 2803, Block B, No. 18 Shouzhong Road, Qingdao, Shandong, the PRC	Chief Port Engineer
Chen Mei Yueh	40	28-8 Yeong Fiang Road, Tai Liao Village, Kaohsiung Hsien, Taiwan	Administrative Manager
Wong Man Yuk Raymond	29	Flat 8, 27/F, Nga Tsui House, Lok Nga Court, Ngau Tau Kok, Kowloon, Hong Kong	Financial Controller

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## MANAGEMENT

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Information on the areas of responsibility and working experience of our Executive Officers is set out below:

**Yao Jixiang** is our Fleet Manager for our fishing operations in the Atlantic Ocean. He is responsible for the overall management of the fishing operations in the Atlantic Ocean. His responsibilities include crew management, supervision of catch discharges, monitoring of on-board supplies, the formulation of fishing strategies and the liaison with relevant governmental authorities and other regulatory bodies. He joined our Group as a Fleet Manager of CFIL in 2002. Prior to joining our Group, he worked with various group companies of the CNFC from 1982 to 2001 as fleet manager and operation manager for fishing operations in the Indian Ocean, the Atlantic Ocean and the Pacific Ocean, Mr Yao graduated from Shanghai Fishery University in 1968 with a bachelor's degree in fishing.

**Cao Hengzhen** is our Liaison Manager. He is responsible for the overall management of the logistics requirements of the Group's fishing operations in the Indian Ocean and the Atlantic Ocean. He joined our Group in 2002. Prior to joining our Group, he was a diplomatic agent of the Beijing Service Bureau from August 1988 to February 1993. From March 1993 to December 2001, he worked with the group companies of CNFC, including acting as an assistant fleet manager for fishing operations in Africa. Mr Cao graduated from the Beijing University of International Relations in 1988 with a bachelor's degree in French language.

**Hu Shibao** is our Fleet Manager for our fishing operations in the Middle East. He is responsible for the overall management of the fishing operations in the Middle East. His responsibilities include crew management, supervision of catch discharges, monitoring of on-board supplies, the formulation of fishing strategies and the liaison with relevant governmental authorities and other regulatory bodies. He joined our Group as a Fleet Manager of CFIL in 2002. Prior to joining our Group, he worked with the group companies of CNFC from 1982 to 2001 as fleet manager for fishing operations in the Middle East and Africa. Mr Hu graduated from Beijing College of Economy in 1988 with a bachelor's degree in management studies.

**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 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.

**Chen Mei Yueh** is our Administrative Manager responsible for administrative and human resources functions of our Company. Ms Chen graduated from the International College of Commerce School with a diploma. Ms Chen has been a director of CFIL since 1997. Prior to joining our Group, Ms Chen worked as a procurement clerk at Yu Fu Fishery Co. from 1985 to 1997, and from 1983 to 1984, she was appointed as a clerk at Hui-Quan Trade Ltd.

**Wong Man Yuk Raymond** is our Financial Controller for our Group. He is responsible for the financial management of the Group. He graduated from the 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 worked at Deloitte Touche Tohmatsu from 1998 to 2003 and immediately prior to leaving the firm, he held the position of audit senior. Prior to joining the Group in October 2005, he worked with Pacific Andes as its Deputy Financial Controller from 2003.

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## MANAGEMENT

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### COMPENSATION

The compensation paid to our Directors and our Executive Officers for services rendered to our Group on an individual basis in remuneration bands during FY2002, FY2003 and FY2004 are as follows:

Names	FY2002 <sup>(1)</sup>	FY2003 <sup>(1)</sup>	FY2004 <sup>(1)</sup>
<u>Directors</u>			
Ng Joo Kwee	–	–	–
Sung Yu Ching	A	A	A
Chan Tak Hei	–	–	–
Jiang Zuoyi	–	–	–
Cheng Nai Ming	–	–	–
Lau Yu Chuen	–	–	–
Dr Ong Chit Chung	–	–	–
Lim Soon Hock	–	–	–
Tse Man Bun	–	–	–
<u>Executive Officers</u>			
Yao Jixiang	A	A	A
Cao Hengzhen	A	A	A
Hu Shibao	A	A	A
Bredikhin Gennady	A	A	A
Roman Emelyanov	A	A	A
Chen Mei Yueh	A	A	A
Wong Man Yuk Raymond	–	–	–

**Notes:**

- (1) Band A = up to S\$250,000  
Band B = between S\$250,001 to S\$500,000.

We have not set aside or accrued any amounts for our Directors and Executive Officers to provide for pension, retirement or similar benefits.

### SERVICE AGREEMENTS

Except as disclosed below, there are no existing or proposed service agreements between our Group and any of our Directors or Executive Officers.

#### Directors

##### Ng Joo Kwee

We have entered into a service agreement with Mr Ng Joo Kwee as Executive Chairman of our Company, for an initial period of 5 years commencing from the date of admission of our Company to the Official List of the SGX-ST. Pursuant to the terms of his service agreement, Mr Ng is entitled to a monthly salary of HK\$33,333.00 and shall be reimbursed for all travelling, hotel, entertainment and other expenses reasonably and properly incurred by him in the reasonable and proper performance of his duties. Payment of any bonus shall be at the discretion of the Board, provided that such bonus does not

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## MANAGEMENT

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exceed 4 times Mr Ng's prevailing monthly salary. In this regard, Mr Ng may not vote on any resolution of the Board regarding the amount of bonus payable to him. In addition to the above payments, the Company will also reimburse Mr Ng sufficient monies to ensure that the salary as received by him shall be free of any income tax.

It is a term of the service agreement that Mr Ng shall dedicate one-third ( $\frac{1}{3}$ ) of his time in each of CFGL, Pacific Andes and Pacific Andes International respectively.

The service agreement may be terminated at any time by either party giving to each other 6 months' written notice of such intended termination, or payment in lieu of such written notice, which is equivalent to 6 months of the Mr Ng's last drawn salary. In addition, we may terminate his service agreement at any time, without notice or payment in lieu of notice, in the event that he commits certain events of default as described in his service agreement.

### Sung Yu Ching

We have entered into a service agreement with Mr Sung Yu Ching as Managing Director of our Company, for an initial period of 5 years commencing from the date of admission of our Company to the Official List of the SGX-ST. Pursuant to the terms of his service agreement, Mr Sung is entitled to a monthly salary of HK\$33,333.00 and shall be reimbursed for all travelling, hotel, entertainment and other expenses reasonably and properly incurred by him in the reasonable and proper performance of his duties. Payment of any bonus shall be at the discretion of the Board, provided that such bonus does not exceed 4 times Mr Sung's prevailing monthly salary. In this regard, Mr Sung may not vote on any resolution of the Board regarding the amount of bonus payable to him. In addition to the above payments, the Company will also reimburse Mr Sung sufficient monies to ensure that the salary as received by him shall be free of any income tax.

The service agreement may be terminated at any time by either party giving to each other 6 months' written notice of such intended termination, or payment in lieu of such written notice, which is equivalent to 6 months of the Mr Sung's last drawn salary. In addition, we may terminate his service agreement at any time, without notice or payment in lieu of notice, in the event that he commits certain events of default as described in his service agreement.

### Chan Tak Hei

We have entered into a service agreement Mr Chan Tak Hei as Finance Director of our Company commencing from the date of admission of our Company to the Official List of the SGX-ST. Pursuant to the terms of his service agreement, Mr Chan is entitled to a monthly salary of HK\$100,000.00 and shall be reimbursed for all travelling, hotel, entertainment and other expenses reasonably and properly incurred by him in the reasonable and proper performance of his duties. Payment of any bonus shall be at the discretion of the Board, provided that such bonus does not exceed 4 times Mr Chan's prevailing monthly salary. In addition to the above payments, the Company will also reimburse Mr Chan sufficient monies to ensure that the salary as received by him shall be free of any income tax.

Under the service agreement, the following benefits have also been made available to Mr Chan:

- (a) the Company shall provide Mr Chan with a monthly accommodation allowance during the continuance of his employment hereunder which shall be determined and reviewed by the Board from time to time;
- (b) the Company shall provide Mr Chan the use (whether for business or personal purposes) of a motor car with a chauffeur which is of a standard consistent with the position of a Director and shall pay all vehicle registration fees, taxes and insurance premiums in respect of the car and shall pay or reimburse against receipts all maintenance, repair and other running costs in respect of the car and the cost of petrol;

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## MANAGEMENT

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- (c) the Company shall provide Mr Chan with 1 club membership for Mr Chan and his family. The payment of all entrance fees, debentures and monthly subscriptions in respect of such club membership and the monthly subscriptions in respect of 2 additional club memberships registered in the Mr Chan's name shall be borne by the Company. For the avoidance of doubt, the Company shall not bear any other expenses incurred by Mr Chan or his family in respect of such club memberships;
- (d) the Company shall reimburse Mr Chan all costs relating to the employment of 1 domestic maid;
- (e) the Company shall reimburse Mr Chan one-half ( $\frac{1}{2}$ ) of the costs of all air tickets and hotel accommodation for 3 holidays for Mr Chan and his family for every complete year of service. The destinations of such holidays to be at the choice of Mr Chan;
- (f) all medical, hospital, dental and optical insurance for the benefit of Mr Chan, his spouse and children (under the age of 21) shall be borne by the Company;
- (g) Mr Chan shall be entitled, at the expense of the Company, to bring his spouse with him on any business trip outside Hong Kong which extends over a period of 10 days or more;
- (h) the Company shall maintain travel and personal accident insurance for Mr Chan of an aggregate amount equivalent to United States Dollars Four Million (US\$4,000,000); and
- (i) the Company shall bear (a) one-half ( $\frac{1}{2}$ ) of the cost of the school fees in respect of the education of all of Mr Chan's children (under the age of 21) at schools located in the People's Republic of China, Hong Kong and/ or Singapore; and (b) the payment of any debentures in respect of the enrolment or continued enrolment of the Mr Chan's children (under the age of 21) at such schools.

The service agreement may be terminated at any time by either party giving to each other 6 months' written notice of such intended termination, or payment in lieu of such written notice, which is equivalent to 6 months of the Mr Chan's last drawn salary. In addition, we may terminate his service agreement at any time, without notice or payment in lieu of notice, in the event that he commits certain events of default as described in his service agreement.

### Executive Officers

Save for Yao Jixiang, Cao Hengzhen and Hu Shibao who are on secondment from CNFC, each of our Executive Officers is a party to a letter of appointment issued by our Group which sets forth compensation and related terms of that person's employment, such as annual leave and grounds of termination, etc. All of those persons are employed until an appropriate termination notice is given, or payment in lieu of notice is given, by either party.

### CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance and in offering high standards of accountability to our Shareholders. We have therefore set up the following committees:

#### Audit Committee

Our Audit Committee consists of three members of the Board, being Dr Ong Chit Chung, Lim Soon Hock and Tse Man Bun. Dr Ong Chit Chung is the chairman of the Audit Committee, and is also entitled to a casting vote. The Audit Committee meets periodically to:

- (i) review the audit plans and reports of our Company's internal and external independent auditors;
- (ii) review the financial statements of our Company before submission to the Directors and shareholders;

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## MANAGEMENT

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- (iii) review and evaluate the independence and performance of the external auditors;
- (iv) review any interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;
- (v) review any potential conflict of interest;
- (vi) review the effectiveness and adequacy of internal accounting and financial control procedures;
- (vii) review the adequacy of the business risk management process;
- (viii) review, on a quarterly basis, the transactions made under the CIFHK Management Agreement as described on pages 80 to 82 of this Prospectus; and
- (ix) review the remuneration of the Executive Directors, the Executive Officers and employees of our Group who are related to any of the Directors or substantial shareholders.

Our Directors and our Audit Committee will further review all hedging policies that our Company has with regards to the costs of bunkers and foreign currencies.

Apart from the above functions, our Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on our Company's operating results or financial position. Each member of our Audit Committee will abstain from voting in respect of matters in which he is interested.

### **Remuneration Committee**

Our Remuneration Committee consists of four members of the Board, being Dr Ong Chit Chung, Lim Soon Hock, Tse Man Bun and Cheng Nai Ming. Dr Ong Chit Chung is the chairman of the Remuneration Committee, and is also entitled to a casting vote. Our Remuneration Committee will recommend to our Board a remuneration framework for our Directors and Executive Officers, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee will be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind will be considered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his own remuneration package.

### **Nominating Committee**

Our Nominating Committee consists of four members of the Board, being Dr Ong Chit Chung, Lim Soon Hock, Tse Man Bun and Cheng Nai Ming. Dr Ong Chit Chung is the chairman of the Nominating Committee, and is also entitled to a casting vote. Our Nominating Committee will be responsible for (i) the re-nomination of our Directors having regard to the Director's contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director. Our Nominating Committee will, subject to the approval of our Board, decide how our Board's performance is to be evaluated and propose objective performance criteria which address how our Board has enhanced long-term shareholder value. The performance evaluation will also include consideration of our Company's share price performance over a 5-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of our industry peers. Our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution by each individual Director to the effectiveness of our Board. Each member of our Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a director.

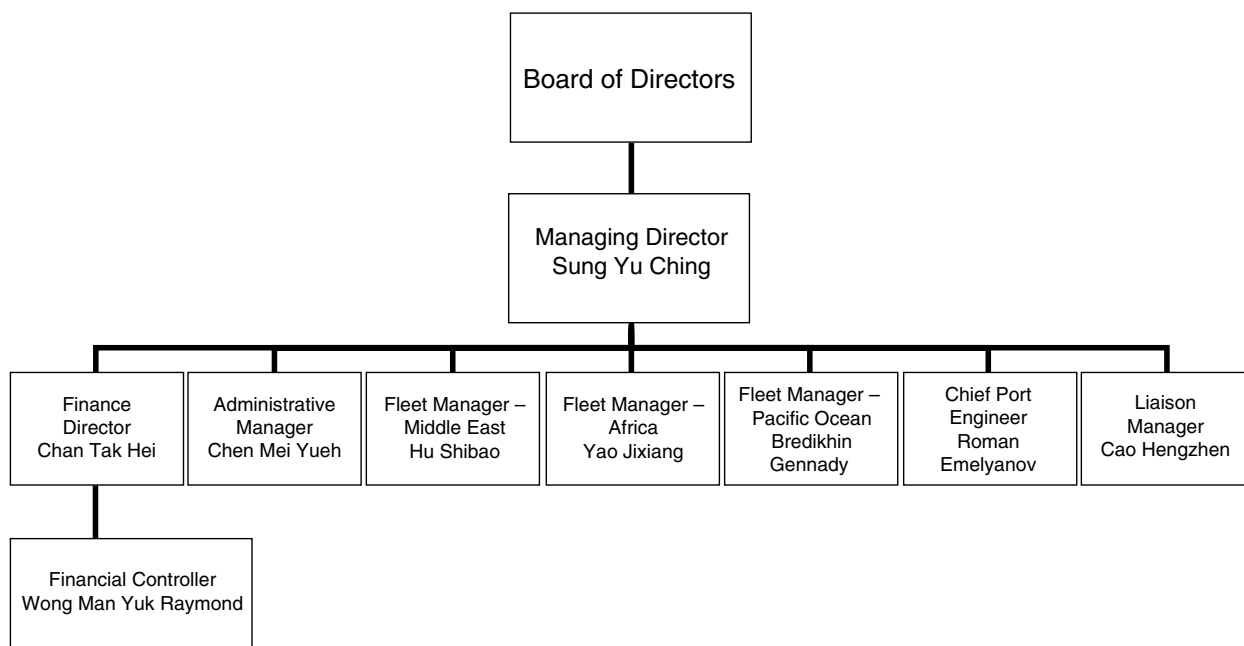
## MANAGEMENT

### Board Practices

Our Board of Directors will consist of not less than two Directors. Our Directors do not currently have a fixed term of office. At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring Director shall be eligible for re-election. The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment. All Directors shall retire from office at least once every three years.

### ORGANISATION STRUCTURE

Our management reporting structure is as follows:



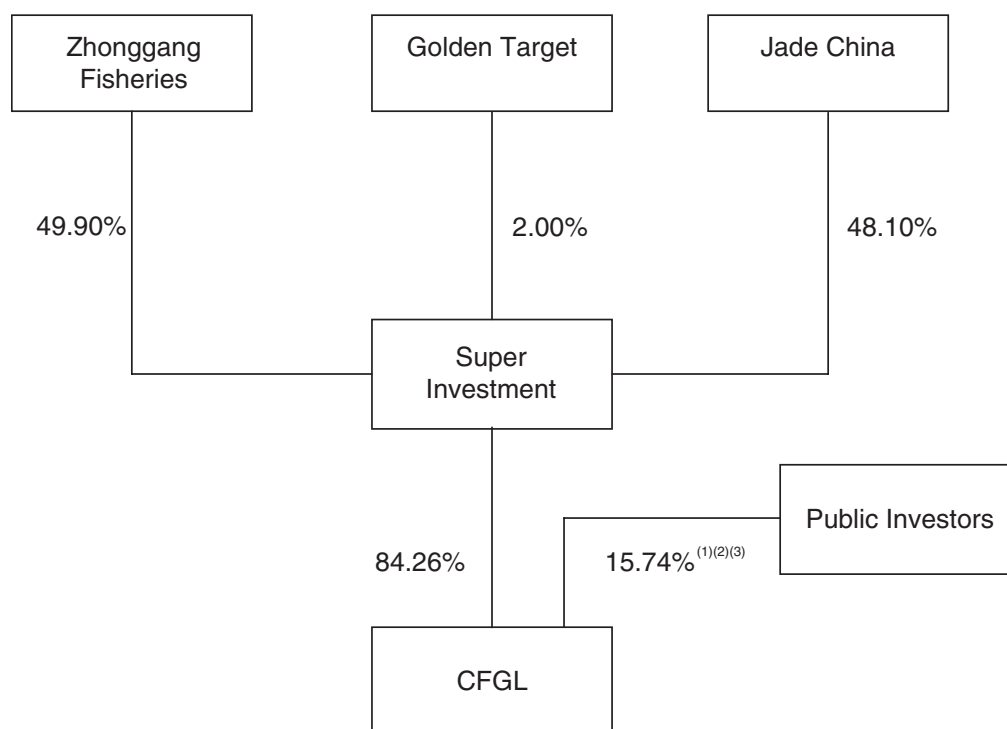
Because of the nature of our business, our Executive Officers need not be located in a single office or seaport. Our Executive Officers discharge their duties via remote communication with the fishing vessels. Our Managing Director is located in the PRC while our fleet managers are located in the following areas:

Fishing Grounds	Fleet Manager	Location	Vessels Managed
Pacific Ocean	Bredikhin Gennady	China	7
Atlantic Ocean	Yao Jixiang	Africa	19
Indian Ocean	Hu Shibao	Middle East	8

## PRINCIPAL SHAREHOLDERS

### OWNERSHIP STRUCTURE

The diagrammatic shareholding structure of our Company after the completion of the Invitation is set out below:



The shareholders of our Company and their respective shareholdings immediately before and after the Invitation are set out below:

	Before the Invitation				After the Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>Directors</b>								
Ng Joo Kwee	–	–	–	–	–	–	–	–
Sung Yu Ching	–	–	305,040,000	100.00	–	–	305,040,000	84.26
Chan Tak Hei <sup>(1)</sup>	–	–	–	–	20,000	0.0055	–	–
Jiang Zuoyi	–	–	–	–	–	–	–	–
Cheng Nai Ming	–	–	–	–	–	–	–	–
Lau Yu Chuen	–	–	–	–	–	–	–	–
Dr Ong Chit Chung <sup>(2)</sup>	–	–	–	–	50,000	0.014	–	–
Lim Soon Hock <sup>(2)</sup>	–	–	–	–	50,000	0.014	–	–
Tse Man Bun <sup>(2)</sup>	–	–	–	–	50,000	0.014	–	–

**Notes :**

- (1) Chan Tak Hei, an Executive Director of our Company, intends to subscribe for 20,000 Placement Shares pursuant to the Invitation.
- (2) Dr Ong Chit Chung, Lim Soon Hock and Tse Man Bun, each an Independent Director of our Company, intend to subscribe for 50,000 Placement Shares each pursuant to the Invitation.
- (3) In the event that all the Directors named under notes (1) and (2) above are allotted the number of Placement Shares as described thereunder, the number and percentage of Shares held by public investors will be reduced to 56,830,000 Shares representing 15.70% of the post-Invitation share capital of the Company.

## PRINCIPAL SHAREHOLDERS

	Before the Invitation				After the Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>Substantial shareholders</b>								
Super Investment	305,040,000	100.00	–	–	305,040,000	84.26	–	–
Zhonggang Fisheries	–	–	305,040,000	100.00	–	–	305,040,000	84.26
Jade China	–	–	305,040,000	100.00	–	–	305,040,000	84.26
Pacific Andes	–	–	305,040,000	100.00	–	–	305,040,000	84.26
<b>Public</b>	–	–	–	–	57,000,000 <sup>(6)(7)(8)</sup>	15.74 <sup>(6)(7)(8)</sup>	–	–
<b>Total</b>	<b>305,040,000</b>	<b>100.00</b>	<b>–</b>	<b>–</b>	<b>362,040,000</b>	<b>100.00</b>		

### Notes:

- (1) CIFHK is the owner of 30.00% of the share capital of Zhonggang Fisheries.
- (2) Lau Yu Chuen owns 49.00% of the share capital of CIFHK and the remaining 51.00% is owned by CNFC
- (3) Jiang Zuoyi does not own any shares in the share capital of CNFC
- (4) Pacific Andes is the owner of 70.00% of the share capital of Zhonggang Fisheries and 100.00% of the share capital of Golden Target Pacific Limited. As at the Latest Practicable Date, Clamford Holding Limited is the owner of 65.06% of the share capital of Pacific Andes. In turn, Pacific Andes International owns 100.00% of the share capital of Clamford Holding Limited. Teh Hong Eng, Ng Joo Kwee, Ng Joo Chuan, Ng Puay Yee, Ng Swee Hong, Ng Joo Thieng, Tresia Halim, Ng Joo Siang and Ng Joo Puay collectively, through N. S. Hong Investment (BVI) Ltd, own 51.65% of the share capital of Pacific Andes International.
- (5) Mr Sung is the owner of 100.00% of the share capital of Jade China.
- (6) Chan Tak Hei, an Executive Director of our Company, intends to subscribe for 20,000 Placement Shares pursuant to the Invitation.
- (7) Dr Ong Chit Chung, Lim Soon Hock and Tse Man Bun, each an Independent Director of our Company, intend to subscribe for 50,000 Placement Shares each pursuant to the Invitation.
- (8) In the event that all the Directors named under notes (6) and (7) above are allotted the number of Placement Shares as described thereunder, the number and percentage of Shares held by public investors will be reduced to 56,830,000 Shares and 15.70% of the post-Invitation share capital of the Company respectively.

Save as disclosed above, there were no significant changes in the percentage of ownership of our Directors and substantial shareholders in our Company from its incorporation until the Latest Practicable Date.

Saved as disclosed above, our Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly.

As at the Latest Practicable Date, to the best of the knowledge of our Directors, our Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of our Company.

### PRINCIPAL SHAREHOLDER

Super Investment is our majority shareholder and owns our Company's entire issued share capital prior to the Invitation.

After the completion of the Invitation, Super Investment will continue to hold approximately 84.26% of our issued share capital. Through its shareholding, it will be able to exercise a controlling influence over our Company, including determining the outcome on matters submitted to shareholders for approval, for instance matters relating to mergers or other business combinations, the acquisition or disposal of assets, our access to capital markets, the payment of dividends, election of Directors, and even the reduction of capital. In these and other situations, various conflicts of interest between Super Investment and our other shareholders could arise – please see “Risk Factors” on page 35 of this Prospectus for further details.

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## PRINCIPAL SHAREHOLDERS

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### MORATORIUM

To demonstrate its commitment to our Company, our majority shareholder, Super Investment, who holds 305,040,000 Shares representing approximately 84.26% of our Company's post-Invitation issued share capital, has given an undertaking to HL Bank, not to dispose of (including without limitation by creation of any option, charge or other encumbrances or rights over or in respect of) or transfer any part of their shareholding in our Company for a period of six months from the date of our admission to the Official List of the SGX-ST.

Zhonggang Fisheries and Jade China, through their respective shareholding in Super Investment, are each an indirect substantial shareholder of our Company. Zhonggang Fisheries, Golden Target and Jade China, which collectively own the entire issued share capital of Super Investment have each given an undertaking to HL Bank, not to dispose of (including without limitation by creation of any option, charge or other encumbrances or rights over or in respect of) or transfer any part of their respective shareholding in Super Investment for a period of six months from the date of our admission to the Official List of the SGX-ST.

Pacific Andes, an indirect substantial shareholder of our Company through its shareholding in Zhonggang Fisheries and Golden Target, has given an undertaking to HL Bank, not to dispose of (including without limitation by creation of any option, charge or other encumbrances or rights over or in respect of) or transfer any part of its shareholding in Zhonggang Fisheries and Golden Target for a period of six months from the date of our admission to the Official List of the SGX-ST.

Mr Sung, an indirect substantial shareholder of our Company through his shareholding in Jade China, has given an undertaking to HL Bank, not to dispose of (including without limitation by creation of any option, charge or other encumbrances or rights over or in respect of) or transfer any part of his shareholding in Jade China for a period of six months from the date of our admission to the Official List of the SGX-ST.

## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTERESTS

### PAST INTERESTED PERSON TRANSACTIONS

Transactions between our Group and any interested persons (namely, our Directors or any of our controlling shareholders, or the associates of such persons) are generally known as interested person transactions. In addition to the disclosures made in the section “Restructuring Exercise” on pages 47 and 48 of this Prospectus and in the section “Service Agreements” on pages 100 to 102 of this Prospectus, the discussion below sets out the other material interested person transactions entered into by our Group within the past three financial years ended 31 December 2004 and up to the Latest Practicable Date.

(a) Sale of catches to CIFHK<sup>(1)</sup>

In respect of our fishing operations under the CIFHK Vessel Operating Agreement during the last three financial years, some of our catches were sold to CIFHK.

The sales of catches to CIFHK during the last three financial years ended 31 December 2004 and for the period from 1 January 2005 up to the Latest Practicable Date were as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	From 1 January 2005 up to the Latest Practicable Date (US\$'000)
Sales of catches	11,110	10,487	28,231	–

Our catches are sold to CIFHK at the then prevailing market prices on a willing buyer willing seller basis. Our Directors are of the view that the transactions above were conducted on arm’s length basis.

(b) Vessel crew supply by CIFHK<sup>(1)</sup>

CIFHK, through CNFC, arranged and supplied vessel crew to all our fishing vessels arranged under the CIFHK Vessel Operating Agreement.

The dollar amounts of vessel crew supplied by CIFHK during the last three financial years ended 31 December 2004 and for the period from 1 January 2005 up to the Latest Practicable Date were as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	From 1 January 2005 up to the Latest Practicable Date (US\$'000)
Supply of crew	3,862	4,706	4,684	–

Our Directors are of the view that the arrangement and supply of vessel crew above were carried out on arm’s length basis.

(c) Secondment Agreements<sup>(1)</sup>

Pursuant to a secondment agreement dated 8 January 2002 entered into between CIFHK and CFIL (the “Secondment Agreement”), three of our fleet managers, namely, Yao Jixiang, Cao Hengzhen and Hu Shibao are seconded to our Group from CNFC on a full-time basis. After the expiry of the Period of Secondment (as defined below), it is the intention of the Group to employ each of these fleet managers as an employee of one of our companies within our Group.

Pursuant to the terms of the Secondment Agreement, these three employees will be seconded to CFIL for a period of four years for each such employee or such other periods as may be determined mutually by CIFHK and CFIL (the “Period of Secondment”). For the entire Period of Secondment, CFIL will be responsible for the wages of the seconded employee and insurance, housing and other welfare payments, payable 20 days before the first day of each month. Should CFIL default on such payments, CIFHK reserves the right to charge a late payment fee of 1% on

## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTERESTS

such outstanding sums for every 10 days such sums are owing. Should CFIL default in such payments for a period of more than 30 days, CIFHK reserves the right to demand for a termination fee of RMB100,000 payable by CFIL and also the right to terminate the agreement. Subject to the aforementioned, the agreement can be terminated by the written consent of both parties.

The dollar amounts paid to CNFC in consideration for the secondment of the afore-mentioned Executive Officers during the last three financial years ended 31 December 2004 and for the period from 1 January 2005 up to the Latest Practicable Date were as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	From 1 January 2005 up to the Latest Practicable Date (US\$'000)
Secondment of fleet managers	85	85	85	85

(d) Vessel operating and other services arrangements<sup>(1)</sup>

As part of our Group's operations under the CIFHK Vessel Operating Agreement, our Group paid charter hires to CIFHK, the dollar amounts of which for the last three financial years ended 31 December 2004 and for the period from 1 January 2005 up to the Latest Practicable Date were as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	From 1 January 2005 up to the Latest Practicable Date (US\$'000)
Charter hires (fixed and variable)	13,617	15,234	16,655	–

The fixed charter hires and variable charter hires were determined in accordance with the terms of the CIFHK Vessel Operating Agreement and our Directors are of the view that the transactions were conducted on an arm's length basis.

In addition to the charter hires paid to CIFHK, our Group also made payment to CIFHK under the CIFHK Vessel Operating Agreement for sales commissions (including freight and handling commissions), the dollar amounts of which for the last three financial years ended 31 December 2004 and for the period from 1 January 2005 up to the Latest Practicable Date were as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	From 1 January 2005 up to the Latest Practicable Date (US\$'000)
Sales Commissions	311	372	387	–

The aforesaid sales commissions were determined in accordance with the terms of the CIFHK Vessel Operating Agreement and our Directors are of the view that the transactions were conducted on an arm's length basis.

As described in pages 80 to 82 of the Prospectus under the section "Business – Vessel Operating And Management Agreements", the CIFHK Vessel Operating Agreement was terminated with effect from 31 December 2004. In its place, CFIL and CIFHK entered into the CIFHK Management Agreement under which CIFHK engaged our Group to manage and operate fishing vessels. Our Group was paid a management fee of approximately US\$837,000 for the period from 1 January 2005 to the Latest Practicable Date.

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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTERESTS

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The management fee was determined in accordance with the terms of the CIFHK Management Agreement and our Directors are of the view that the transaction was conducted on an arm's length basis.

As part of our Group's operations under the CIFHK Vessel Operating Agreement and the subsequent CIFHK Management Agreement, our Group also incurred a facility fee for the use of CNFC's premises, vehicles and office equipment located in various seaports for its fishing operations at the rate of US\$4,000 per month for each of the premises and facilities utilised. The dollar amounts paid to CIFHK during the last three financial years ended 31 December 2004 and for the period from 1 January 2005 up to the Latest Practicable Date under the CIFHK Vessel Operating Agreement were as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	From 1 January 2005 up to the Latest Practicable Date (US\$'000)
Facility Fee	144	144	156	96

The facility fee incurred during the period from 1 January 2005 up to the Latest Practicable Date was not paid out to CIFHK but has been taken into account as an expense in determining the management fee. Please refer to pages 80 to 82 of the Prospectus under the section "Business – Vessel Operating and Management Agreements" for more details.

The facility fee set out above for the last three financial years ended 31 December 2004 and for the period from 1 January 2005 up to the Latest Practicable Date was determined in accordance with the terms of the CIFHK Vessel Operating Agreement and CIFHK Management Agreement respectively and our Directors are of the view that the transaction was conducted on an arm's length basis.

**Note:**

(1) Following the completion of the Restructuring Exercise, Zhonggang Fisheries, Golden Target and Jade China are deemed interested in the Shares of our Company through their respective shareholdings in Super Investment. However, CIFHK (which holds 30% of the issued share capital in Zhonggang Fisheries) and CNFC (which is the holding company of CIFHK), are not regarded as interested persons for the purposes of Chapter 9 of the SGX-ST Listing Manual as CIFHK does not control Zhonggang Fisheries. Accordingly, notwithstanding that such transactions would be on-going following the admission of the Company to the Official List of the SGX-ST, they would not be categorised as interested persons transactions for the purposes of Chapter 9 of the SGX-ST Listing Manual.

(e) Purchase prepayment by Pacific Andes

In March 2004, Pacific Andes made fish purchase prepayment of US\$30 million to CFIL in line with its practice. In July 2004, part of the aforesaid prepayment sum (amounting to US\$16.4 million) was refunded (free of interest or share of revenue or benefit) to Pacific Andes with the balance of the prepayment sum offset against fish sold by CFIL to Pacific Andes. See further paragraph (f) below, details on the shareholder's loan extended by Jade China.

(f) Shareholder's Loan by Jade China

In July 2004, Jade China extended an interest-free shareholder loan of US\$16.4 million to CFIL, which was used for the refund of part of the fish purchase prepayment made by Pacific Andes as described in paragraph (e) above. The aforesaid shareholder loan was fully repaid in May 2005.

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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTERESTS

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### ON-GOING INTERESTED PERSON TRANSACTIONS

(a) Sale of catches to Pacific Andes

Pacific Andes, our Company's indirect major shareholder, is a major supplier of fish products in the PRC. A high percentage of our catches are sold to Pacific Andes.

The sales of catches to Pacific Andes during the last three financial years ended 31 December 2004 and for the period from 1 January 2005 up to the Latest Practicable Date were as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	From 1 January 2005 up to the Latest Practicable Date (US\$'000)
Sales of catches	6,445	13,155	31,845	34,024

(b) Purchase of bunkers and other supplies from Pacific Andes

Pacific Andes has a fleet of transportation vessels to transship directly from the fishing grounds we operate on the catches it has purchased from our Group. At the same time, the transportation vessels carry bunkers and other vessel supplies which we require for our continuous fishing operations on these remote fishing grounds. Our Group purchases bunkers and other vessel supplies from Pacific Andes at a price based on free on board prices plus freight costs. Before purchasing such bunkers and supplies from Pacific Andes, our Group obtains price quotations from other suppliers for such bunkers and supplies to ensure that the prices are at prevailing market prices.

The amount of bunker and other vessel supplies purchased from Pacific Andes during the last three financial years ended 31 December 2004 and for the period from 1 January 2005 up to the Latest Practicable Date were as follows:

	FY2002 (US\$'000)	FY2003 (US\$'000)	FY2004 (US\$'000)	From 1 January 2005 up to the Latest Practicable Date (US\$'000)
Purchase of bunker and other vessel supplies from Pacific Andes	371	1,009	2,371	2,969

(c) Purchase of fishing vessel spare parts from Chuan-Chuan

In our fishing operations, we are required to maintain the fishing vessels we manage and operate. Our Group purchases the necessary vessel spare parts from Chuan-Chuan in which Mr Sung Yu Ching, our Managing Director, has a majority shareholding. For the last three financial years ended 31 December 2004 and for the period from 1 January 2005 to the Latest Practicable Date, our Group purchased an aggregate amount of US\$233,000.00 in spare parts from Chuan-Chuan.

Our Group purchased the spare parts at the then prevailing market prices on a willing buyer willing seller basis. Our Directors are of the view that the transactions above were conducted on arm's length basis.

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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTERESTS

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- (d) Guarantees provided by Pacific Andes and Mr Sung in connection with a term loan facility granted by Landsbanki Íslands HF (“Landsbanki”)

Pursuant to a loan agreement dated 28 April 2005, Landsbanki granted a US\$40,000,000 term loan facility (the “Facility”) to CFIL. The payment obligation of CFIL under the Facility is guaranteed jointly and severally by Pacific Andes and Mr Sung. Upon the listing of the Shares on the SGX-ST, Pacific Andes and Mr Sung will procure for a replacement corporate guarantee by the Company in favour of Landsbanki to replace and substitute the personal guarantee granted by each of them in favour of Landsbanki. In the event that such a replacement and substitution is not agreed to by Landsbanki, the joint and several guarantee by Pacific Andes and Mr Sung will continue to secure the payment obligation of CFIL under the Facility.

Our Directors and the Audit Committee are of the view that the transactions set out under paragraphs (a) to (d) above were conducted on arm’s length basis.

### POTENTIAL CONFLICT OF INTERESTS

CIFHK is a state-owned company of the PRC and is a subsidiary of CNFC. Both CIFHK and CNFC are in the same business as that of our Group. As Mr Jiang Zuoyi, a non-executive Director of our Company, is also an executive director of CNFC and CIFHK and Mr Lau Yu Chuen, an alternate non-executive Director to Mr Cheng Nai Ming, is also an executive director of CIFHK, a potential conflict of interests may arise in the future. As such, both Mr Jiang and Mr Lau have each executed a letter of undertaking to our Company, by which each of them have agreed, amongst other things, to abstain from participating in discussions involving, and voting in, matters which he, CNFC or CIFHK may be interested, as well as maintaining confidentiality of such matters. Each of them has also affirmed each of his duties as a Director of our Company and is also bound by the same duties of good faith, due diligence, confidentiality and to act in the interests of our Company as the rest of our Directors. Moreover, both Mr Jiang and Mr Lau, being non-executive Directors, do not participate in the day-to-day management of our business. The composition of our Board also renders it unlikely that they would be in a position to influence the Board in matters which either or both of them, CNFC or CIFHK may be interested.

Both Mr Jiang and Mr Lau have extensive experience in the fishing industry and each will bring to the Board and our Company a wealth of industry knowledge – see the section “Management – Directors” for further details. With the safeguards in place as set out above, our Directors believe that the potential benefits and contributions which each of Mr Jiang and Mr Lau will bring to our Group outweigh the risk of us facing a potential conflict of interests with regard to Mr Lau’s directorship in CIFHK and Mr Jiang’s directorship in CNFC.

Dr Ong Chit Chung, our Independent Director, is also an independent director of Pacific Andes. Pacific Andes is currently a major customer of our Group. As such, a potential conflict of interest may arise in the future. Accordingly, Dr Ong has executed a letter of undertaking to our Company by which he has agreed to resign from his position as an independent director of Pacific Andes upon the listing of the Shares on the SGX-ST.

Save as disclosed in “Interested Person Transactions and Conflicts of Interests” above, during the past three financial years ended 31 December 2004 and up to the Latest Practicable Date:

- (a) none of our Directors or controlling shareholders or any of their associates has had any interest, direct or indirect, in any material transactions to which we were or are a party;
- (b) none of our Directors or controlling shareholders or any of their associates has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as us; and
- (c) none of our Directors or controlling shareholders or any of their associates has any interest, direct or indirect, in any enterprise or company that is our customer or supplier of goods or services.

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## SHAREHOLDERS' MANDATE

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We anticipate that we would, in the ordinary course of business, enter into certain transactions with our interested persons. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time. Such transactions include, but are not limited to the transactions described below.

Chapter 9 of the Listing Manual applies to transactions entered or to be entered into by a listed company or any of its subsidiaries or associated companies with a party who is an interested person of the listed company. Save for transactions which are excluded under Chapter 9, an immediate announcement and/or shareholders' approval would be required in respect of transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.

Chapter 9 of the SGX-ST Listing Manual allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. However, these transactions may not include the purchase or sale of assets, undertakings or businesses.

In view of the time-sensitive nature of commercial transactions, it would be advantageous to us to obtain a shareholders' mandate to enter into certain interested person transactions in our normal course of business, provided that all such transactions are carried out on normal commercial terms. The mandate will eliminate, among others, the need for us to convene separate general meetings on each occasion to seek our shareholders' approval as and when potential transactions with interested persons arise. This will reduce substantially the administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising our corporate objectives and adversely affecting our business opportunities.

Pursuant to Rule 920(2) of the SGX-ST Listing Manual, our Company may treat a general mandate as having been obtained from our shareholders (the "Shareholders' Mandate") for us to enter into certain categories of interested person transactions with the classes of interested persons set out below, if the information required by Rule 920(1)(b) is included in the Prospectus. The information required by Rule 920(1)(b) is as follows:

- (i) the class of interested persons with which the entity at risk will be transacting;
- (ii) the nature of the transactions contemplated under the mandate;
- (iii) the rationale for, and benefit to, the entity at risk;
- (iv) the methods or procedures for determining transaction prices;
- (v) the independent financial adviser's opinion on whether the methods or procedures in (iv) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders;
- (vi) an opinion from the audit committee if it takes a different view to the independent financial adviser;
- (vii) a statement from the issuer that it will obtain a fresh mandate from shareholders if the methods or procedures in (iv) become inappropriate; and
- (viii) a statement that the interested person will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.

The Shareholders' Mandate will be effective until the earlier of the following: (i) our first annual general meeting following our admission to the Official List of the SGX-ST; or (ii) the first anniversary of the date of our admission to the Official List of the SGX-ST. Thereafter, we will seek the approval of our shareholders for a renewal of the Shareholders' Mandate at each subsequent annual general meeting. In accordance with Rule 920(1)(b)(viii) of the Listing Manual, interested persons and their associates shall abstain from voting on resolutions approving interested person transactions involving themselves and our Group. Furthermore, such interested persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the particular shareholder.

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## SHAREHOLDERS' MANDATE

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Rule 905 and Rule 906 of the SGX-ST Listing Manual do not apply to any transaction which has a value below S\$100,000 with an Interested Person and therefore need not be covered under the Shareholders' Mandate.

### **Classes of Interested Persons**

The Shareholders' Mandate will apply to our Group's interested person transactions with Pacific Andes (the "Interested Persons" and each an "Interested Person").

Transactions with Interested Persons which do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the SGX-ST Listing Manual.

### **Categories of Interested Person Transactions**

The interested person transactions with the Interested Persons that will be covered by the Shareholders' Mandate (the "Interested Person Transactions") and the benefits to be derived are set out below:-

- (a) Sale of catches to Pacific Andes; and
- (b) Purchase of bunkers and other supplies from Pacific Andes.

Please refer to the section "On-Going Interested Person Transactions" on pages 111 to 112 of this Prospectus for more details.

### **Rationale for and Benefits of the Shareholders' Mandate**

The Interested Person Transactions are entered into or to be entered into by our Group in its ordinary course of business or are necessary for our day-to-day operations. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time. Our Directors are of the view that it will be beneficial to us to transact or continue to transact with the Interested Persons for the reasons set out in the descriptions of each type of transaction above.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential interested person transactions with the Interested Persons arise, thereby reducing substantially, the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to us.

The Shareholders' Mandate is intended to facilitate transactions in our normal course of business which are transacted from time to time with the Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to our Company and its minority shareholders.

Disclosure will be made in our annual report of the aggregate value of the Interested Person Transactions conducted pursuant to the Shareholders' Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a Shareholders' Mandate is in force.

### **Review Procedures for On-going and Future Interested Person Transactions**

We will establish the following procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms and are not prejudicial to the interest of the Company and its minority shareholders:

In general, there are procedures established by the Group to ensure that the Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms consistent with the Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

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## SHAREHOLDERS' MANDATE

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In particular, the following review procedures have been put in place:

- (i) When purchasing items from or engaging the services of an Interested Person, two other quotations from non-Interested Persons will be obtained (where available) for comparison to ensure that the interest of minority shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the two other quotations from non-Interested Persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time and track record will be taken into consideration; and
- (ii) When selling items or supplying services to an Interested Person, the price and terms of other successful sales of a similar nature to non-Interested Persons will be used in comparison to ensure that the interests of our minority shareholders are not disadvantaged. The sale price or fee for the supply of services shall not be lower than the lowest sale or fee of the two other successful transactions with non-Interested Persons.

In cases where it is not possible to obtain comparables from other unrelated third parties, our Audit Committee will consider whether the pricing of the transaction is in accordance with usual business practices and pricing policies and consistent with the usual margins to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken at an arm's length and on normal commercial terms. The Group may then enter into the transaction with the Interested Persons, provided that the reasons for not obtaining the quotations must be stated by the relevant authorities that authorised the said transaction.

In addition, we shall monitor all Interested Person Transactions entered into by us and categorise these transactions as follows:

- (i) a Category 1 Interested Person Transaction is one where the transaction value is below US\$120,000. Such a transaction would be reviewed and approved by either a business manager, project manager, finance manager, or persons of an equivalent or analogous position (and who shall not be interested in the transaction) on the basis as set out above;
- (ii) a Category 2 Interested Person Transaction is one where the transaction value is equal to or exceeds US\$120,000, but less than US\$3,000,000. Such a transaction would be reviewed and approved by any one of the Directors (and who shall not be interested in the transaction) on the basis as set out above; and
- (iii) a Category 3 Interested Person Transaction is one where the transaction value is equal to or exceeds US\$3,000,000. Such a transaction would be reviewed and approved by the Audit Committee prior to entry on the basis as set out above.

For monitoring purposes, the Finance Director will maintain a register of Interested Persons. This register will be updated quarterly and by the 15th day of each quarter, such register will be sent to the designated person of the respective companies. The purpose of this register is to enable the designated person in the respective companies to identify the Interested Persons and the recording of all Interested Person Transactions. The Finance Director will also maintain a register of transactions carried out with Interested Persons pursuant to the Shareholders' Mandate (recording the basis, including the quotations obtained to support such basis, on which they were entered into).

By the 20th day of each calendar month, the designated persons are required to submit details of all Interested Person Transactions entered into during the previous calendar month to the Finance Director, including the value of the transactions. A "nil" return is expected if there is no Interested Person Transaction for the previous calendar month. The Group's internal audit plan will also incorporate a review of all transactions entered into in the relevant financial year pursuant to the Shareholders' Mandate.

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## SHAREHOLDERS' MANDATE

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The Audit Committee will review all Interested Person Transactions at least on a quarterly basis to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by our Audit Committee. Our Audit Committee may request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as they deem fit.

In addition, an independent auditor will be engaged by the Company to perform a review of all Interested Person Transactions that are related to Pacific Andes on half yearly basis. The scope of the review will cover books and records of both the Group and Pacific Andes in order to ascertain that the terms of the Interested Person Transactions are based on normal commercial terms. A review report will be prepared by the independent auditor for the Audit Committee.

In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by the remaining members of the Audit Committee.

In addition, our Board of Directors will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and relevant accounting standards, are complied with. The annual internal audit plan shall incorporate a review of all interested person transactions entered into.

Our Audit Committee and our Board shall review internal audit reports to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. In addition, our Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between us and our interested persons are conducted on normal commercial terms. Pursuant to Rule 920(1)(b)(iv) and (vii) of the Listing Manual, if during its periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are inappropriate or not sufficient to ensure that Interested Person Transactions will be carried out on normal commercial terms which will not be prejudicial to the interests of the Company and its minority shareholders, we will seek a fresh mandate from our shareholders based on new guidelines and procedures.

Our Audit Committee is of the view that the methods and procedures for determining transaction prices, as set out above, are sufficient to ensure that our Group's transactions with Interested Persons are on normal commercial terms which will not be prejudicial to the interests of our Company and our minority shareholders.

### **Opinion of the Independent Financial Adviser**

KPMG Corporate Finance Pte Ltd ("KPMG Corporate Finance") was appointed as the independent financial adviser pursuant to Rule 920(1)(b)(v) of the SGX-ST Listing Manual, to opine on whether the methods and procedures for determining transaction prices under the Shareholders' Mandate, as set out above, are sufficient to ensure that our Group's transactions with the Interested Persons will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Based on the analysis undertaken and subject to the qualifications and assumptions made in KPMG Corporate Finance's IFA Opinion letter to the Independent Directors in relation to the Shareholders' Mandate set out in "Appendix D" of the Prospectus, KPMG Corporate Finance is of the opinion that the current methods and procedures for determining transaction prices of Interested Person Transactions under the Shareholders' Mandate, as set out on pages 114 and 116 of the Prospectus, if adhered to, are sufficient to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. Please refer to "Appendix D – Letter from the Independent Financial Adviser to the Independent Directors of CFGL" on pages D-1 to D-4 of this Prospectus for more details.

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## GENERAL AND STATUTORY INFORMATION

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### INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The present and past directorships (held in the five years preceding the date of this Prospectus) of each of our Directors, other than those held in our Company, in other companies are set out below:

<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Ng Joo Kwee	<u>Group Companies</u> China Fisheries International Limited  <u>Other Companies</u> Aqua Foods (Qingdao) Co Ltd Clamford Holding Limited Fastact Group Limited Global Research Group Inc Kyoshoku Co Ltd Lions City Investment Inc National Fish & Seafood Inc National Fish & Seafood Limited National Fish & Seafood Management Limited New Millennium Group Holdings Limited Nouvelle Foods International Limited Orient Ocean Limited Pacific Andes (Holdings) Limited Pacific Andes International Holdings Limited Pacific Andes Treasury Management Limited Pacific Andes Vegetables, Inc Paco Alpha Limited Paco Beta Limited Paco Delta Limited Paco Gamma Limited Peaksville Limited Qingdao Canning Foodstuff Co & Ltd Qingdao New Millennium Food Co Limited Rawley Trading Limited Richtown Development Limited Sevensseas Enterprises Limited Well Hope International Limited Xinxing Foodstuff (Qingdao) Co Ltd	<u>Group Companies</u> None  <u>Other Companies</u> None
Sung Yu Ching	<u>Group Companies</u> China Fisheries International Limited Chanery Investment Inc. Superb Choice International Limited  <u>Other Companies</u> Chuan-Chuan Yoo International Trade Ltd. Jade China Investments Limited Yu Fu Fishery Co. Reach Profit Holdings Ltd	<u>Group Companies</u> None  <u>Other Companies</u> None

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## GENERAL AND STATUTORY INFORMATION

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Name	Present Directorships	Past Directorships
Chan Tak Hei	<u>Group Companies</u> China Fisheries International Limited Smart Group Limited	<u>Group Companies</u> None
	<u>Other Companies</u> Alpha Capital Limited Baltimore Investment Limited Cosmos Holdings Limited Kyoshoku Marketing Co. Limited Pacific Andes (Holdings) Limited (alternate director) Parkmond Group Limited Super Investment Limited Zhonggang Fisheries Limited	<u>Other Companies</u> None
Jiang Zuoyi	<u>Group Companies</u> China Fisheries International Limited	<u>Group Companies</u> None
	<u>Other Companies</u> Beijing Zhongshuihailong Trading Corp. Calder Marine Products Enterprises Ltd. China International Fisheries Corp. China International Fisheries Hong Kong Limited China National Fisheries Corp. CNFC International Fisheries (Aust) Pty Ltd Full Tat Marine Products Trading Co. Ltd. Hong Leader Foods & Marine Products Company Limited Paul & Sam Company Limited Senegal Armement S.A. Senegal Peche S.A. Zhonggang Fisheries Limited Zhongyu Global Seafood Corp.	<u>Other Companies</u> None
Cheng Nai Ming	<u>Group Companies</u> China Fisheries International Limited	<u>Group Companies</u> None
	<u>Other Companies</u> Alpha Capital Limited Baltimore Investment Limited Clamford Holding Limited Cosmos Holdings Limited National Fish & Seafood Inc. National Fish & Seafood Management Limited New Millennium Group Holdings Limited Pacific Andes (Holdings) Limited Pacific Andes Foods Limited Pacific Andes International Holdings Limited Qingdao New Millennium Food Co. Limited Richtown Development Limited Zhonggang Fisheries Limited	<u>Other Companies</u> None

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## GENERAL AND STATUTORY INFORMATION

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Name	Present Directorships	Past Directorships
Lau Yu Chuen	<u>Group Companies</u> China Fisheries International Limited  <u>Other Companies</u> Allied Pacific Aquatic Products (Zhongshan) Co. Ltd. Calder Marine Products Enterprises Ltd. China International Fisheries Hong Kong Limited FT Fisheries Co. Ltd. Full Tat Marine Products Trading Co. Ltd. Fully Bestow Industrial Ltd. Hong Kong Fisheries Co. Ltd. Hong Leader Foods & Marine Products Company Limited Hong Tat Foods & Trading Co. Ltd. Leader Foods & Marine Products Co. Ltd. Seven Fit Company Ltd. Yun Tat Industries (Hong Kong) Limited	<u>Group Companies</u> None  <u>Other Companies</u> None
Dr Ong Chit Chung	<u>Group Companies</u> None  <u>Other Companies</u> Amequity Pte Ltd Amicus Pte. Ltd. Capital Bliss Investments Limited Centros Life Science Pte Ltd Chwee Song Supplies Pte. Ltd. Cougar Logistics Corporate Pte. Ltd. Davos Life Science Marketing Pte Ltd Davos Life Science Pte. Ltd. Eureka Schoolhouse Pte. Ltd. Helix Life Science Pte. Ltd. Ilied.com Pte. Ltd. Inventa Technologies (S) Pte. Ltd. Legion Holdings Pte Ltd Magnecomp International Limited NASPAC Marketing Pte Ltd Nexfrontier Solutions Pte. Ltd. Oppenheimer Investments (Singapore) Pte Ltd OVA Healthcare Pte Ltd OVA International Pte Ltd Pacific Andes (Holdings) Ltd Paragon Incorporated Holdings Pte Ltd Security Pro-Telco Pte. Ltd. TEE Aerospace Industries Pte Ltd TEE International Ltd Trans Equatorial Engineering Pte Ltd Westech Electronics Limited	<u>Group Companies</u> None  <u>Other Companies</u> Allandes Portable Cabin Pte Ltd (now Allandes Corporation Pte Ltd-dissolved-members' voluntary winding up) Aussino Group Ltd Chew Eu Hock Holdings Ltd (now Hiap Hoe Limited) Fort Canning Country Club Investments Ltd (dissolved-compulsory winding up (insolvency)) Growth Asia Investments Ltd Nobel Design Holdings Ltd Pakara Technology Pte Ltd Paragon School of Business Pte Ltd Sim Lian Group Ltd Swank International Pte Ltd Swank (S) Pte Ltd The Nanyang Group Pte Ltd (now The Huasheng Group Pte Ltd) Top Global Limited Zeito Technologies Ltd (BVI) Zeito Technologies Pte Ltd

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## GENERAL AND STATUTORY INFORMATION

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Name	Present Directorships	Past Directorships
Lim Soon Hock	<p><u>Group Companies</u></p> <p>None</p> <p><u>Other Companies</u></p> <p>Advent Air Ltd Avation.net.Inc Captivevision Capital Ltd Centre for Fathering Limited China Entertainment Sports Ltd Health Promotion Board Pacific Internet Ltd Plan-B Technologies Pte Ltd (in liquidation-members' voluntary winding up) SISTIC.com Pte Ltd Skywest Airlines Pty Ltd Skywest Limited Stratech Systems Ltd TPA Strategic Holdings Ltd</p>	<p><u>Group Companies</u></p> <p>None</p> <p><u>Other Companies</u></p> <p>CommerceNet Singapore Limited Data &amp; Commerce Ltd (now known as Pacific Star Network Ltd) Deep Video Imaging Ltd Deep Video Imaging Technology Pte Ltd Defence Science &amp; Technology Agency Ei-Nets Ltd IHPC Technology Ventures Pte Ltd Institute of High Performance Computing Interactive Visual Lab Pte Ltd Meshworkz Pte Ltd OPH-POINT Technology Funds Pte Ltd (in liquidation-members' voluntary winding up) OPH-POINT.ic Pte Ltd (in liquidation -members' voluntary winding up) SIM Pte Ltd (formerly known as SIM International Pte Ltd Singapore Indoor Stadium Singapore Institute of Management SITA Information Networking Computing (Asia Pacific) Pte Ltd Societe International De TeleCommunications Aeronautiques Greater China Holdings Pte Ltd Strike Engineering Ltd (now known as Magnus Energy Group Ltd.) Winedge Electronics (S) Pte Ltd (dissolved-members' voluntary winding up)</p>
Tse Man Bun	<p><u>Group Companies</u></p> <p>None</p> <p><u>Other Companies</u></p> <p>Crystal International Limited HSBC Insurance (Asia) Limited SEA Holdings Limited and its subsidiaries Tysan Holdings Limited</p>	<p><u>Group Companies</u></p> <p>None</p> <p><u>Other Companies</u></p> <p>ACR Nominees Limited Allied Banking Corporation (HK) Limited HSBC Medical Insurance Limited</p>

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## GENERAL AND STATUTORY INFORMATION

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2. The present and past directorships (held in the five years preceding the date of this Prospectus) of each of our Executive Officers, other than those held in our Company, in other companies are set out below:

Name	Present Directorships	Past Directorships
Yao Jixiang	<u>Group Companies</u>	<u>Group Companies</u>
	None	None
	<u>Other Companies</u>	<u>Other Companies</u>
Cao Hengzhen	<u>Group Companies</u>	<u>Group Companies</u>
	None	None
	<u>Other Companies</u>	<u>Other Companies</u>
Hu Shibao	<u>Group Companies</u>	<u>Group Companies</u>
	None	None
	<u>Other Companies</u>	<u>Other Companies</u>
Bredikhin Gennady	<u>Group Companies</u>	<u>Group Companies</u>
	None	None
	<u>Other Companies</u>	<u>Other Companies</u>
Roman Emelyanov	<u>Group Companies</u>	<u>Group Companies</u>
	None	None
	<u>Other Companies</u>	<u>Other Companies</u>
Chen Mei Yueh	<u>Group Companies</u>	<u>Group Companies</u>
	China Fisheries International Limited	None
	<u>Other Companies</u>	<u>Other Companies</u>
Wong Man Yuk Raymond	<u>Group Companies</u>	<u>Group Companies</u>
	None	None
	<u>Other Companies</u>	<u>Other Companies</u>
	None	None

3. Except as disclosed above, none of the Directors or Executive Officers or controlling shareholder:
- (a) has at any time during the last ten years, had a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner;
  - (b) has at any time during the last ten years, had a petition under any law of any jurisdiction filed against a corporation of which he was a director or key executive for the winding up of that corporation on the ground of insolvency;

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## GENERAL AND STATUTORY INFORMATION

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- (c) has any unsatisfied judgment against him;
  - (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty punishable with imprisonment for three months or more, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;
  - (e) has been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including pending criminal proceedings which he is aware of) for such breach;
  - (f) has at any time during the last ten years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving the breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or been the subject of any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;
  - (g) has been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any corporation;
  - (h) has been disqualified from acting as a director of any corporation, or from taking part in any way directly or indirectly in the management of any corporation;
  - (i) has been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity; or
  - (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
    - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
    - (ii) any corporation or partnership which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore;in connection with any matter occurring or arising during the period when he was so concerned with the corporation or partnership.
4. No option to subscribe for shares in, or debentures of, our Company or any of our subsidiaries has been granted to, or was exercised by, any of our Directors or Executive Officers within the last financial year ended 31 December 2005.
5. Save as disclosed in “Interested Person Transactions and Conflicts of Interests” on pages 108 to 112 of this Prospectus, none of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to, our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
6. Save as disclosed in “Interested Person Transactions and Conflicts of Interests” on pages 108 to 112 of this Prospectus, none of our Directors or Executive Officers or substantial shareholders of our Company has any substantial interest, direct or indirect, in any company carrying on a similar trade as our Company or our subsidiaries.

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## GENERAL AND STATUTORY INFORMATION

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7. Save as disclosed on pages 108 to 112 of this Prospectus, none of our Directors has any interest in any existing contract or arrangement which is significant in relation to the business of our Company and our subsidiaries, taken as a whole.

### SHARE CAPITAL

8. As at the date of this Prospectus, there is only one class of shares in the capital of our Company. There are no founder, management or deferred shares. The rights and privileges attached to our Shares are stated in the Articles of our Company.
9. Save as disclosed under the section "Share Capital" at pages 40 to 44 of this Prospectus, no shares in, or debentures of, our Company or any of our subsidiaries have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash, within the two years preceding the date of this Prospectus.
10. No person has been, or is entitled to be, granted an option to subscribe for shares in, or debentures of, our Company or any of our subsidiaries.
11. As at the Latest Practicable Date, to the best of the knowledge of our Directors, our Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of our Company.

### BANK BORROWINGS AND WORKING CAPITAL

12. Save as disclosed under "Management's Discussion and Analysis of Financial Condition and Results of Operation" on pages 53 to 66 of this Prospectus, our Group had no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities as at 30 December 2005.
13. In the opinion of our Directors, no minimum amount must be raised by the issue of the New Shares.

### MATERIAL CONTRACTS

14. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiaries within the two years preceding the date of lodgment of this Prospectus and are or may be material:
  - (a) the vessel operating agreement dated 6 January 2004 between CFIL and Perun;
  - (b) the supplemental agreement dated 20 January 2004 between CFIL and Perun to supplement and amend the vessel operating agreement dated 6 January 2004 between the parties thereto;
  - (c) the sale and purchase agreement dated 26 March 2004 between Jade China and Zhonggang Fisheries in respect of the purchase of 49.9% of the share capital of CFIL by Zhonggang Fisheries;
  - (d) the termination agreement dated 10 April 2004 between CFIL and Perun to terminate the vessel operating agreement dated 27 December 2001;
  - (e) the shareholders agreement dated 31 December 2004 between, CFIL, Jade China, Zhonggang Fisheries and Golden Target in respect of their respective shareholding in CFIL;

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## GENERAL AND STATUTORY INFORMATION

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- (f) the two addendums in 2004 to the CIFHK Vessel Operating Agreement;
- (g) the termination agreement dated 8 March 2005 between the parties to the CIFHK Vessel Operating Agreement to terminate the CIFHK Vessel Operating Agreement;
- (h) the management agreement dated 8 March 2005 between CFIL and CIFHK;
- (i) the supplemental agreement dated 1 April 2005 between CFIL and Perun to further supplement and amend the vessel operating agreement dated 6 January 2004 between the parties thereto;
- (j) the office lease agreement dated 16 April 2005 between Chanery Investment and Shidao New Port Company Limited;
- (k) the loan agreement dated 28 April 2005 between Landsbanki Íslands HF and CFIL;
- (l) the deed of charge over shares in Perun dated 6 June 2005 between Multi Jet Development Limited as chargor in favour of CFIL in relation to the prepayment of fixed fee as described in pages 79 to 85 of the Prospectus under the section "Business – Vessel Operating And Management Agreements";
- (m) the deed of charge over shares in Perun dated 6 June 2005 between Gainew Limited as chargor in favour of CFIL in relation to the prepayment of fixed fee as described in pages 79 to 85 of the Prospectus under the section "Business – Vessel Operating And Management Agreements";
- (n) the deed of debenture dated 6 June 2005 between Perun and CFIL in relation to the prepayment of fixed fee as described in pages 79 to 85 of the Prospectus under the section "Business – Vessel Operating And Management Agreements";
- (o) the entrusted management deed dated 6 June 2005 between Multi Jet Development Limited, Chan Tak Hei, Perun and CFIL;
- (p) the entrusted management deed dated 6 June 2005 between Gainew Limited, Chan Tak Hei, Perun and CFIL;
- (q) a deed of assignment dated 1 July 2005 between Super Investment as assignor and our Company as assignee in relation to the assignment of the Smart Group Debt as described in pages 47 to 48 of the Prospectus under the section "Restructuring Exercise";
- (r) a termination agreement dated 30 September 2005 in relation to the shareholders agreement dated 31 December 2004 between Jade China, Zhonggang Fisheries, Golden Target and CFIL;
- (s) Management and Underwriting Agreement dated 16 January 2006 made between our Company and HL Bank referred to in paragraphs 16 to 21 below;
- (t) Placement Agreement dated 16 January 2006 made between our Company and HL Bank referred to in paragraphs 16 to 21 below; and
- (u) Depository Agreement dated 16 January 2006 entered into between our Company and CDP pursuant to which CDP agreed to act as the depository for our Company's securities traded through the SGX-ST.

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### LITIGATION

15. Neither our Company nor any of our subsidiaries is engaged in any legal or arbitration proceedings as plaintiff or defendant, including those which are pending or known to be contemplated, which may have or have had in the last 12 months before the date of lodgment of this Prospectus a material effect on the financial position or the profitability of our Company or any of our subsidiaries.

### MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

16. Pursuant to the Management and Underwriting Agreement dated 16 January 2006 (the "Management and Underwriting Agreement") made between our Company and HL Bank, our Company appointed HL Bank to manage the Invitation and to underwrite the Offer Shares. HL Bank will receive a management fee, payable by our Company, for its services rendered in connection with the Invitation. HL Bank will also receive an underwriting commission of 2.25 percent of the Issue Price for the Offer Shares, payable by our Company for subscribing for or procuring subscribers for any Offer Shares not subscribed for by the public pursuant to the Invitation and will pay or procure payment to our Company for such Offer Shares.
17. Pursuant to the Placement Agreement dated 16 January 2006 (the "Placement Agreement") made between our Company and HL Bank, HL Bank agreed to subscribe for or procure subscribers for the Placement Shares for a placement commission of 1.5 percent of the Placement Price for the Placement Shares, to be paid by our Company.
18. Brokerage will be paid by our Company, in respect of successful applications made on Application Forms at the rate of 0.25 percent of the Issue Price for each Offer Share and 1.0 percent of the Placement Price for each Placement Share. In respect of the Offer Shares, the brokerage will be paid to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of successful applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at their respective ATMs. In respect of the Placement Shares, the brokerage will be paid to the Placement Agent, in accordance with the Placement Agreement.
19. The Management and Underwriting Agreement may be terminated by HL Bank at any time on or before the close of the Application List on the occurrence of certain events including without limitation:
  - (a) there shall come to the knowledge of the Manager or the Underwriter any breach of the warranties or undertakings in Clause 6 of the Management and Underwriting Agreement or that any of the warranties in Clause 6 of the Management and Underwriting Agreement is untrue or incorrect; or
  - (b) any event occurring after the date of the Management and Underwriting Agreement and prior to the close of the Application List, which if it had occurred before the date of the Management and Underwriting Agreement would have rendered any of the warranties contained in Clause 6 of the Management and Underwriting Agreement untrue or incorrect in any material respect shall come to the knowledge of the Manager or the Underwriter; or
  - (c) an event occurring after the date of this Agreement and before the close of the Application List which if it had occurred before the date of the Management and Underwriting Agreement would have rendered any of the warranties contained therein untrue or incorrect in any material respect; or

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## GENERAL AND STATUTORY INFORMATION

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- (d) if there shall have been, since the date of the Management and Underwriting Agreement:
- (i) any adverse change, or any development involving a prospective adverse change, in the condition (financial or otherwise) of the Company and/or its subsidiaries; or
  - (ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive in Singapore or elsewhere (whether or not having the force of law and including, without limitation, any directive or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority; or
  - (iii) any change, or any development involving a prospective change, in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls, including without limitation, the imposition or any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST due to exceptional financial circumstances or otherwise; or
  - (iv) any imminent threat or occurrence of any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict, terrorist attacks (whether or not involving financial markets); or
  - (v) any other occurrence of any nature whatsoever,

which event or events shall in the opinion of the Manager (1) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or overseas, or (2) be likely to prejudice the success of the subscription or offer of the New Shares (whether in the primary market or in respect of dealings in the secondary market), or (3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management and Underwriting Agreement, or (4) be likely to have an adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole, or (5) be such that no reasonable underwriter would have entered into the Management and Underwriting Agreement, or (6) result or be likely to result in the issue of a stop order by the Authority pursuant to the Securities and Futures Act, or (7) make it uncommercial or otherwise contrary to or outside the usual commercial practices of underwriters in Singapore for HL Bank to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement.

- 20. The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement.
- 21. In the event that the Management and Underwriting Agreement is terminated, we reserve the right, at our absolute discretion, to cancel the Invitation.
- 22. Save for HL Bank's role as the Manager, the Underwriter and the Placement Agent in connection with the Invitation, we do not have any material relationship with HL Bank, the Manager, the Underwriter, and the Placement Agent.

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## GENERAL AND STATUTORY INFORMATION

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### MISCELLANEOUS

23. The expenses in connection with the Invitation of approximately US\$3.5 million, including underwriting commission, placement commission, brokerage, management fees, auditors' fee, solicitors' fee, and all other incidental expenses can be broken down as follows:

	US\$'000
Listing Fee	27
Professional Fees	1,500
Underwriting and placement commission and brokerage fees	1,200
Miscellaneous expenses	773
Total estimated expenses	<u>3,500</u>

All such expenses will be borne by our Company.

24. There have been no public takeover offers by third parties in respect of our Shares or by us in respect of other companies' shares which have occurred during the last and current financial year.
25. Save as disclosed on pages 125 to 126 under "Management, Underwriting and Placement Arrangements", no commission, discount or brokerage has been paid or other special terms granted within the two years preceding the date of this Prospectus or is payable to any Director, promoter, expert, proposed director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or any of our subsidiaries.
26. No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to our Company or any of our subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
27. Application moneys received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with HL Bank (the "Receiving Bank"). In the ordinary course of business, the Receiving Bank will deploy these moneys in the interbank money market. All profits derived from the deployment of such moneys will accrue to the Receiving Bank. Any refund of all or part of the application moneys to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.
28. Save as disclosed in this Prospectus, our Directors are not aware of any relevant material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.
29. Save as disclosed under "Risk Factors" on pages 31 to 35 of this Prospectus, "Capitalisation and Indebtedness" on page 45 of this Prospectus, "Management's Discussion and Analysis of Our Financial Condition and Results of Operation" on pages 53 to 66 of this Prospectus, "Business – Our Prospects" and "Business – Our Business Strategy and Future Plans" on pages 92 to 95 of this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:
- (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
  - (b) material commitments for capital expenditure;

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## GENERAL AND STATUTORY INFORMATION

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- (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
  - (d) known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues or operating income.
30. We currently have no intention of changing our auditors after the listing of our Company on the SGX-ST.
31. Save as disclosed on pages 38 of this Prospectus under "Use of Proceeds", no property has been purchased or acquired or proposed to be purchased or acquired by our Company or our subsidiaries which is to be paid for wholly or partly out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of the issue of this Prospectus other than property in respect of which the contract for the purchase or acquisition whereof was entered into in our ordinary course of business or in the ordinary course of business of our subsidiaries, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.
32. Our Directors are not aware of any event which has occurred since 1 July 2005 which may have a material effect on the Consolidated Financial Statements of CFIL set out at Appendix F, Appendix G and Appendix H of this Prospectus.
33. No expert is engaged on a contingent basis by our Company or any of our subsidiaries, or has a material interest, whether direct or indirect, in our Shares, our subsidiaries or has a material economic interest whether direct or indirect, in our Company, including an interest in the success of the Invitation.

### CONSENTS

34. The Auditors have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their Independent Auditors Report in relation to the Consolidated Financial Statements of CFIL for FY2002, FY2003 and FY2004 and their review report for the six-month financial period ended 30 June 2005 in the form and context in which they are included and references to their name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
35. The Independent Financial Adviser has given and have not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its name, its letter to our Independent Directors dated 16 January 2006 in the form and context in which it appears in this Prospectus and references to its name and such letter in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
36. Ashurst, the legal advisers to the Company on English law and which have rendered a legal opinion as to English law (as set out in page 84 under the section "Business" of this Prospectus), has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion therein of its name and references to its name in the form and context in which it appears in this Prospectus and to act in such capacity in the manner and context as set out in this Prospectus.
37. Appleby Spurling Hunter, the legal advisers to the Company on Cayman Islands law and which have rendered a legal opinion as to British Virgin Islands law (as set out in page 84 under the section "Business" of this Prospectus), has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion therein of its name and references to its name in the form and context in which it appears in this Prospectus and to act in such capacity in the manner and context as set out in this Prospectus.

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## GENERAL AND STATUTORY INFORMATION

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38. Sokolov, Maslov & Partners, the legal advisers to the Company on Russian Federation law and which have rendered a legal opinion as to Russian Federation law (as set out in page 84 under the section "Business" of this Prospectus), has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion therein of its name and references to its name in the form and context in which it appears in this Prospectus and to act in such capacity in the manner and context as set out in this Prospectus.
39. Save as disclosed under paragraphs 36 to 38 above, each of the Manager, the Underwriter, the Placement Agent, the Primary Sub-Placement Agents, the Receiving Bank, the Solicitors to the Invitation, the Manager, Underwriter and Placement Agent, Solicitors to the Issuer, the respective Legal Advisers to the Company on Cayman Islands law, Russian Federation law and Samoa law, the Singapore Share Registrar and Share Transfer Agent, the Cayman Islands Registrar and Share Transfer Agent, the Receiving Banker and the Principal Bankers do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

### RESPONSIBILITY STATEMENT BY OUR DIRECTORS

40. This Prospectus has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed herein are fair and accurate in all material respects as of the date hereof and there are no material facts the omission of which would make any statements in this Prospectus misleading and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group.

### DOCUMENTS AVAILABLE FOR INSPECTION

41. The following documents or copies thereof may be inspected at 61 Robinson Road #09-05 Robinson Centre, Singapore 068893 during normal business hours for a period of six months from the date of registration of this Prospectus:
- (i) the Memorandum of Association and the Articles of our Company;
  - (ii) the letters of consent referred to on pages 128 and 129 of this Prospectus;
  - (iii) the material contracts referred to on pages 123 and 124 of this Prospectus under "General and Statutory Information";
  - (iv) the service agreements referred to on pages 100 to 102 of this Prospectus;
  - (v) the Auditors' Report and the Consolidated Financial Statements of China Fisheries International Limited for the Financial Years Ended 31 December 2002 and 31 December 2003;
  - (vi) the Auditors' Report and the Consolidated Financial Statements of China Fisheries International Limited for the Financial Year Ended 31 December 2004; and
  - (vii) the Auditors' Review Report and the Consolidated Financial Information of China Fisheries International Limited for the Six-Month Financial Period Ended 30 June 2005.

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## APPENDIX A: TAXATION

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*The following is a discussion of certain tax matters arising under the current tax laws in Singapore and the Cayman Islands and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the Latest Practicable Date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur.*

*The discussion is limited to a general description of certain tax consequences in Singapore and the Cayman Islands with respect to the holding or disposal of the Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase the Shares. Prospective investors should consult their tax advisers regarding Singapore and Cayman Islands tax and other tax consequences of holding and disposing of the Shares. **It is emphasised that neither our Company, our Directors, the Manager, the Underwriter, the Placement Agent nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of our Shares.***

### CAYMAN ISLANDS TAXATION

Our Company is incorporated in the Cayman Islands. Dividends remitted to shareholders resident outside the Cayman Islands will not be subject to Cayman Islands withholding tax. There are no reciprocal tax treaties between the Cayman Islands and Singapore. Further details are set out under “Appendix C – Summary of Cayman Islands Company Law” on pages C-1 to C-5 of this Prospectus.

### SINGAPORE TAXATION

#### Income Tax

##### **General**

Subject to certain exceptions, Singapore tax resident and non-resident companies are subject to Singapore income tax on income accruing in or derived from Singapore and on foreign income received or deemed received in Singapore.

Foreign income in the form of branch profits, dividends and service income received or deemed received in Singapore by a resident corporate taxpayer is, however, tax-exempt if:

- such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received;
- at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax in the jurisdiction from which the income is received is at least 15%; and
- the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the foreign income.

The above exemption has been extended to include branch profits, dividends and service income which is exempted from tax of a similar character to income tax as a result of tax incentive granted by a foreign jurisdiction for carrying out substantive activities in that foreign jurisdiction.

Resident and non-resident individuals are generally taxed on income arising in or derived from Singapore.

All foreign-sourced personal income received or deemed received in Singapore by a Singapore tax resident individual (except where such income is received through a partnership) will be exempted from tax in Singapore. Certain investment income derived from Singapore sources by individuals on or after 1 January 2004 will also be exempted from tax.

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## APPENDIX A: TAXATION

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A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore (for example, if the board of directors meets and conducts the company's business in Singapore). An individual is regarded as a tax resident in Singapore if, in the calendar year preceding the year of assessment, he ordinarily resides in Singapore or if he is physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more.

### **Tax rates**

The corporate tax rate is 20% from Year of Assessment 2005. In addition, three-quarters of the first \$10,000 of a company's chargeable income, and one-half of the next \$90,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 20%. The above tax exemption does not apply to normal Singapore franked dividends received by companies.

Notwithstanding the above, for qualifying newly incorporated Singapore companies, the first \$100,000 of their normal chargeable income (excluding Singapore dividends) for the first three consecutive years of assessment that falls within Years of Assessment 2005 to 2009 would be exempt from tax.

Singapore tax resident individuals are subject to tax based on a progressive scale. The top marginal rate is 22% for the Year of Assessment 2005 (i.e. calendar year 2004). The Minister for Finance has, in the 2005 Budget Statement, announced the reduction of the top individual marginal tax rate to 21% and 20% for Years of Assessment 2006 and 2007 respectively.

Non-Singapore resident individuals are generally subject to tax at a rate equivalent to the prevailing corporate tax rate.

### **Dividend Distributions**

As the Company is incorporated in Cayman Islands and will be a non-tax resident in Singapore, dividends paid by the Company would be considered as sourced outside Singapore.

As dividends on the Shares will be paid through the CDP, foreign-sourced dividends received or deemed received in Singapore by an individual not resident in Singapore is exempt from Singapore income tax. This exemption will also apply to a Singapore tax resident individual.

Dividends on the Shares received or deemed received by Singapore resident corporate taxpayers in Singapore will be subject to Singapore income tax as they are received through the CDP.

Dividends on the Shares received or deemed received in Singapore through the CDP by non-Singapore resident corporate taxpayers will generally not be subject to tax in Singapore. However, where such foreign companies have activities in Singapore, dividends received in Singapore through the CDP by such companies may be subject to tax in Singapore if the dividends are in respect of investments made through their Singapore-based activities or the dividends are otherwise connected with their Singapore-based activities.

### **Capital Gains**

Singapore currently does not impose tax on capital gains. However, gains or profits may be construed to be of an income nature and subject to tax, especially if they arise from activities that the Inland Revenue Authority of Singapore regards as carrying on of a trade or business in Singapore. Thus, any gains or profits from the disposal of the Shares should not be taxable in Singapore unless the seller is regarded as carrying on a trade or business in dealing or trading in shares in Singapore, in which case, the disposal gains or profits would be taxable as trading profits.

### **Goods and Services Tax ("GST")**

The sale of the Shares by a GST-registered investor belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST.

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## APPENDIX A: TAXATION

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Where the Shares are sold by a GST-registered investor in the course of or furtherance of a business carried on by him to a person belonging outside Singapore, the sale of the Shares is generally a taxable sale subject to GST at 0%. Any GST incurred by a GST-registered investor in the making of this supply in the course of or furtherance of a business carried on by him may be recovered from the Singapore Comptroller of GST.

Charges on brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of the Shares will be subject to GST at the current rate of 5%. Similar services rendered to an investor belonging outside Singapore would generally be subject to GST at 0%.

### **SINGAPORE STAMP DUTY**

There is no stamp duty payable on the allotment or holding of the Shares.

Stamp duty is payable in Singapore on an instrument of transfer of the Shares at the rate of S\$0.20 for every S\$100 or any part thereof of the consideration for the Shares.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or if the instrument of transfer is executed outside Singapore. However, stamp duty would be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

Stamp duty is, however, not applicable to electronic transfers of the Shares through the system of CDP.

### **SINGAPORE ESTATE DUTIES**

Singapore estate duty is imposed on the value of immovable property situated in Singapore owned by an individual who was at the time of death not domiciled in Singapore, subject to specific exemption limits. Movable assets of an individual who at the time of death was not domiciled in Singapore are exempt from estate duty irrespective of where such movable properties are located.

Singapore estate duty is imposed on the value of immovable property situated in Singapore and on movable property, wherever it may be situated, owned by an individual who was at the time of death domiciled in Singapore, subject to specific exemption limits.

The Shares are considered movable property situated in Singapore as the Company maintains a share register in Singapore as well as in Cayman Islands. Accordingly, the Shares held by an individual are subject to Singapore estate duty upon the individual's death, if the individual is domiciled in Singapore. Singapore estate duty is payable to the extent that the value of the Shares aggregated with other dutiable assets in Singapore exceeds S\$600,000. Unless other exemptions apply to other assets, for example, the separate exemption limit for residential properties, any excess beyond S\$600,000 will be taxed at 5% on the first S\$12,000,000 of the individual's Singapore dutiable assets and any excess over S\$12,000,000 will be taxed at 10%.

Prospective purchasers of the Shares who are individuals, whether or not domiciled in Singapore, should consult their own tax advisers regarding Singapore estate duty consequences of their ownership of the Shares.

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## APPENDIX B: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED ARTICLES OF THE COMPANY

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This appendix provides information about certain provisions of our Memorandum and Articles of Association and Cayman Islands company law. The description below is only a summary and is qualified in its entirety by reference to our Memorandum and Articles of Association and the Companies Law (2004 Revision) of the Cayman Islands ("Companies Law").

The instruments that constitute and define the Company are the Memorandum and Articles of Association of the Company.

### 1. Memorandum of Association

Our Memorandum of Association provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate, irrespective of any question of corporate benefit, as set forth in Section 27(2) of the Companies Law whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

By special resolution our Company may alter its Memorandum of Association with respect to any objects, powers or other matters specified therein.

### 2. Directors

#### (a) Ability of interested directors to vote

Subject to the Companies Law and any further disclosure required thereby, if a general notice to our Board of Directors is given by a Director or officer declaring that he is a director or officer or has an interest in a person and is to be regarded as interested in any transaction or arrangement made with that person, it shall be a sufficient declaration of interest in relation to any transaction or arrangement so made. Our Directors shall not vote in respect of any contract, proposed contract or arrangement in which he has a personal material interest, although he may be counted in the quorum present at the meeting.

#### (b) Remuneration

Fees payable to Non-Executive Directors shall be a fixed sum (not being a commission on or a percentage of profits or turnover of the Company) as shall from time to time be determined by the Company in general meeting. Fees payable to Directors shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase.

The Board may grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, as the Board may determine.

The remuneration of an Executive Chairman, a Managing Director, Joint Managing Director, Deputy Managing Director or an Executive Director of our Company or a Director appointed to any other office in the management of our Company may from time to time be fixed by our Board of Directors and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as our Board of Directors may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director of our Company.

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## APPENDIX B: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED ARTICLES OF THE COMPANY

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We are required to obtain shareholders' approval for any payments to our Directors of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Directors are contractually entitled).

(c) Borrowing

Our Board of Directors may, at its discretion, exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge our undertaking, property and uncalled capital or any part thereof.

(d) Retirement Age Limit

There is no retirement age limit for Directors.

(e) Shareholding Qualification

There is no shareholding qualification for Directors in the Articles of Association of the Company.

### 3. Share rights and restrictions

Our Company currently has one class of shares, namely, ordinary shares. Under the Companies Law, only persons who are registered on our register of members are recognised as our shareholders. Shareholders who are named as depositors in the depository register maintained by CDP will not be recognised as shareholders under Cayman Islands law and will hold their shares and exercise their rights through CDP.

(a) Dividends and distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles of Association provide that dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. In addition, the Articles of Association and the Companies Law provides that the Company may apply the share premium account in paying distributions or dividends to its members provided that certain conditions are satisfied.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(aa) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, however, no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(bb) all dividends shall be apportioned and paid rateably in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

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## **APPENDIX B: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED ARTICLES OF THE COMPANY**

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Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such addresses as the holder or joint holder may in writing so direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one or two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the Share or the due portion of the Shares upon which payment has been advanced by such member before it is called up.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on 2 consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

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## APPENDIX B: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED ARTICLES OF THE COMPANY

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(b) Voting rights

A shareholder is entitled to attend, speak and vote at any general meeting in person and a shareholder who is the holder of two or more shares may appoint not more than two proxies to attend on the same occasion. Notwithstanding the foregoing provision, CDP may appoint more than two proxies or a corporate representative to attend and vote at the same general meeting. A proxy need not be a shareholder.

#### 4. Change in capital

The Company may, by an ordinary resolution of its members, if so authorised by the Articles of Association, (a) increase its share capital by new shares of such amount as it thinks expedient; (b) consolidate and divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) convert all or any of its paid-up shares into stock, and reconvert that stock into paid-up shares of any denomination; (d) subdivide its shares or any of them, into shares of an amount smaller than that fixed by the Memorandum of Association so, however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and (e) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person.

*Reduction of share capital* – subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

#### 5. Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares (unless otherwise provided for by the terms of issue of that class) may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of the Articles of Association relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or representing by proxy) not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

#### 6. No limitations on non-Caymanian shareholders

There are no limitations, either under Cayman Islands law or the Articles of Association, on the rights of non-Caymanian owners of the Company's shares to hold or vote their shares.

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## APPENDIX C: SUMMARY OF CAYMAN ISLANDS COMPANY LAW

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Our Company was incorporated in the Cayman Islands as an exempted company on 14 April 2000 subject to the Companies Law of the Cayman Islands (“Companies Law”). Certain provisions of Companies Laws are set out below but does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### (a) Company Operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

### (b) Share Capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) in the redemption and repurchase of shares (in accordance with the detailed provisions of section 37 of the Companies Law);
- (iv) writing-off the preliminary expenses of the company;
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to section 37 of the Companies Law and to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

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## APPENDIX C: SUMMARY OF CAYMAN ISLANDS COMPANY LAW

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### (c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### (d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares without the manner of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### (e) Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account.

### (f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

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## APPENDIX C: SUMMARY OF CAYMAN ISLANDS COMPANY LAW

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Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company. Directors of a Cayman Islands company have certain duties as agents of care, diligence and skill and also a fiduciary duty to act in the best interests of the Company.

**(h) Accounting and auditing requirements**

Section 59 of the Companies Law provides that a company shall cause proper books of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (2) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (a) on or in respect of the shares, debentures or other obligations of the Company; or
  - (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 9 May 2000.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or bought within the jurisdiction of the Cayman Islands. The Cayman Islands are not a party to any double tax treaties.

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## APPENDIX C: SUMMARY OF CAYMAN ISLANDS COMPANY LAW

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**(k) Stamp duty on transfers**

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles of Association of the Company provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles of Association.

**(n) Register of members**

A Cayman Islands exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(o) Winding up**

A Cayman Islands company may be wound up either by (i) an order of the court or (ii) voluntarily by a special resolution of its members. The court also has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or where the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no further executive action may be carried out without his approval.

A company is placed in liquidation either by an order of the court or by a special resolution of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and settle the list of contributories ("members") and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares of the company.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

When the affairs of a company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This general meeting shall be called by public notice or such other means as the Registrar of Companies may direct.

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## APPENDIX C: SUMMARY OF CAYMAN ISLANDS COMPANY LAW

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For the purpose of the conducting of the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an Official Liquidator or Official Liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the court shall declare whether any act hereby required or authorised to be done by the Official Liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an Official Liquidator on his appointment; if no Official Liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(p) Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(q) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(r) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**General**

Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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## APPENDIX D: LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS OF CFGL

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The Independent Directors  
China Fishery Group Limited  
2<sup>nd</sup> Floor, Cayside, Harbour Drive  
P.O. Box 30592 – SMB  
Geoge Town, Grand Cayman  
Cayman Islands

16 January 2006

Dear Sirs

### THE PROPOSED ADOPTION OF A SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

#### 1 INTRODUCTION

China Fishery Group Limited (the “**Company**” or “**CFGL**”) is proposing to adopt a shareholders’ mandate (the “**Shareholders’ Mandate**”) to enable the entering into of certain categories of transactions with specified classes of the Company’s Interested Persons. This letter has been prepared for the use of Dr Ong Chit Chung, Mr Lim Soon Hock and Mr Tse Man Bun (the “**Independent Directors**”) of the Company to be incorporated into the prospectus of the Company to be issued in relation to the proposed listing (the “**Prospectus**”), which provides, *inter alia*, the details of the Shareholders’ Mandate and the recommendation of the Independent Directors thereon. Unless otherwise defined, all terms in this letter have the same meaning in the Prospectus.

To comply with the requirements of Chapter 9 of the Listing Manual, KPMG Corporate Finance Pte Ltd (“**KPMG Corporate Finance**”) has been appointed as the independent financial adviser to provide an opinion on whether the methods and procedures set out in the Shareholders’ Mandate as described in pages 114 to 116 of the Prospectus for determining the transacting prices of the Interested Person Transactions are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

#### 2 TERMS OF REFERENCE

The objective of this letter is to provide an independent opinion, for the purposes of Chapter 9 of the Listing Manual, on whether the methods and procedures set out in the Shareholders’ Mandate for determining transacting prices of the Interested Person Transactions are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

KPMG Corporate Finance is not and was not involved in any aspect of the discussions on the scope of the Shareholders’ Mandate, nor were we involved in the deliberations leading up to the decision by the Directors to obtain the Shareholders’ Mandate or the methods or procedures adopted by the Company for determining the prices of Interested Person Transactions. In the course of our evaluation of the methods and procedures adopted for determining transaction prices in connection with the Shareholders’ Mandate, we have held discussions with certain members of the senior management team of the Company (the “**Senior Management**”). We have also relied on the information contained in the Prospectus. We have not independently verified such information furnished by the Senior Management of the Company or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Senior Management have confirmed to us that, to the best of their knowledge and belief, the information provided to us (whether written or verbal) as well as the information contained in the Prospectus constitutes a full and true disclosure, in all material respects, of all material facts relating to the Shareholders’ Mandate and there is no material information the omission of which would make any of the information contained herein or in the Prospectus inaccurate, incomplete or misleading in any material respect.

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## APPENDIX D: LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS OF CFGL

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We have also made reasonable enquiries and used our judgement in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Prospectus have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations or financial condition of the Company or the transactions described in pages 111 to 112 of the Prospectus.

Our opinion is delivered to the Independent Directors for their deliberation on the Shareholders' Mandate, and the recommendations made by the Independent Directors shall remain the responsibility of the Independent Directors. Our opinion should not be relied on as a recommendation to any shareholder of the Company ("**Shareholder**") as to how such Shareholder should vote on the Shareholders' Mandate or any matter related thereto. Each Shareholder may have different investment objectives and considerations and should seek professional advice.

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate and that there are no material facts the omission of which would make any statement in this Prospectus misleading.

**Our opinion in relation to the Shareholders' Mandate should be considered in the context of the entirety of this letter and the Prospectus.**

### 3 SHAREHOLDERS' MANDATE

#### (a) Background

It is envisaged that, in the ordinary course of business of the Company, its subsidiaries and associated companies which are considered to be "entities at risk" within the meaning of Chapter 9 of the Listing Manual (together the "**EAR Group**"), transactions between the EAR Group and its Interested Persons are likely to occur with some degree of frequency and may arise at any time and from time to time. The categories of Interested Person Transactions are described in page 114 of the Prospectus.

In view of the time-sensitive and frequent nature of such Interested Person Transactions, the Directors are seeking the approval of Shareholders, pursuant to Chapter 9 of the Listing Manual, for the Shareholders' Mandate to enable the EAR Group to enter into Interested Person Transactions with the classes of Interested Persons (as set out in page 114 of the Prospectus), provided that such Interested Person Transactions are made on at arm's length and on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders.

The Shareholders' Mandate does not cover any Interested Person Transaction which has a value of less than S\$100,000 as the threshold and aggregation requirements of Chapter 9 of the Listing Manual do not apply to such transactions.

#### (b) Interested Person Transactions

Salient information on the Interested Person Transactions including:

- (i) the Classes of Interested Persons;
- (ii) the Categories of Interested Person Transactions;
- (iii) the Rationale for and Benefits of the Shareholders' Mandate; and

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## APPENDIX D: LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS OF CFGL

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(iv) the Review Procedures for On-going and Future Interested Person Transactions

is set out in pages 114 to 116 of the Prospectus.

**(c) Validity Period of the Shareholders' Mandate**

The Shareholders' Mandate will be effective until the earlier of the following: (i) the Company's first annual general meeting ("**AGM**") following its admission to the Official List of the SGX-ST; or (ii) the first anniversary of the date of the Company's admission to the Official List of the SGX-ST. Thereafter, the Company will seek the approval of its shareholders for a renewal of the Shareholders' Mandate at each subsequent AGM.

**(d) Disclosure**

In accordance with the requirements of Chapter 9 of the Listing Manual, disclosure is required to be made in the Company's annual report ("**Annual Report**") of the aggregate value of all Interested Person Transactions conducted with Interested Persons pursuant to the Shareholders' Mandate during the current financial year, and in the Annual Reports for subsequent financial years that the Shareholders' Mandate continues in force. The Company will also announce the aggregate value of transactions conducted pursuant to the Shareholders' Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report.

**(e) Other Interested Person Transactions**

The Independent Directors should note that transactions with Interested Persons which do not fall within the ambit of the Shareholders' Mandate (as set out in pages 113 to 116 of the Prospectus) shall be subject to the relevant provisions of Chapter 9 of the SGX-ST Listing Manual and/or other applicable provisions of the SGX-ST Listing Manual.

Such transactions will, unless specifically excluded from the ambit of Chapter 9 of the Listing Manual, require an immediate announcement where:

- (i) the transaction is of a value equal to, or more than, 3% of the Group's latest audited consolidated net tangible assets; or
- (ii) the aggregate value of all transactions entered into with the same Interested Person during the same financial year amounts to 3% or more of the Group's latest audited consolidated net tangible assets.

Shareholders' approval (in addition to an immediate announcement) is required where:

- (i) the transaction is of a value equal to, or more than, 5% of the Group's latest audited consolidated net tangible assets; or
- (ii) the transaction, when aggregated with other transactions entered into with the same Interested Person during the same financial year, is of a value equal to, or more than, 5% of the Group's latest audited consolidated net tangible assets.

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## APPENDIX D: LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS OF CFGL

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### 4 CONCLUSION

In arriving at our opinion on whether the methods and procedures for determining transaction prices of Interested Person Transactions for the purposes of the Shareholders' Mandate, as set out in pages 114 to 116 of the Prospectus, are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders, we have considered the following:

- (i) the classes of Interested Persons and the categories of Interested Person Transactions covered by the Shareholders' Mandate;
- (ii) the rationale for and benefits of the Shareholders' Mandate; and
- (iii) the review procedures for future Interested Person Transactions.

**Based on the analysis undertaken and subject to the qualifications and assumptions made herein, KPMG Corporate Finance is of the opinion that the current methods and procedures for determining transaction prices of Interested Person Transactions as set out in pages 114 to 116 of the Prospectus are, if adhered to, sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.**

We have prepared this letter for the use of the Independent Directors of the Company in connection with and for the purposes of their consideration of the Shareholders' Mandate and for inclusion in the Prospectus. No other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner except with KPMG Corporate Finance's prior written consent in each specific case.

The opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**KPMG Corporate Finance Pte Ltd**

Satyanarayan Ramamurthy  
*Director*

Keith Wong  
*Manager*

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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You are invited to apply and subscribe for the Invitation Shares at the Issue Price for each Offer Share and each Placement Share subject to the following terms and conditions:

- 1. YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.**
- 2. Your application for Offer Shares may be made by way of printed Offer Shares Application Forms or by way of Electronic Applications through ATMs of the Participating Banks (“ATM Electronic Applications”) or through Internet Banking (“IB”) websites of the relevant Participating Banks (“Internet Electronic Applications” which, together with ATM Electronic Applications, shall be referred to as “Electronic Applications”). Your application for the Placement Shares may only be made by way of printed Placement Shares Application Forms. YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE INVITATION SHARES.**
- 3. You are allowed to submit only one application in your own name either for the Offer Shares or the Placement Shares. If you submit an application for Offer Shares by way of a printed Offer Shares Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected, except in the case of applications by approved nominee companies where such application is made on behalf of a different beneficiary.**

**If you submit an application for Offer Shares by way of an Internet Electronic Application, you MAY NOT submit another application for Offer Shares by way of an ATM Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected, except in the case of applications by approved nominee companies where such application is made on behalf of a different beneficiary.**

**If you (being other than an approved nominee company) have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of a printed Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected.**

**If you have agreed with the Placement Agent to subscribe for Placement Shares or if you have made an application for Placement Shares, you should not make or procure any separate application for Offer Shares either by way of a printed Offer Shares Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected, except in the case of applications by approved nominee companies where such application is made on behalf of a different beneficiary.**

**Conversely, if you have made an application for Offer Shares either by way of an Electronic Application or by way of a printed Offer Shares Application Form, you may not make any separate application for Placement Shares. Such separate applications shall be deemed to be multiple applications and may be rejected, except in the case of applications by approved nominee companies where such application is made on behalf of a different beneficiary.**

**Joint and multiple applications for the Invitation Shares may be rejected. If you submit or procure submissions of multiple share applications for Offer Shares, Placement Shares or both Offer Shares and Placement Shares, you may be deemed have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act,**

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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**Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications (other than those provided herein) will be liable to be rejected at our discretion.**

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their printed Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the name of the deceased person at the time of application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.
6. **WE WILL ONLY ACCEPT APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars, such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the case of an Electronic Application, contained in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address as stated in the Application Form or, in the case of an Electronic Application, in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.**
9. **We reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Forms and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance. We further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for the Electronic Applications or the terms and conditions of this Prospectus and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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10. We reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and we will not entertain any enquiry and/or correspondence on our decision. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment, we will give due consideration to the desirability of allotting the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by us. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.

You hereby consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount from your account with the relevant Participating Bank to the Share Registrar, SCCS, SGX-ST, CDP, CPF, our Company and the Manager.

CDP shall not be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to the Electronic Application.

12. In the event of an under-subscription for Offer Shares as at the close of the Application List, we will make available that number of Offer Shares under-subscribed to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares as at the close of the Application List, we will make available that number of Placement Shares under-subscribed to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for Offer Shares as at the close of the Application List and Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Directors and approved by the SGX-ST.

In the event of an under-subscription for the Offer Shares and/or Placement Shares as at the close of the Application List, the number of Offer Shares and/or Placement Shares under-subscribed shall be subscribed by the Underwriter and/or the Placement Agent respectively.

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted to you pursuant to your application, to our Company, the Manager, the Underwriters, the Placement Agent and any other parties so authorised by CDP, our Company, the Manager, the Underwriter and/or the Placement Agent.
14. Any reference to the “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application and a person applying for the Placement Shares.

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15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” on the IB website screen (as the case may be) in accordance with the provisions of this Prospectus, you:
  - (a) irrevocably offer to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such Invitation Shares as may be allotted to you, in each case on the terms of, and subject to the conditions set out in this Prospectus and the Memorandum and Articles of Association of our Company;
  - (b) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the ATMs of the Participating Banks, or the IB websites of the relevant Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
  - (c) agree that the aggregate Issue Price for the Invitation Shares applied for is due and payable to the Company forthwith;
  - (d) warrant the truth and accuracy of the information made, contained and representations and declarations made, in your application and acknowledge and agree that such information, representations and declarations will be relied on by the Company in determining whether to accept your application and/or whether to allot any Shares to you; and
  - (e) agree and warrant that if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of the Company, the Manager, the Underwriter and/or the Placement Agent will infringe any such laws as a result of the acceptance of your application.
16. Our acceptance of applications will be conditional upon, *inter alia*, we being satisfied that:
  - (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the New Shares, on a “when issued” basis on the Official List of the SGX-ST;
  - (b) no stop order has been issued by the Authority under the Securities and Futures Act; and
  - (c) the Management and Underwriting Agreement and the Placement Agreement referred to on pages 125 and 126 of this Prospectus have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine.
17. We will not hold any applications in reserve.
18. We will not allot and/or allocate Shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus.
19. The Issue Price for each Placement Share and each Offer Share is S\$1.25.
20. Additional terms and conditions for applications by way of Application Forms are set out in the section on “*ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS*” on pages E-5 to E-7 of this Prospectus.
21. Additional terms and conditions for applications by way of Electronic Applications are set out in the section on “*ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS*” on pages E-8 to E-14 of this Prospectus.

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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### ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of Application Forms made on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on “*TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION*” on pages E-1 to E-4 of this Prospectus, as well as the Memorandum and Articles of Association of our Company.

1. Your application must be made using the **WHITE** Application Forms for Offer Shares and the **BLUE** Application Forms for Placement Shares accompanying and forming part of this Prospectus. We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed.

**We reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading “FOR OFFICIAL USE ONLY” must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full names appearing in your identity cards (if applicants have such identification documents) or in your passports and, in the case of corporations, in your full names as registered with a competent authority. If you are a non-individual completing the Application Form under the hand of an official, you must state the name and capacity in which that official signs. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Share Registrar and Share Transfer Office. We reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
  - (a) You must complete Sections A and B and sign page 1 of the Application Form.
  - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You (whether you are an individual and corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted), will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**CHINA FISHERY SHARE ISSUE ACCOUNT**" crossed "A/C PAYEE ONLY", and with your name and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED. Remittances bearing the "Not Transferable" or "Non Transferable" crossings will be rejected. No acknowledgement or receipt will be issued by our Company, or the Manager for applications and application monies received.
8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of the balloting at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. By completing and delivering the Application Form, you agree that:
  - (a) in consideration of us having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 23 January 2006** or such other time or date as our Directors may, in consultation with the Manager, decide and by completing and delivering the Application Form, you agree that:
    - (i) your application is irrevocable; and
    - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
  - (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on our behalf and not otherwise, notwithstanding any remittance being presented for payment by or on our behalf;
  - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
  - (e) in making your application, reliance is placed solely on the information contained in this Prospectus and none of the Company, the Manager, the Underwriter, the Placement Agent, or any other person involved in the Invitation shall have any liability for any information not herein contained; and
  - (f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number and share application amount to our Share Registrar, SGX-ST, CDP, Securities Clearing & Computer Services (Pte) Ltd ("SCCS"), our Company, the Manager, the Underwriter and the Placement Agent; and

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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- (g) you irrevocably agree and undertake to subscribe and/or purchase the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allocated to you in respect of your application. In the event that we decide to allocate or allot any smaller number of Invitation Shares or not to allocate or allot any Invitation Shares to you, you agree to accept such decision as final.

### Applications For Offer Shares

1. Your applications for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:
  - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with your correct remittance in the **WHITE** official envelope "A" provided;
  - (b) in the appropriate spaces on **WHITE** official envelope "A":
    - (i) write your name and address;
    - (ii) state the number of Offer Shares applied for;
    - (iii) tick the relevant box to indicate the form of payment; and
    - (iv) affix adequate Singapore postage;
  - (c) SEAL **WHITE** OFFICIAL ENVELOPE "A";
  - (d) write, in the special box provided on the larger **WHITE** official envelope "B" addressed to **CHINA FISHERY GROUP LIMITED c/o B.A.C.S. Private Limited of 63 Cantonment Road, Singapore 069758**, the number of Offer Shares you have applied for; and insert **WHITE** official envelope "A" into **WHITE** official envelope "B", seal **WHITE** official envelope "B" and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** at your own risk to **CHINA FISHERY GROUP LIMITED c/o B.A.C.S. Private Limited of 63 Cantonment Road, Singapore 069758**, to arrive by **12.00 noon on 23 January 2006 or such other time as our Directors may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation, are liable to be rejected.

### Applications For Placement Shares

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Forms.
2. The completed **BLUE** Placement Shares Application Form and the applicant's remittance with the name and address of the applicant written clearly on the reverse side must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** to the Placement Agent by the time specified by the Placement Agent, but not later than 12:00 noon on 23 January 2006 or such later date and time as we may, in consultation with the Manager decide. **Local Urgent Mail or Registered Post must NOT be used.** No receipt or acknowledgement will be issued for any application or remittance received.

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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### ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications at ATMs are set out on the ATM screens (in the case of ATM Electronic Applications) of the Participating Banks and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, DBS and the UOB Group are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs of DBS and the IB website of DBS are set out respectively in the sections on “Steps for an Electronic Application for Offer Shares through ATMs of DBS (including its POSB Services Division)” and “Steps for an Internet Electronic Application through the IB website of DBS” (the “Steps”) appearing on pages E-12 to E-14 of this Prospectus.

The Steps set out the actions that you must take at an ATM or IB website of DBS to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” in the Additional Terms and Conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM of a Participating Bank or the IB website of a relevant Participating Bank.

You must have an existing bank account with/or be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs of the Participating Banks. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. Upon the completion of your Electronic Application transaction, you will receive an ATM transaction slip (“Transaction Record”) confirming the details of your Electronic Application. The Transaction Record is for your retention and should not be submitted with any printed Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

For an Internet Electronic Application, you must have a bank account with and a User Identification ID (“User ID”) and a Personal Identification Number (“PIN”) given by the relevant Participating Banks. Upon completion of your Internet Electronic Application through the IB website of DBS, there will be an on-screen confirmation (“Confirmation Screen”) of the application which can be printed out by you for your record. This printed record of the Confirmation Screen is for your retention and should not be submitted with any printed Application Form.

You must ensure, when making an Internet Electronic Application, that your mailing address selected for application is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise, your application is liable to be rejected. You shall make an Electronic Application on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section “*TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES*” on pages E-1 to E-4 of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating the ATM for your Electronic Application:
  - (a) **that you have received a copy of this Prospectus and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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- (b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount (the “Relevant Particulars”) from your account with that Participating Bank to our Share Registrar, CDP, SCCS, SGX-ST, our Company and the Manager or other authorised operators (the “Relevant Parties”); and
- (c) that this is your only application and it is made in your own name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM unless you press the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key in the ATM. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by that Participating Bank of your Relevant Particulars to the Relevant Parties.

- 2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS BENEFICIAL OWNER.**

**YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER SHARES, WHETHER AT THE ATMS OF ANY PARTICIPATING BANK OR THE IB WEBSITES OF ANY RELEVANT PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND VICE VERSA.**

- 3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application at the ATM of the Participating Bank or the IB website of the relevant Participating Bank, failing which your Electronic Application will not be completed. **Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or IB website through which your Electronic Application is being made shall be rejected.**

You may make an Electronic Application at the ATM of the Participating Bank or the IB website of the relevant Participating Bank using cash only by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

- 4. You irrevocably agree and undertake to subscribe for and to accept the number of Offer Shares applied for as stated on the Transaction Record or Confirmation Screen. You also irrevocably agree and undertake to subscribe for and to accept any lesser number of Offer Shares that may be allotted to you in respect of your Electronic Application. In the event that our Company decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

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5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of the balloting. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore dollars (without interest or any share of turnover or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List, provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.

Responsibility for timely refund of application monies arising from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you before trading the Offer Shares on the SGX-ST. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, ourselves, or the Manager assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is made through the ATMs of the Participating Banks, and is unsuccessful, no notification will be sent by the relevant Participating Banks.

If your Internet Electronic Application made through the IB websites of DBS or UOB Group is unsuccessful, no notification will be sent by such Participating Bank.

If you make Electronic Applications through the ATMs of the following banks, you may check the results of your Electronic Applications as follows:

Bank	Telephone	Available At	Operating Hours	Service Expected From
DBS	1800 339 6666 (for POSB account holders)  1800 111 1111 (for DBS account holders)	Internet Banking  www.dbs.com	Internet Banking 24 hours	Evening of the balloting day
OCBC	1800 363 3333	ATM / Internet Banking / Phone Banking	24 hours	Evening of the balloting day
UOB Group	1800 222 2121	ATM (Other Transactions – “IPO Enquiry”)  www.uobgroup.com	ATM / Phone Banking 24 hours  Internet Banking 24 hours	Evening of the balloting day

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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7. **Electronic Applications shall close at 12.00 noon on 23 January 2006 or such other time or date as our Directors may, in consultation with the Manager, decide. All Internet Electronic Applications must be received by 12.00 noon on 23 January 2006.** Subject to paragraph 9 below, an Internet Electronic Application is deemed to be received when it enters the designated information system of the relevant Participating Bank.
8. You are deemed to have irrevocably requested and authorised our Company to:
  - (a) register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;
  - (b) send the relevant Share certificate(s) to CDP;
  - (c) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be rejected, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of the balloting; and
  - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.
9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of our Company, the Manager or the Participating Banks and if, in any such event, our Company, the Manager and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Manager and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.
10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in his own name and without qualification. We will reject any application by any person acting as nominee.
11. All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.
13. By making and completing an Electronic Application, you are deemed to have agreed that:
  - (a) in consideration of our Company making available the Electronic Application facility, through the Participating Banks acting as agents of our Company, at the ATMs of the Participating Banks and the IB websites of the relevant Participating Banks (if any):
    - (i) your Electronic Application is irrevocable; and

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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- (ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
- (b) none of us, the Manager or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;
- (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on our behalf and not otherwise, notwithstanding any payment received by or on our behalf;
- (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
- (e) reliance is placed solely on information contained in this Prospectus and that none of our Company, the Manager, the Underwriter, the Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained.

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens. For illustration purposes, the steps for making an Electronic Application through an ATM belonging to DBS or through the IB website of DBS are shown below. Instructions for Electronic Applications on the ATM screens and the IB websites screens (if any) of the Participating Banks, other than DBS, may differ from those represented below.

### **Steps For An Electronic Application for Offer Shares through ATMs of DBS (including its POSB Services Division)**

Instructions for ATM Electronic Applications will appear on the ATM screens of the Participating Bank. For illustration purposes, the steps for making an ATM Electronic Application through a DBS or POSB ATM are shown below. Certain words appearing on the screen are in abbreviated form (“A/c”, “amt”, “appln”, “&”, “I/C”, “No.” and “SGX” refer to “Account”, “amount”, “application”, “and”, “NRIC”, “Number” and “SGX-ST” respectively. Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS (including POSB)), may differ slightly from those represented below.

- Step 1 : Insert your personal DBS or POSB ATM Card
- 2 : Enter your personal Identification Number
- 3 : Select “CASHCARD & MORE SERVICES”
- 4 : Select “ESA-IPO SHARE/BOND/RIGHTS”
- 5 : Select “ELECTRONIC SECURITY APPLICATION (IPO-SHARE/BOND)”

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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- 6 : Read and understand the following statements which will appear on the screen:-
- THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT) WHICH CAN BE OBTAINED FROM ANY DBS/POSB BRANCH IN SINGAPORE AND, WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.
  - ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE) BEFORE SUBMITTING HIS APPLICATION WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.
- 7 : Select “CHINAFIS” to display details.
- 8 : Press the “ENTER” key to acknowledge:
- **You have read, understood and agreed to all terms of the application and the Prospectus**
  - **You consent to disclose your name, I/C/Passport No., address, nationality, CDP Securities A/c No., and share application amount from your Bank Account(s) to share registrars, SCCS, CDP, CPF, issuer**
  - **For FIXED price share application, this is your only application and it is made in your own name and at your own risk.**
  - **You are not a US Person as referred to in the Prospectus/Document, where applicable.**
- 9 : Select your nationality
- 10 : Select the DBS account (Autosave/Current/Savings/Savings Plus) or the POSB account (current/savings) from which to debit your application monies
- 11 : Enter the number of securities you wish to apply for using cash
- 12 : Enter your own 12-digit CDP Securities Account number. (Note: This step will be omitted automatically if your CDP Securities Account number has already been stored in the Participating Bank’s records)
- 13 : Check the details of your share application, your I/C/Passport Number and CDP Securities Account Number and number of securities on the screen and press the “ENTER” key to confirm application
- 14 : Remove the Transaction Record for your reference and retention only

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## APPENDIX E: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCES

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### Steps For An Internet Electronic Application Through The IB Website Of DBS

For illustrative purposes, the steps for making an Internet Electronic Application through the IB website of DBS Bank is shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “&”, “IC”, “No.” and “SGX” refer to “Account”, “NRIC”, “Number” and “SGX-ST” respectively).

- Step 1 : Click on to DBS website ([www.dbs.com](http://www.dbs.com))
- 2 : Login to Internet Banking
- 3 : Enter your User ID and PIN
- 4 : Select “Electronic Security Application”
- 5 : Click “Yes” to proceed and to warrant that you have observed and complied with all applicable laws and regulations and that your mailing address for DBS Internet Banking is in Singapore
- 6 : Click on “CHINAFIS” and click the “Submit” button
- 7 : Click “Confirm” to confirm
- (1) You have read, understood & agreed to all terms of application and the Prospectus
  - (2) You consent to disclose your name, IC/passport No., address, nationality, CDP Securities A/C No., CPF Investment A/C No. & share application amount from your DBS/POSB Accounts(s) to share registrars, SCCS, CDP, CPF Board and issuer(s)
  - (3) This application is made in your name and at your own risk
  - (4) For FIXED price share application, this is your only application. For TENDER price securities application, this is your only application at the selected tender price
  - (5) You are not a US person as referred to in the Prospectus/Document, where applicable
- 8 : Fill in details for share application and click “Submit”
- 9 : Check details of your application, your IC/passport No. and no. of shares on the screen and click “OK” to confirm your application
- 10 : Print Confirmation Screen (optional) for your reference & retention only

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**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

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**CHINA FISHERIES INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS DEEP SEA  
COMPANY LIMITED)**

**REPORT OF THE DIRECTORS  
AND FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2002 AND 2003**

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**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
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**CHINA FISHERIES INTERNATIONAL LIMITED  
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**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS**

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Statement of changes in equity	7
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Notes to financial statements	9 - 16
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**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

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**CHINA FISHERIES INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS DEEP SEA COMPANY LIMITED)**

**REPORT OF THE DIRECTORS**

The directors present their report together with the audited financial statements of the company for the financial years ended December 31, 2002 and 2003. On February 5, 2004, the name of the company was changed from Deep Sea Company Limited to China Fisheries International Limited.

**1 DIRECTORS**

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

Sung Yu Ching	
Chen Mei Yueh	(Appointed on February 25, 2004)
Chien Yuan Hue	(Appointed on February 25, 2004)
Ng Joo Thieng	(Appointed on July 12, 2004)
Chan Tak Hei	(Appointed on July 12, 2004)
Cheng Nai Ming	(Appointed on December 17, 2004 as alternate to Chan Tak Hei)

**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 of the company and related corporations as recorded in the register of directors' shareholdings kept by the company except as follow:

<u>Name of director and company in which interest is held</u>	<u>At January 1, 2002</u>	<u>At December 31, 2003</u>
<u>The company</u>		
Sung Yu Ching	1	1

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**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

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**4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS**

Since the beginning of 2002, no director 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.

**5 OPTION TO TAKE UP UNISSUED SHARES**

During the financial years, no option to take up unissued shares of the company was granted.

**6 OPTION EXERCISED**

During the financial years, there were no shares of the company issued by virtue of the exercise of an option to take up unissued shares.

**7 UNISSUED SHARES UNDER OPTION**

At the end of the financial years, there were no unissued shares of the company under option.

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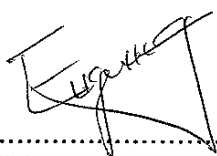
**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
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YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

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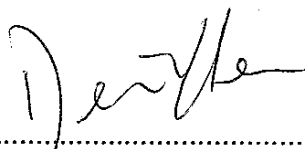
8 AUDITORS

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

ON BEHALF OF THE DIRECTORS



.....  
Sung Yu Ching



.....  
Chan Tak Hei

December 21, 2004

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APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003

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**Deloitte**

Deloitte & Touche  
Certified Public Accountants  
6 Shenton Way #32-00  
DBS Building Tower Two  
Singapore 068809  
Tel: +65 6224 8288  
Fax: +65 6538 6166  
www.deloitte.com

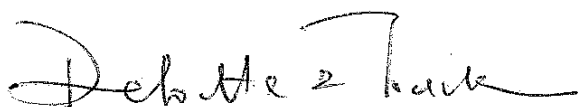
**AUDITORS' REPORT TO THE MEMBER OF**

**CHINA FISHERIES INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS DEEP SEA COMPANY LIMITED)**

We have audited the accompanying financial statements of China Fisheries International Limited (formerly known as Deep Sea Company Limited) set out on pages 5 to 16 for the years ended December 31, 2002 and 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying financial statements 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 company as at December 31, 2002 and 2003 and of the results, changes in equity and cash flows of the company for the years ended on December 31, 2002 and 2003.



Certified Public Accountants

Singapore  
December 21, 2004

**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
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YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

**CHINA FISHERIES INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS DEEP SEA COMPANY LIMITED)**

**BALANCE SHEET  
December 31, 2002 and 2003**

	<u>Note</u>	<u>2003</u> US\$'000	<u>2002</u> US\$'000
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
Trade receivable	4	5,101	1,676
Other receivables and prepayments		34	25
Deferred expenses	5	<u>2,361</u>	<u>2,913</u>
Total current assets		<u>7,496</u>	<u>4,614</u>
<b>Non-current assets:</b>			
Vessel operating deposits	4	<u>1,900</u>	<u>1,650</u>
Total assets		<u>9,396</u>	<u>6,264</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities:</b>			
Trade payable	4	1,474	3,467
Other payables and accrued expenses		1,711	908
Amount due to shareholder	6	<u>3,400</u>	<u>-</u>
Total current liabilities		<u>6,585</u>	<u>4,375</u>
<b>Capital and reserve:</b>			
Issued capital	7	*	*
Accumulated profits		<u>2,811</u>	<u>1,889</u>
Total equity		<u>2,811</u>	<u>1,889</u>
<b>Total liabilities and equity</b>		<u>9,396</u>	<u>6,264</u>

\* Issued capital = US\$1

See accompanying notes to financial statements.

**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

**CHINA FISHERIES INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS DEEP SEA COMPANY LIMITED)**

**PROFIT AND LOSS STATEMENT  
Years ended December 31, 2002 and 2003**

	<u>Note</u>	<u>2003</u> US\$'000	<u>2002</u> US\$'000
<b>Revenue</b>	8	55,062	39,366
Charter hire expenses		(23,333)	(17,164)
Vessel operating cost		(24,278)	(17,387)
<b>Gross profit</b>		7,451	4,815
Selling expenses		(2,507)	(2,334)
Administrative expenses		(622)	(592)
<b>Profit before income tax</b>	9	4,322	1,889
Income tax	10	-	-
<b>Net profit for the year</b>		<u>4,322</u>	<u>1,889</u>

See accompanying notes to financial statements.

**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

**CHINA FISHERIES INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS DEEP SEA COMPANY LIMITED)**

**STATEMENT OF CHANGES IN EQUITY  
Years ended December 31, 2002 and 2003**

	<u>Issued capital</u> US\$'000	<u>Accumulated profits</u> US\$'000	<u>Total</u> US\$'000
Balance at January 1, 2002	*	-	-
Net profit for the year	<u>-</u>	<u>1,889</u>	<u>1,889</u>
Balance at December 31, 2002	*	1,889	1,889
Net profit for the year	-	4,322	4,322
Tax – exempt dividend of US\$3,400,000	<u>-</u>	<u>(3,400)</u>	<u>(3,400)</u>
Balance at December 31, 2003	<u>*</u>	<u>2,811</u>	<u>2,811</u>

\* Issued capital : US\$1

See accompanying notes to financial statements.

**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

**CHINA FISHERIES INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS DEEP SEA COMPANY LIMITED)**

**CASH FLOW STATEMENT  
Years ended December 31, 2002 and 2003**

	<u>2003</u> US\$'000	<u>2002</u> US\$'000
<b>Cash flows from operating activities:</b>		
Profit before income tax and operating profit before working capital changes	4,322	1,889
Trade receivable	(3,425)	(1,676)
Other receivables and prepayments	(9)	(25)
Deferred expenses	552	(2,913)
Vessel operating deposits	(250)	(1,650)
Trade payable	(1,993)	3,467
Other payables and accrued expenses	<u>(2,597)</u>	<u>908</u>
Net cash used in operating activities	<u>(3,400)</u>	<u>-</u>
<b>Cash flow from financing activity:</b>		
Advances from shareholder representing net cash from financing activity	<u>3,400</u>	<u>-</u>
Net movement in cash	<u>-</u>	<u>-</u>

The company's cash balance arising from its operations is maintained with one of the arrangers who arranged for sales of the fish and collected the proceeds.

See accompanying notes to financial statements.

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**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

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**CHINA FISHERIES INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS DEEP SEA COMPANY LIMITED)**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2003**

**1 GENERAL**

The company is incorporated in Western Samoa with its principal place of business in the Republic of China and registered office at Offshore Chambers, P.O. Box 217, Apia, Western Samoa. The financial statements are expressed in United States dollars. The measurement currency is United States dollars as the majority of the company's transactions are denominated in that currency.

The principal activity of the company is the operation of fishing vessels and sale of fish and other marine catches. At December 31, 2002 and 2003, the number of vessels operated by the company was 29 and 30 respectively.

The financial statements cover the first financial year during which the company commenced operations. The company was incorporated on February 8, 1997 with one share issued to Mr. Sung Yu Ching. Up to December, 2001 when it signed two vessel operating agreements, the company did not engage in any business activity. Operation of vessels commenced in January 2002. As a consequence, the company had no operating results since incorporation to the end of 2001. The balance sheet at December 31, 2001 comprised issued capital of US\$1 and cash of US\$1.

The financial statements of the company for the financial years ended December 31, 2002 and 2003 were authorised for issue by the Board of Directors on December 21, 2004.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING** - The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS") including related interpretations ("INT FRS") promulgated by the Council on Corporate Disclosure and Governance.

**FINANCIAL ASSETS** - The company's principal financial assets are trade and other receivables which are stated at their nominal values as reduced by appropriate allowances for any estimated irrecoverable amounts.

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**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

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**FINANCIAL LIABILITIES AND EQUITY** – Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include trade and other payables and amount due to shareholder all of which are stated at their nominal values.

Equity instruments are recorded at the fair value of the consideration received, net of any direct issue costs.

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

**DEFERRED EXPENSES** – Expenses incurred in catching fish and other marine catches during voyages are deferred in the balance sheet and released to the profit and loss statement as expenses when the fish and marine catches are sold and revenue is recognised for the sale. Expenses on each voyage are deferred to the extent that there is reasonable probability of recovery from sale of fish and other marine catches from that voyage. When it is probable that the costs incurred or to be incurred on a voyage will exceed the estimated value of the catches, the expected loss is recognised as an expense in the profit and loss statement immediately. The company 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 respective arrangers. 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 company expenses fixed charter hire cost on a time-proportionate basis in the profit and loss statement and does not include this cost in deferred expenditure. 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.

**PROVISIONS** – Provisions are recognised when the company has a present obligation as a result of past event where it is probable that the obligation will result in an outflow of economic benefits that can be reasonably estimated.

**IMPAIRMENT OF ASSETS** – At each balance sheet date, the company reviews the carrying amounts of all assets to determine whether there is indication of any impairment loss. The recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. An impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

**FOREIGN CURRENCY TRANSACTIONS** - Transactions in foreign currencies are recorded in United States dollars using the rates ruling on the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair values that are denominated in currencies other than the United States dollars are reported in United States dollars at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment profits and losses are dealt with in the profit and loss statement.

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**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

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**3 FINANCIAL RISKS AND MANAGEMENT**

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

a) Liquidity risk

The company finances its operations from the proceeds of sales. It is dependent on the financial support of the shareholder Mr. Sung Yu Ching, Pacific Andes Holdings Limited ("PAH") and a subsidiary of PAH both of whom are referred to in Note 13 (c) to the financial statements.

In 2004, the company entered into an agreement to prepay charter hire for 10 years at an amount of US\$56 million funded by advances from Mr. Sung and a subsidiary of PAH. Mr. Sung has undertaken not to call for repayment of the advance unless the company has the financial resources to do so. The company's liability to the PAH subsidiary in respect of the advances that the latter has made and will make will be cleared through the delivery of fish by the company to the PAH subsidiary. The PAH subsidiary and PAH have undertaken not to require cash repayment of the advances unless mutually agreed with the company and the company has the financial capacity to make cash repayment. Based on the number of vessels available to the company and the projected catch, the company believes that the advances provided to the company by the PAH subsidiary can be substantially offset against proceeds of sales from catches of the vessels in 2005.

b) Foreign currency risk

The company has limited exposure to foreign currency risk as its transactions are mainly denominated in United States dollars.

c) Interest rate risk

The company is not exposed to significant interest rate risk as it does not have any interest-bearing financial assets or liabilities.

d) Credit risk

The company's credit risk was primarily attributable to trade receivable from an arranger amounting to approximately US\$ 5.1 million at December 31, 2003. This balance arose from the arrangement described in Note 4 to the financial statements.

Under the terms of the operating agreements with the arrangers, the company bears the credit risk relating to sales of fish and other marine catches to customers.

Effective from January 2004, the company opened its own bank accounts and varied the terms of engagement of the arrangers so that the majority of sales proceeds are collected in the company's bank accounts. Cash balances are maintained with reputable banks. Sales of fish and marine products are made to customers which the company assessed to be good credit risks through its trading and payment history as well as such commercial information which the company may obtain from time to time.

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**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

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e) Fair values of financial asset and financial liabilities

The carrying values of the financial assets and liabilities approximate their fair values due to the relatively short-term maturity of these financial instruments.

4 **TRADE RECEIVABLES AND TRADE PAYABLE**

The company has contracted with two arrangers, whose duties include the procurement of marine vessels for charter hire by the company, selling fish and other marine catches, collecting sales proceeds and disbursing expenses on behalf of the company.

The net balances arising from collections and payments are maintained with the arrangers and the company did not maintain balances with banks during the two financial years.

Vessel operating deposits are placed with the arrangers.

5 **DEFERRED EXPENSES**

Deferred expenses comprised all costs incurred in operating the vessels for the purpose of catching fish and other marine products.

	<u>2003</u>	<u>2002</u>
	US\$'000	US\$'000
Bunkers	914	973
Baits	644	833
Crew wages and related costs	453	433
Supplies	337	607
Others	<u>13</u>	<u>67</u>
	<u>2,361</u>	<u>2,913</u>

6 **SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

During the two financial years and prior to the change detailed in Note 13(e) and 13(h), the sole shareholder was Mr. Sung Yu Chung, a director of the company. The amount owing to the shareholder at December 31, 2004 relates to the dividends declared by the company to Mr Sung. This was paid in 2004.

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 company's transactions and arrangements are with a party related to Mr. Sung and the effect of these on the basis determined between the company and the related party are reflected in these financial statements.

**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

Significant transactions with a related party:

		<u>2003</u> US\$'000	<u>2002</u> US\$'000
	Purchase of spare parts	<u>177</u>	<u>56</u>
<b>7</b>	<b>ISSUED CAPITAL</b>		
		<u>2003</u> Number of ordinary shares of US\$1 each	<u>2002</u> US\$'000
	Authorised	<u>1,000,000</u>	<u>1,000,000</u>
	Issued and fully paid:		
	At beginning and end of year	<u>1</u>	<u>1</u>
		<u>*</u>	<u>*</u>
	* Issued capital = US\$1.		
<b>8</b>	<b>REVENUE</b>		
		<u>2003</u> US\$'000	<u>2002</u> US\$'000
	Sale of fish and marine catches	<u>55,062</u>	<u>39,366</u>
<b>9</b>	<b>PROFIT BEFORE INCOME TAX</b>		
		<u>2003</u>	<u>2002</u>
	Number of employees at end of year	<u>569</u>	<u>627</u>
		<u>2003</u> US\$'000	<u>2002</u> US\$'000
	Crew wages and staff costs, including director's remuneration	<u>7,695</u>	<u>5,178</u>
	Director's remuneration	<u>24</u>	<u>24</u>
<b>10</b>	<b>INCOME TAX</b>		

No provision for income tax has been made as the company fishes in international water and is not subject to any tax. Under the terms of the vessel operating agreements executed by the company with arrangers (Note 4), the arrangers bear all tax consequences, if any, relating to the operating agreements.

**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

**11 SEGMENT INFORMATION**

For management purposes, the company is organised on a world-wide basis into two major fishing locations – the Indian Ocean and Pacific Ocean. The geographical locations are the basis on which the company reports its primary segment information.

Geographical segments

	<u>Indian Ocean</u>		<u>Pacific Ocean</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	<u>37,186</u>	<u>31,091</u>	<u>17,876</u>	<u>8,275</u>	<u>55,062</u>	<u>39,366</u>
Segment results	1,546	335	2,830	1,608	4,376	1,943
Unallocated corporate expenses					<u>(54)</u>	<u>(54)</u>
Profit before income tax					<u>4,322</u>	<u>1,889</u>
Income tax					<u>-</u>	<u>-</u>
Net profit for the year					<u>4,322</u>	<u>1,889</u>

Other Information

Segment assets	3,447	4,100	5,949	2,164	<u>9,396</u>	<u>6,264</u>
Segment liabilities	1,565	3,765	1,512	556	3,077	4,321
Unallocated corporate liabilities					<u>3,508</u>	<u>54</u>
Total liabilities					<u>6,585</u>	<u>4,375</u>

Business Segments

The locations of the customers which are different from the fishing locations are as follows:

Revenue

	<u>Indian Ocean</u>		<u>Pacific Ocean</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
People's Republic of China	26,300	24,918	14,309	6,445	40,609	31,363
Japan	6,946	2,642	2,214	1,830	9,160	4,472
Europe	3,797	3,254	-	-	3,797	3,254
Others	143	277	1,353	-	1,496	277
	<u>37,186</u>	<u>31,091</u>	<u>17,876</u>	<u>8,275</u>	<u>55,062</u>	<u>39,366</u>

**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

12 OPERATING LEASE COMMITMENTS

	<u>2003</u> US\$'000	<u>2002</u> US\$'000
Minimum lease payments under operating leases	<u>23,573</u>	<u>17,426</u>

At the balance sheet date, commitments in respect of operating leases for the rental of office premises and chartering of fishing vessels with a term of more than one year were as follows:

	<u>2003</u> US\$'000	<u>2002</u> US\$'000
Within one year	25,235	25,235
From the second to fifth year	7,390	32,625
After the fifth year	<u>-</u>	<u>-</u>

The company also has additional commitment in respect of chartering of fishing vessels which are based on either 20% or 50% of annual operating profits attributable to the relevant operating agreements.

13 SUBSEQUENT EVENTS

- (a) On January 6, 2004, the company entered into a vessel operating agreement with a third party to operate seven super trawlers for 10 years and was granted an irrevocable option to operate the vessels for a second ten year term.
- (b) On January 15, 2004, the company varied the terms of a pre-existing vessel operating agreement with another party, China International Fisheries Hong Kong Limited ("CIFHK"), referred to in Note 13(h) below. The varied terms resulted in the addition of nine marine vessels for an initial period expiring on December 31, 2006 and the grant to the company of an irrevocable option to operate the vessels for a second three year term.
- (c) On January 20, 2004 the vessel operating agreement referred to in Note 13(a) was modified to permit the company to prepay the fixed portion of chartering fees for a substantially lower aggregate amount of US\$56 million compared to the US\$11,000 per day per vessel under the original agreement.

The modification includes an extension of the term of the vessel operating agreement from the original three years (from January 2002) plus an irrevocable option for a second three year term to ten years (from January 2004) plus an irrevocable option for a second ten year term.

Of the US\$56 million, US\$30 million was paid by March 23, 2004 and the remaining US\$26 million is payable by December 31, 2004. The US\$30 million was funded by advances from Mr Sung Yu Ching and a subsidiary of Pacific Andes (Holdings) Limited ("PAH"). The remaining US\$26 million is intended to be similarly funded. The subsidiary of PAH buys a substantial quantity of fish from the company and the advances have been made to secure fish from the company. PAH subsequently acquired a beneficial interest of 34.93% in the equity of the company as described in Note 13(h).

**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

- (d) On February 5, 2004, the company changed its name from Deep Sea Company Limited to China Fisheries International Limited.
- (e) On February 16, 2004, Mr Sung Yu Ching, a director and the sole shareholder of the company [prior to the transfer of shares described in Note 13(h)], subscribed for an additional 999 shares of US\$1 each in the capital of the company thereby increasing his total shares in the company to 1,000 shares of US\$1 each. On February 16, 2004, all of the 1,000 shares were transferred by Mr Sung to Jade China Investments Limited which became the holding company. Jade China Investments Limited is incorporated in Western Samoa.
- (f) On April 10, 2004, the company entered into a termination agreement in respect of a pre-existing vessel operation agreement dated December 27, 2001 for 2 vessels and brought the 2 vessels under the same agreement referred to in Note 13(a). Consequently, the 2 vessels count as 2 out of the 7 contracted vessels.
- (g) On April 28, 2004, the company modified the vessel operating agreement referred to in Note 13(b) by reducing the total number of vessels under that operating agreement to 29.
- (h) On July 12, 2004, 499 shares in the company, equivalent to 49.9% of the equity of the company, held by Jade China Investments Limited [Note 13(e)] were transferred to Zhonggang Fisheries Limited ("ZFL"), a company incorporated in British Virgin Islands. ZFL is a company in which PAH [Note 13c] holds a beneficial interest of 70% and CIFHK [Note 13(b)] holds a beneficial interest of 30%. As a result, the beneficial interest in the shares of the company held by each of Mr. Sung Yu Ching, PAH and CIFHK amount to 51.1%, 34.93% and 13.97% respectively.
- (i) The following subsidiaries, incorporated in the British Virgin Islands, were acquired by the company:

<u>Effective date of acquisition</u>	<u>Subsidiaries</u>	<u>Principal activities</u>	<u>Percentage equity interest acquired</u>	<u>Consideration for acquisition</u> US\$'000
February 9, 2004	Chanery Investment Inc.	Procurement of provisions and supplies of the Group	100	*
February 9, 2004	Superb Choice International Limited	Sales of the catches of the Group	100	*
February 11, 2004	Excel Concept Limited	Sales of the catches of the Group	80	*
May 20, 2004	Metro Island International Limited	Procurement of provisions and supplies of the Group	80	*
May 20, 2004	Admired Agents Limited	Procurement of provisions and supplies of the Group	80	*

\* Less than US\$1,000.

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**APPENDIX F: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEARS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2003**

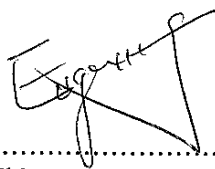
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**CHINA FISHERIES INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS DEEP SEA COMPANY LIMITED)**

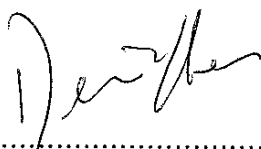
**STATEMENT OF DIRECTORS**

In the opinion of the directors, the accompanying financial statements set out on pages 5 to 16 are drawn up so as to give a true and fair view of the state of affairs of the company as at December 31, 2002 and 2003 and of the results, changes in equity and cash flows of the company for the years ended on December 31, 2002 and 2003 and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

**ON BEHALF OF THE DIRECTORS**



.....  
Sung Yu Ching



.....  
Chan Tak Hei

December 21, 2004

**Deloitte.**

**CHINA FISHERIES INTERNATIONAL  
LIMITED AND ITS SUBSIDIARIES**

**REPORT OF THE DIRECTORS  
AND FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2004**

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**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEAR ENDED 31 DECEMBER 2004**

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**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS**

**C O N T E N T S**

	<u>PAGE</u>
Report of the directors	1 - 2
Auditors' report	3
Balance sheets	4
Consolidated profit and loss statement	5
Consolidated statement of changes in equity	6
Consolidated cash flow statement	7
Notes to financial statements	8 - 24
Statement of directors	25

**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**REPORT OF THE DIRECTORS**

The directors present their report together with the audited financial statements of the company and the consolidated financial statement of the group for the year ended December 31, 2004.

**1 DIRECTORS**

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

Ng Joo Kwee Sung Yu Ching Chen Mei Yueh Chan Tak Hei Cheng Nai Ming	(Appointed on June 27, 2005)
---	------------------------------

**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 interest 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 follow:

<u>Name of director and company in which interest is held</u>	<u>Direct</u>		<u>Deemed</u>	
	<u>At beginning of year</u>	<u>At end of year</u>	<u>At beginning of year</u>	<u>At end of year</u>
<u>The company</u>				
			<u>Ordinary shares of US\$1 each</u>	
Sung Yu Ching	1	-	-	481

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**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

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**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 as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

**5 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.

**6 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.

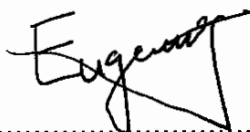
**7 UNISSUED SHARES UNDER OPTION**

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

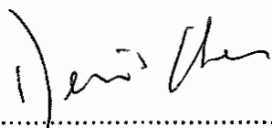
**8 AUDITORS**

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

ON BEHALF OF THE DIRECTORS



.....  
Sung Yu Ching



.....  
Chan Tak Hei

June 28, 2005

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**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEAR ENDED 31 DECEMBER 2004**

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**Deloitte**

Deloitte & Touche  
Certified Public Accountants  
6 Shenton Way #32-00  
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Singapore 068809  
Tel: +65 6224 8288  
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www.deloitte.com

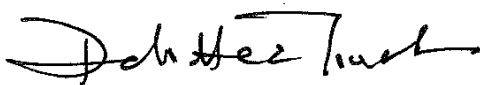
**AUDITORS' REPORT TO THE MEMBERS OF**

**CHINA FISHERIES INTERNATIONAL LIMITED**

We have audited the accompanying financial statements of China Fisheries International Limited and its subsidiaries set out on pages 4 to 24 for the year ended December 31, 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying consolidated financial statements of the group and the balance sheet 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, 2004 and of the results, changes in equity and cash flows of the group for the year ended on that date.



Certified Public Accountants

Singapore  
June 28, 2005

**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEAR ENDED 31 DECEMBER 2004**

**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**BALANCE SHEETS  
December 31, 2004**

	<u>Note</u>	<u>Group 2004 US\$'000</u>	<u>Company 2004 US\$'000</u>	<u>Group and Company 2003 US\$'000</u>
<b><u>ASSETS</u></b>	23			
<b>Current assets:</b>				
Cash and cash equivalents	5	12,083	9,568	-
Trade receivables	6	552	-	5,101
Other receivables and prepayments	7	5	19,087	34
Deferred expenses	8	2,800	1,508	2,361
Current portion of deferred charter hire	9	<u>5,600</u>	<u>5,600</u>	-
Total current assets		<u>21,040</u>	<u>35,763</u>	<u>7,496</u>
<b>Non-current assets:</b>				
Deferred charter hire	9	44,800	44,800	-
Vessel operating deposits	10	1,450	1,450	1,900
Equipment	11	22	-	-
Subsidiaries	12	-	-	-
Total non-current assets		<u>46,272</u>	<u>46,250</u>	<u>1,900</u>
Total assets		<u>67,312</u>	<u>82,013</u>	<u>9,396</u>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities:</b>				
Trade payables	13	28,335	49,397	1,474
Other payables and accrued expenses	14	<u>18,512</u>	<u>16,620</u>	<u>5,111</u>
Total current liabilities		<u>46,847</u>	<u>66,017</u>	<u>6,585</u>
<b>Capital and reserves:</b>				
Issued capital	15	1	1	*
Accumulated profits		<u>20,464</u>	<u>15,995</u>	<u>2,811</u>
Total equity		<u>20,465</u>	<u>15,996</u>	<u>2,811</u>
<b>Total liabilities and equity</b>		<u>67,312</u>	<u>82,013</u>	<u>9,396</u>

\* Issued capital = US\$1

See accompanying notes to financial statements.

**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEAR ENDED 31 DECEMBER 2004**

**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**CONSOLIDATED PROFIT AND LOSS STATEMENT  
Year ended December 31, 2004**

	<u>Note</u>	<u>2004</u> US\$'000	<u>Group</u> <u>2003</u> US\$'000
<b>Revenue</b>	16 & 23	94,646	55,062
Charter hire expenses		(28,258)	(23,333)
Vessel operating costs		(43,682)	(24,278)
<b>Gross profit</b>		22,706	7,451
Other operating income		3	-
Selling expenses		(3,165)	(2,507)
Administrative expenses		(1,891)	(622)
<b>Profit before income tax</b>	17	17,653	4,322
Income tax	18	-	-
<b>Net profit for the year</b>		<u>17,653</u>	<u>4,322</u>
Basic earnings per share (US\$)	19	<u>20.175</u>	<u>4,322,000</u>

See accompanying notes to financial statements.

**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEAR ENDED 31 DECEMBER 2004**

**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
Year ended December 31, 2004**

	<u>Issued capital</u> US\$'000	<u>Accumulated profits</u> US\$'000	<u>Total</u> US\$'000
<u>Group (Note 23)</u>			
Balance at January 1, 2003	*	1,889	1,889
Net profit for the year	-	4,322	4,322
Tax-exempt dividend of US\$3,400,000	<u>-</u>	<u>(3,400)</u>	<u>(3,400)</u>
Balance at December 31, 2003	*	2,811	2,811
Issue of shares (Note 15)	1	-	1
Net profit for the year	<u>-</u>	<u>17,653</u>	<u>17,653</u>
Balance at December 31, 2004	<u>1</u>	<u>20,464</u>	<u>20,465</u>

\* Issued capital : US\$1

See accompanying notes to financial statements.

**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEAR ENDED 31 DECEMBER 2004**

**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT  
Year ended December 31, 2004**

	<u>Note</u>	<u>Group</u>	
		<u>2004</u>	<u>2003</u>
		US\$'000	US\$'000
<b>Cash flows from (used in) operating activities:</b>			
Profit before income tax	23	17,653	4,322
Adjustments for:			
Amortisation of deferred charter hire		5,600	-
Depreciation expense		2	-
Interest income		<u>(2)</u>	<u>-</u>
Operating profit before working capital changes		23,253	4,322
Trade receivables		4,549	(3,425)
Other receivables and prepayments		29	(9)
Deferred expenses		(439)	552
Vessel operating deposits		450	(250)
Trade payables		861	(1,993)
Other payables and accrued expenses		<u>401</u>	<u>(2,597)</u>
Net cash from (used in) operating activities		<u>29,104</u>	<u>(3,400)</u>
<b>Cash flows from investing activities:</b>			
Purchase of equipment		(24)	-
Prepayment of charter hire		(30,000)	-
Interest received		<u>2</u>	<u>-</u>
Net cash used in investing activities		<u>(30,022)</u>	<u>-</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuing shares		1	-
Dividends paid		(3,400)	-
Advances from shareholder		<u>16,400</u>	<u>3,400</u>
Net cash from financing activities		<u>13,001</u>	<u>3,400</u>
Net increase in cash		12,083	-
Cash at beginning of year		-	-
<b>Cash at end of year</b>		<u>12,083</u>	<u>-</u>

See accompanying notes to financial statements.

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**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEAR ENDED 31 DECEMBER 2004**

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**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2004**

**1 GENERAL**

- (a) The company is incorporated in Samoa with its principal place of business in the Republic of China and registered office at Offshore Chambers, P.O. Box 217, Apia, Samoa. The financial statements are expressed in United States dollar.

The principal activities of the company are the management and operation of fishing vessels and sale of fish and other marine catches. At December 31, 2004, the group operated a total of 36 vessels of which nineteen (2003 : Nil), ten (2003 : twenty eight) and seven (2003 : two) vessels are located in the Atlantic Ocean, Indian Ocean and Pacific Ocean respectively.

The company has entered into vessel operating agreements with a third party, Perun Limited "Perun" and a related party, China International Fisheries Hong Kong Limited ("CIFHK") (both referred to as "Arrangers") to procure fishing vessels for coastal and deep sea fishing. The duties of these Arrangers previously included the sale of fish and other marine catches, collecting sales proceeds and disbursing expenses on behalf of the company prior to the appointment of subsidiaries (Note 12) as the group's procurement and marketing agents.

Effective from January 1, 2005, the company terminated the vessel operating agreement with CIFHK and entered into a new vessel management agreement, details which are in Note 22(a).

The vessel operating agreement with Perun (inclusive of addendums thereto) is for a term of 10 years from January 1, 2004. Perun has granted an irrevocable option to the company to extend the term of the agreement for another 10 years after the initial 10 years. The fishing vessels under the vessel operating agreement with Perun comprise 7 vessels which Perun commits to replace under certain circumstances, at the request of the company.

The principal activities of the subsidiaries are set out in Note 12 of the financial statements.

- (b) The measurement currency is the United States dollar as the majority of the company's and the group's transactions are denominated in that currency.

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- (c) The basis of presenting comparative financial statements for the financial year ended December 31, 2003 is set out in Note 23.
- (d) The financial statements of the company and the consolidated financial statements of the group for the financial year ended December 31, 2004 were authorised for issue by the Board of Directors on June 28, 2005.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING** - The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS").

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to December 31 each year. Control is achieved when the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at the fair values at the date of acquisition. 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 to the effective of disposal, as appropriate. All significant intercompany transactions and balances between group enterprises are fully eliminated on consolidation.

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

**FINANCIAL ASSETS** - The company's and group's principal financial assets are cash and cash equivalents, trade and other receivable and vessel operating deposits. These financial assets are stated at their nominal values as reduced by appropriate allowances for any estimated irrecoverable amounts.

**FINANCIAL LIABILITIES AND EQUITY** - Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include trade and other payables, all of which are stated at their nominal values.

Equity instruments are recorded at the fair value of the consideration received, net of any direct issue costs.

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**DEFERRED EXPENSES** – Expenses incurred in catching fish and other marine catches during voyages are deferred in the balance sheet and released to the profit and loss statement as expenses when the fish and marine catches are sold and revenue is recognised for the sale. Expenses on each voyage are deferred to the extent that there is reasonable probability of recovery from sale of fish and other marine catches from that voyage. When it is probable that the costs incurred or to be incurred on a voyage will exceed the estimated value of the catches, the expected loss is recognised as an expense in the profit and loss statement immediately. The company 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 respective arrangers. 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 company expenses fixed charter hire cost on a time-proportionate basis in the profit and loss statement and does not include this cost in deferred expenses. Variable charter hire costs are determined when the revenue from the sale of fish and marine products can be determined. Variable charter hire cost is accrued as an expense at the same time when revenue is recognised.

Expenses incurred in connection with preparation for the proposed listing of the group on the exchange of Singapore Exchange Securities Trading Limited are recorded as deferred expenses in the balance sheet. They will be deducted against the share premium (a component of shareholders' equity) expected to be created from the planned issue of new shares in the company at a premium over the par value of the new shares. Should the proposed listing not materialise, the deferred expenses will be released to the profit and loss statement.

**DEFERRED CHARTER HIRE** – Deferred charter hire represents future charter hire expense for fishing vessels which have been prepaid or contractually agreed to be prepaid. They are amortised and charged to the profit and loss statement as charter hire expense proratably over the period for which the prepayment is made and the benefits are expected to accrue.

**EQUIPMENT** – Furniture, fittings and office equipment are carried at cost less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives of 5 years, using the straight-line method.

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

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**IMPAIRMENT OF ASSETS** – At each balance sheet date, the carrying amounts of assets are reviewed 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 any impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Recoverable amount is the greater of net selling price 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/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. Impairment losses are recognised as an expense immediately.

When 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 only to the extent 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 as income immediately.

**PROVISIONS** – Provisions are recognised when there is a present obligation as a result of a past event and where it is probable that the obligation will result in an outflow of economic benefits that can be reasonably estimated.

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

**FOREIGN CURRENCY TRANSACTIONS** - Transactions in foreign currencies are recorded in United States dollar using the exchange rates ruling on the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair values that are denominated in currencies other than United States dollar are reported in United States dollar at the exchange rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense when incurred.

**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.

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**INCOME TAX** - Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

**3 FINANCIAL RISKS AND MANAGEMENT**

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

Liquidity risk

At December 31, 2004, the company's and the group's current liabilities exceed the current assets by US\$30,254,000 and US\$25,807,000 respectively due to prepayment of US\$30 million of future charter hire for fishing vessels [(Note 9(b))] using short term advances from shareholders and the contractual obligation to repay the remaining US\$26 million.

In April 2005, the company entered into an agreement with a bank to provide a long term working capital loan of US\$40 million repayable in 7 equal quarterly instalments, with the first repayment instalment due 12 months from April 28, 2005. Arising from the use of such long term funds to replace and reduce current liabilities, the company's and group's current assets exceed current liabilities. Cash flow from future operating profits are expected to be more than adequate to service instalment obligations as US\$5,600,000 of annual fixed charter hire has been prepaid. Parties with beneficial interest in the shares of the company have provided financial support in the past and have continued to provide financial support by guaranteeing repayment of the bank loan [Note 22(b)].

Interest rate risk

The group will be exposed to the effect of changes in the London Interbank Offer Rate ("LIBOR") for borrowings denominated in United States dollars [(Note 22(b))] and to changes in interest rates applicable to cash balances denominated in United States dollars.

Credit risk

Sales of fish and other marine catches 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. A substantial amount of fish is sold to a party related to Pacific Andes (Holdings) Limited (Note 4).

Cash balances are placed with reputable financial institutions.

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Foreign currency risk

The group has limited exposure to foreign currency risk as its revenue and expenses are mainly denominated in United States dollar, the measurement and reporting currency. Certain expenses are incurred in Hong Kong dollars, or Chinese Reminbi, both of which are pegged to the United States dollar.

Other risk

The company has prepaid or committed to prepay US\$56 million of charter hire fees for 7 vessels, the benefits of which are to be realised over 10 years from 2004 to 2013. The company mitigates risk relating to obligations of Perun in respect of the prepayment arrangement and the vessel operating agreement through the security documents set out in Note 9(c).

Fair values of financial asset and financial liabilities

The carrying amounts of financial assets and liabilities approximate their fair values.

4 RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES

The shareholders of the company and their equity stake in the company were as follows:

	<u>At December 31, 2004</u>	<u>At December 31, 2003</u>
Zhonggang Fisheries Limited (a)	49.9%	-
Jade China Investments Limited (b)	48.1%	-
Golden Target Pacific Limited (c)	2%	-
Sung Yu Ching	-	100%

(a) Pacific Andes (Holdings) Limited and CIFHK [Note 1(a)] hold beneficial interest in 70% and 30% respectively of the equity in Zhonggang Fisheries Limited. Zhonggang Fisheries Limited acquired the 49.9% interest in the company on July 12, 2004.

(b) Mr Sung Yu Ching, a director of the company, holds beneficial interest in all the shares in Jade China Investments Limited.

(c) Pacific Andes (Holdings) Limited holds beneficial interest in all the shares in Golden Target Pacific Limited. Golden Target Pacific Limited acquired the 2% interest in the company in December 31, 2004.

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The rights and obligations of the three shareholders are regulated in a shareholders' agreement and the company is a jointly-controlled enterprise.

Related parties are entities with common direct or indirect shareholders and/or directors as those of the three shareholders of the company. 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.

All members of Pacific Andes International Holdings Limited and Pacific Andes (Holdings) Limited group of companies; and all entities related to CIFHK [Note 1(a)] are considered to be related parties of the company.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements.

Significant related party transactions are as follows:

	<u>2004</u> US\$'000	<u>Group</u> <u>2003</u> US\$'000
<u>Revenue*</u>		
Sale of fishes and other marine catches	26,012	-
<u>Cost*</u>		
Charter hire	8,948	-
Supply of crew	1,928	-
Secondment of fleet manager	43	-
Sales commission	207	-
Rental of premises and equipment	72	-
Purchase of bunker and other supplies	988	-
Purchase of spare parts	<u>-</u>	<u>177</u>

\* This excludes transactions between the group and Pacific Andes (Holdings) Limited group and CIFHK prior to July 12, 2004, the date on which Pacific Andes (Holdings) Limited and CIFHK acquired a beneficial interest in shares in the company.

All balances with shareholders and related parties are interest-free and unsecured.

In April 2005, Pacific Andes (Holdings) Limited and Mr Sung Yu Ching provided joint and several guarantees to a bank for a US\$40 million unsecured long term loan provided by the bank to the company [Note 22(b)].

**5 CASH AND CASH EQUIVALENTS**

The net balances arising from collections and payments in 2003 were maintained with the Arrangers [Note 1(a)] and the company did not maintain balances with banks at December 31, 2003.

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6 TRADE RECEIVABLES

	<u>Group</u> <u>2004</u> US\$'000	<u>Company</u> <u>2004</u> US\$'000	<u>2003</u> US\$'000
Outside parties	552	-	-
Arrangers [Note 1(a)]	-	-	<u>5,101</u>
Total	<u>552</u>	<u>-</u>	<u>5,101</u>

7 OTHER RECEIVABLES AND PREPAYMENTS

	<u>Group</u> <u>2004</u> US\$'000	<u>Company</u> <u>2004</u> US\$'000	<u>2003</u> US\$'000
Recoverables from subsidiaries (Note 12)	-	19,087	-
Prepayments	<u>5</u>	-	<u>34</u>
	<u>5</u>	<u>19,087</u>	<u>34</u>

8 DEFERRED EXPENSES

	<u>Group</u> <u>2004</u> US\$'000	<u>Company</u> <u>2004</u> US\$'000	<u>2003</u> US\$'000
Costs incurred in operating fishing vessels to be recovered			
- through subsequent sales of fish and other marine products	1,292	-	2,361
- through transfer to Arranger [Note 1(a)] following the change from vessel operating agreement to vessel management agreement	1,165	1,165	-
Cost incurred in connection with preparation for the proposed listing of the group on the exchange of Singapore Exchange Securities Trading Limited	<u>343</u>	<u>343</u>	<u>-</u>
	<u>2,800</u>	<u>1,508</u>	<u>2,361</u>

Arising from a change from a vessel operating agreement with CIFHK to a vessel management agreement [Note 22(a)], deferred expenses of US\$1,165,000 incurred to catch fishes as at December 31, 2004 will no longer be recovered through the sales of fish catches. The fish catches belong to the Arranger and the US\$1,165,000 becomes an amount recoverable from the Arranger subsequent to December 31, 2004.

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9 DEFERRED CHARTER HIRE

	Group and Company	
	2004	2003
	US\$'000	US\$'000
Total deferred charter hire	56,000	-
Less accumulated amortisation	<u>(5,600)</u>	<u>-</u>
	50,400	-
Included as current asset	<u>(5,600)</u>	<u>-</u>
Included as non-current asset	<u>44,800</u>	<u>-</u>
Accumulated amortisation:		
At beginning of year	-	-
Amortisation during the year charged as charter hire expense	<u>5,600</u>	<u>-</u>
At end of year	<u>5,600</u>	<u>-</u>

(a) Prepayment arrangement

The company exercised an option granted by one of the Arrangers, Perun [Note 1(a)] in an agreement dated January 20, 2004 to prepay fixed charter hire of US\$56 million for a period of 10 years effective from January 2004.

As a consequence of the prepayment arrangement, the company no longer pays the fixed charter hire of US\$11,000 per day, per vessel for the 7 vessels covered by the preceding agreement dated January 6, 2004, effective from January 2004.

The US\$56 million is substantially lower than the approximate US\$281 million that would have been payable for the 7 vessels over a period of 10 years (before deducting charter-free down time for repairs) under the terms of the agreement, prior to the exercise of the prepayment option. Prior to the effective date of the prepayment arrangement, 20% of the net profit from operation of the 7 vessels is payable to Perun as variable charter hire. After the effective date of the prepayment arrangement, the variable charter hire payable to Perun is calculated at 20% of the net profit for operation of the 7 vessels (without deduction for amortisation of the prepaid charter hire). The net reduction in charter hire cost (without taking into account the time value of money) approximates US\$168.84 million.

(b) Funding of prepayment arrangement

In March 2004, the company utilised US\$30 million received from a subsidiary of Pacific Andes (Holdings) Limited (referred to in Note 4) for prepayment of fish purchase, as part payment of the US\$56 million. During the financial year, the company refunded to that subsidiary of Pacific Andes (Holdings) Limited a sum of US\$16.4 million using the proceeds of an interest-free loan from Jade China Investments Limited (Note 14). In February 2005, the company paid the remaining US\$26 million to Perun. The company repaid the US\$30 million shareholders' loan granted by the two shareholders from internal sources as well as from the proceeds of a long-term working capital loan obtained from Landsbanki Islands HF in April 2005 [Note 22(b)].

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(c) Security for the prepayment

To secure the prepayment and to ensure that Perun complies with its obligations under the vessel operating agreement, ("Perun Vessel Operating Agreement"), Perun executed the following documents in favour of the company:

- (i) a charge of all the issued shares of Perun (the "Perun Charges");
- (ii) a debenture over all the present and future assets of Perun (the "Perun Debenture"); and
- (iii) an entrusted management agreement to vest upon the nominee of the company, the management and control of Perun in respect of and limited to the performance and obligations of the Perun Vessel Operating Agreement (the "Perun Entrusted Management Agreement"), and excluding the rights to declaration and payment of dividends.

In the event that an event of default occurs pursuant to the terms of the Perun Charges and Perun Debenture, the company shall be entitled to exercise its rights over the security created by those security documents. Such events of default include, among others:

- (i) any failure of Perun to pay any sum payable from time to time to the company on the due date whether in connection with the Perun Vessel Operating Agreement, the Perun Charges, the Perun Debenture or any other security granted in favour of the company by Perun; and
- (ii) any default by Perun in the due performance of any undertaking, condition or obligation on its part to be performed and observed in the Perun Vessel Operating Agreement, the Perun Charges, the Perun Debenture or any other instruments or agreements entered for the benefit of the company.

10 VESSEL OPERATING DEPOSITS

Vessel operating deposits are placed with the Arrangers [Note 1(a)].

11 EQUIPMENT

<u>Group</u>	<u>Furniture and fittings</u> US\$'000	<u>Office equipment</u> US\$'000	<u>Total</u> US\$'000
Cost:			
Additions and balance at end of year	<u>6</u>	<u>18</u>	<u>24</u>
Accumulated depreciation:			
Depreciation for the year and balance at end of year	<u>-</u>	<u>2</u>	<u>2</u>
Carrying amount:			
At end of year	<u><u>6</u></u>	<u><u>16</u></u>	<u><u>22</u></u>

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12 SUBSIDIARIES

	<u>COMPANY</u>	
	<u>2004</u> US\$'000	<u>2003</u> US\$'000
Unquoted equity shares, at cost	<u>*</u>	<u>-</u>

The subsidiaries of the group are set out below:

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Effective equity interest held by group</u>		<u>Effective date of acquisition</u>
		<u>2004</u> %	<u>2003</u> %	
Excel Concept Limited	Agent for sales of fish and other marine catches of the group	80	-	February 11, 2004
Superb Choice International Limited	Agent for sales of fish and other marine catches of the group	100	-	February 9, 2004
Admired Agents Limited	Agent for procurement of provisions and supplies for the group	80	-	May 20, 2004
Chanery Investment Inc.	Agent for procurement of provisions and supplies for the group	100	-	February 9, 2004
Metro Island International Limited	Agent for procurement of provisions and supplies for the group	80	-	May 20, 2004

\* The equity shares in the subsidiaries were acquired for nominal values of less than US\$1,000 in aggregate.

All the subsidiaries are incorporated in the British Virgin Islands. The subsidiaries have representatives in Hong Kong, People's Republic of China and Russia to perform various aspects of their activities.

The results of the subsidiaries are included in the consolidated financial statements from the effective dates of acquisition. All the subsidiaries have no pre-acquisition operating results.

All the subsidiaries are audited by Deloitte & Touche, Singapore in connection with the audit of the consolidated financial statements of the group.

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13 TRADE PAYABLES

	<u>Group</u> 2004 US\$'000	<u>Company</u> 2004 US\$'000	<u>2003</u> US\$'000
Outside parties	183	-	-
Arrangers [Note 1(a)]	25,018	32,413	1,474
Related party (Note 4)	<u>3,134</u>	<u>16,984</u>	<u>-</u>
	<u>28,335</u>	<u>49,397</u>	<u>1,474</u>

The amounts payable by the group and the company to the Arrangers at December 31, 2004 included an amount of US\$26 million payable to Perun under the terms of the agreement referred in Note 9(a).

The amount owing by the group to the Arrangers is stated net of amounts receivable from vessel owners in respect of payments made by the group on behalf of the owners. This offset has been effected on the basis of an arrangement amongst members of the group, the vessel owners and one of the Arrangers.

14 OTHER PAYABLES AND ACCRUED EXPENSES

	<u>Group</u> 2004 US\$'000	<u>Company</u> 2004 US\$'000	<u>2003</u> US\$'000
Shareholder (Note 4)	16,400	16,400	3,400
Accrued expenses	<u>2,112</u>	<u>220</u>	<u>1,711</u>
	<u>18,512</u>	<u>16,620</u>	<u>5,111</u>

The amount owing to a shareholder at December 31, 2004 comprises the balance of short-term advances given to the company to prepay US\$30 million of charter hire pro-rata to its then shareholding in the company [Note 9(b)]. The amount was settled after year end using the long term working capital loan from a bank [(Note 21(b))].

The amount owing to the shareholder at December 31, 2003 comprised dividend payable.

15 ISSUED CAPITAL

	<u>2004</u>	<u>Group and Company</u>		<u>2003</u>
	<u>Number of ordinary shares of US\$1 each</u>	<u>2003</u>	<u>2004</u>	<u>US\$'000</u>
Authorised	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000</u>	<u>1,000</u>
Issued and paid up:				
At beginning of year	1	1	*	*
Issued during the year	<u>999</u>	-	<u>1</u>	-
At end of year	<u>1,000</u>	<u>1</u>	<u>1</u>	<u>*</u>

\* Issued capital = US\$1.

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16 REVENUE

	<u>2004</u>	<u>Group</u>	<u>2003</u>
	US\$'000		US\$'000
Sale of fish and marine catches	<u>94,646</u>		<u>55,062</u>

17 PROFIT BEFORE INCOME TAX

	<u>2004</u>	<u>Group</u>	<u>2003</u>
Number of employees at end of year	<u>1,081</u>		<u>569</u>

	<u>2004</u>	<u>Group</u>	<u>2003</u>
	US\$'000		US\$'000
Crew wages and staff costs, including directors' remuneration	13,341		7,695
Directors' remuneration	56		24
Amortisation of deferred charter hire (Note 9)	5,600		-
Foreign currency exchange adjustment gains	<u>(1)</u>		<u>-</u>

18 INCOME TAX

The company has no income tax liability as it fishes in international waters. Additionally, under the terms of the vessel operating agreements executed by the company with Arrangers [Note 1(a)], the Arrangers bear all tax consequences, if any, relating to the operating agreements.

19 EARNINGS PER SHARE

The calculation of earnings per share is calculated on the Group net profit for the year of US\$17,653,000 (2003 : US\$4,322,000) dividend by the weighted average number of ordinary shares of 875 (2003 : 1) in issue during the year. Diluted earnings per share is not applicable as there is no option on the Company's shares.

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20 **SEGMENT INFORMATION**

For management purposes, the group is organised on a world-wide basis into three major fishing locations – the Atlantic Ocean, Indian Ocean and Pacific Ocean. The geographical locations are the basis on which the group reports its primary segment information.

Group

Geographical segments

	<u>Atlantic Ocean</u>		<u>Indian Ocean</u>		<u>Pacific Ocean</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	<u>19,975</u>	<u>-</u>	<u>18,700</u>	<u>37,186</u>	<u>55,971</u>	<u>17,876</u>	<u>94,646</u>	<u>55,062</u>
Segment results	3,654	-	(3,636)	1,546	18,359	2,830	18,377	4,376
Unallocated corporate expenses							(724)	(54)
Profit before income tax							17,653	4,322
Income tax							-	-
Net profit for the year							<u>17,653</u>	<u>4,322</u>

Other Information

Segment assets	3,653	-	1,665	3,447	61,994	5,949	<u>67,312</u>	<u>9,396</u>
Segment liabilities	-	-	4,164	1,565	26,063	1,512	30,227	3,077
Unallocated corporate liabilities							16,620	3,508
Total liabilities							<u>46,847</u>	<u>6,585</u>
Capital expenditure	-	-	-	-	24	-	<u>24</u>	<u>-</u>
Depreciation and amortisation	-	-	-	-	5,602	-	<u>5,602</u>	<u>-</u>

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

Revenue

	<u>Atlantic Ocean</u>		<u>Indian Ocean</u>		<u>Pacific Ocean</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
People's Republic of China	-	-	11,556	26,300	30,160	14,309	41,716	40,609
Japan	15,495	-	1,835	6,946	5,833	2,214	23,163	9,160
Korea	-	-	-	-	16,002	1,353	16,002	1,353
Europe	4,480	-	1,189	3,797	3,027	-	8,696	3,797
Others	-	-	4,120	143	949	-	5,069	143
	<u>19,975</u>	<u>-</u>	<u>18,700</u>	<u>37,186</u>	<u>55,971</u>	<u>17,876</u>	<u>94,646</u>	<u>55,062</u>

**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

21 OPERATING LEASE COMMITMENTS

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	US\$'000	US\$'000
(a) Minimum lease payments under operating leases included in the profit and loss statement [Note (b)]	<u>28,414</u>	<u>23,573</u>

Commitments in respect of operating leases with a term of more than one year for the rental of office premises as at December 31, 2004, and for the rental of premises and fixed charter of fishing vessels as at December 31, 2003 were as follows:

	<u>Group and Company</u>		<u>Company</u>	
	<u>2004</u>	<u>2004</u>	<u>2004</u>	<u>2003</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	-	-	-	25,235
From the second to fifth year [Note (d)]	-	-	-	7,390
After the fifth year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) The US\$28,414,000 of operating lease expense in 2004 comprises the annual amortisation of deferred charter hire (Note 9) of US\$5,600,000, fixed and variable charter hire of US\$22,658,000 and rental of premises of US\$156,000.

The US\$23,573,000 of operating lease expense in 2003 comprises fixed and variable charter hire of US\$23,333,000 and rental of premises of US\$240,000.

(c) At December 31, 2004, the company had additional commitment to pay future variable hire charter of fishing vessels based on 20% (December 31, 2003 : either 20% or 50%) of future annual operating profits of 7 (2003 : 30) fishing vessels. The aforementioned 50% is no longer applicable at December 31, 2004 due to the termination of the vessel operating agreement with CIFHK [Note 22(a)].

(d) This operating lease commitment of US\$7,390,000 is no longer applicable as at December 31, 2004 due to the termination of the vessel operating agreement as stated in Note 22(a) and the prepayment of fixed charter hire as discussed in Note 9(a).

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**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE FINANCIAL  
YEAR ENDED 31 DECEMBER 2004**

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22 SUBSEQUENT EVENTS

- (a) The company terminated the vessel operating agreement with one of the Arrangers, CIFHK [Note 1(a)] and entered into a new vessel management agreement with CIFHK effective from January 1, 2005. Under the terms of the vessel management agreement, the company manages and operates 27 fishing vessels for CIFHK in consideration of a management fee determined at 62.5% of the net profit derived by CIFHK from these 27 vessels, such net profit to be determined for the fleet as a whole. In the event of a net loss from the fleet, the company is obliged to pay CIFHK the net loss incurred by CIFHK determined on a calendar year basis.

The vessel management agreement is for a term of three years from January 1, 2005. CIFHK has granted an irrevocable option to the company to extend the management period for another three years after the expiry of the initial three years.

The fishing vessels under the vessel management agreement comprise 27 fishing vessels, which CIFHK commits to replace under certain circumstances at the request of the company and may include additional new vessels mutually agreed by both parties.

The main differences between the vessel operating agreement applicable in the years 2003 and 2004 and the new vessel management agreement applicable from January 1, 2005 are summarised below:

Vessel operating agreement

The company obtains title to the fish and other marine catches on the vessel, records the revenue from sales of these catches as well as operating expenses of the fishing vessels. The company pays to CIFHK fixed charter hire at the rates determined for the fishing vessels and variable charter hire calculated at 50% of the annual net operating profit from the fleet of fishing vessels.

Vessel management agreement

Title to the fish and other marine catches belongs to CIFHK which also bears all operating expenses of the fishing vessels. The company's revenue is derived from management fees calculated at 62.5% of the annual net operating profit derived by CIFHK from the fleet of fishing vessels.

For the purpose of calculating management fees payable by CIFHK to the company, net profits are determined after deduction of fixed charter hire, at rates higher than those in the terminated vessel operating agreement.

If the management fee calculated on this basis is a negative amount, the company has to pay to CIFHK this negative amount.

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**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
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- (b) In April 2005, the company obtained a US\$40 million long term working capital loan from a bank, Landsbanki Islands HF, the proceeds of which were used to:
- (i) pay loans provided to the company by a shareholder for the purpose of prepaying a portion of the charter hire under the prepayment arrangement in Note 9(b), and
  - (ii) to provide long term working capital.

The bank loan is repayable in 7 equal quarterly instalments with the first instalment due in April 2006. Interest is chargeable at 3% above LIBOR.

The loan is jointly and severally guaranteed by Pacific Andes (Holdings) Limited and by Mr Sung Yu Ching, both of whom hold beneficial interests in the issued share capital of the company.

## 23 COMPARATIVES

For the year ended December 31, 2003, there were no subsidiaries. For the purpose of presenting the comparative financial statements, amounts relating to the company for the year ended December 31, 2003 are also deemed to be amounts relating to the group.

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**APPENDIX G: AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL  
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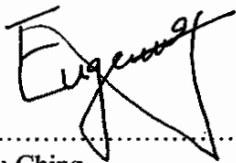
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**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

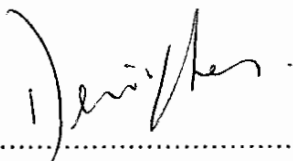
**STATEMENT OF DIRECTORS**

In the opinion of the directors, the financial statements of the company and consolidated financial statements of the group set out on pages 4 to 24 are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at December 31, 2004 and of the results, changes in equity and cash flows of the group for the year then ended and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS



.....  
Sung Yu Ching



.....  
Chan Tak Hei

June 28, 2005

**Deloitte.**

**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**REPORT FROM THE REPORTING  
ACCOUNTANTS IN RELATION TO  
THE CONSOLIDATED INTERIM  
FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED JUNE 30, 2005**

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**APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED  
FINANCIAL INFORMATION OF CHINA FISHERIES INTERNATIONAL LIMITED FOR  
THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2005**

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**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**REPORT FROM THE REPORTING ACCOUNTANTS IN RELATION  
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**C O N T E N T S**

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Consolidated profit and loss statement	3
Consolidated statement of changes in equity	4
Consolidated cash flow statement	5
Notes to consolidated interim financial information	6 - 19

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**APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED  
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**Deloitte**

Deloitte & Touche  
Certified Public Accountants  
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DBS Building Tower Two  
Singapore 068809  
Tel: +65 6224 8288  
Fax: +65 6538 6166  
www.deloitte.com

November 2, 2005

The Board of Directors  
China Fishery Group Limited  
2nd Floor, Cayside  
Harbour Drive  
P.O. Box 30592-SMB  
George Town  
Grand Cayman  
Cayman Islands

Dear Sirs

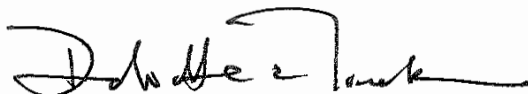
**REPORT FROM THE REPORTING ACCOUNTANTS IN RELATION TO THE  
CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE  
SIX MONTHS ENDED JUNE 30, 2005**

The report has been prepared for inclusion in the Prospectus in connection with the Invitation in respect of New Shares in the capital of China Fishery Group Limited.

We have reviewed the accompanying consolidated interim financial information of China Fisheries International Limited ("Company") and its subsidiaries for the period from January 1, 2005 to June 30, 2005 as set out on pages 2 to 19. The Company is a wholly-owned subsidiary of China Fishery Group Limited. The consolidated interim financial information are the responsibility of the Company's directors. Our responsibility is to issue a report on these consolidated interim financial information based on our review.

We conducted our review in accordance with the Singapore Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim financial information are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information are not presented fairly, in all material respects, in accordance with Singapore Financial Reporting Standards ("FRS") and the accounting policies previously adopted by the Group except that comparative information (required by FRS) is provided only for the consolidated profit and loss statement and not for the full financial information as these are not required for the purpose of this review.



Certified Public Accountants  
Singapore

Wong-Yeo Siew Eng  
Partner

**APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED  
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THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2005**

**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET  
June 30, 2005**

	<u>Note</u>	<u>Unaudited</u> <u>June 30,</u> <u>2005</u> <u>US\$'000</u>
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents		21,026
Trade receivables	5	7,022
Other receivables and prepayments	6	4,784
Deferred expenses	7	2,655
Current portion of deferred charter hire	8	<u>5,600</u>
Total current assets		<u>41,087</u>
<b>Non-current assets:</b>		
Deferred charter hire	8	42,000
Equipment	9	321
Total non-current assets		<u>42,321</u>
<b>Total assets</b>		<b><u>83,408</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>Current liabilities:</b>		
Trade payables		1,763
Other payables and accrued expenses	10	5,407
Current portion of bank loan	11	<u>5,714</u>
Total current liabilities		<u>12,884</u>
<b>Non-current liability:</b>		
Bank loan	11	<u>34,286</u>
<b>Capital and reserves:</b>		
Issued capital	12	1
Accumulated profits		<u>36,237</u>
Total equity		<u>36,238</u>
<b>Total liabilities and equity</b>		<b><u>83,408</u></b>

**APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED  
FINANCIAL INFORMATION OF CHINA FISHERIES INTERNATIONAL LIMITED FOR  
THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2005**

**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**CONSOLIDATED PROFIT AND LOSS STATEMENT  
Period ended June 30, 2005**

	<u>Note</u>	<u>Unaudited</u>	
		<u>January 1, 2005 to June 30, 2005</u>	<u>January 1, 2004 to June 30, 2004</u>
		<u>US\$'000</u>	<u>US\$'000</u>
<b>Revenue</b>	13	53,134	52,408
Charter hire expenses		(9,156)	(15,886)
Vessel operating costs		<u>(19,513)</u>	<u>(21,431)</u>
<b>Gross profit</b>		24,465	15,091
Other operating income		90	-
Selling expenses		(1,178)	(1,089)
Administrative expenses		(1,286)	(798)
Finance costs	14	<u>(433)</u>	<u>-</u>
<b>Profit before income tax</b>	15	21,658	13,204
Income tax	16	<u>-</u>	<u>-</u>
<b>Net profit for the period</b>		<u>21,658</u>	<u>13,204</u>
Basic earnings per share (US\$)	17	<u>21,658</u>	<u>17,605</u>

**APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED  
FINANCIAL INFORMATION OF CHINA FISHERIES INTERNATIONAL LIMITED FOR  
THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2005**

**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
Period ended June 30, 2005**

	<u>Issued capital</u> US\$'000	<u>Unaudited Accumulated profits</u> US\$'000	<u>Total</u> US\$'000
<u>Group</u>			
Balance at January 1, 2005	1	20,464	20,465
Net profit for the period	-	21,658	21,658
Tax-exempt dividend of US\$5,885 per share	<u>-</u>	<u>(5,885)</u>	<u>(5,885)</u>
Balance at June 30, 2005	<u>1</u>	<u>36,237</u>	<u>36,238</u>

**APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED  
FINANCIAL INFORMATION OF CHINA FISHERIES INTERNATIONAL LIMITED FOR  
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**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT  
Period ended June 30, 2005**

	<u>Unaudited</u> January 1, 2005 to June 30, 2005 <u>US\$'000</u>
<b>Cash flows used in operating activities:</b>	
Profit before income tax	21,658
Adjustments for:	
Amortisation of deferred charter hire	2,800
Depreciation expense	10
Interest expense	433
Interest income	(29)
Operating profit before working capital changes	<u>24,872</u>
Trade receivables	(6,470)
Other receivables and prepayments	(4,779)
Deferred expenses	145
Vessel operating deposits	1,450
Trade payables	(572)
Other payables and accrued expenses	(560)
Net cash from operating activities	<u>14,086</u>
<b>Cash flows used in investing activities:</b>	
Purchase of equipment	(309)
Prepayment of charter hire	(26,000)
Interest received	29
Net cash used in investing activities	<u>(26,280)</u>
<b>Cash flows from financing activities:</b>	
Proceed from bank loan	40,000
Dividends paid	(3,054)
Repayment of advances from shareholder	(15,809)
Net cash from financing activities	<u>21,137</u>
Net increase in cash	8,943
Cash at beginning of period	<u>12,083</u>
<b>Cash at end of period</b>	<u><u>21,026</u></u>

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**APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED  
FINANCIAL INFORMATION OF CHINA FISHERIES INTERNATIONAL LIMITED FOR  
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**CHINA FISHERIES INTERNATIONAL LIMITED  
AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED INTERIM FINANCIAL INFORMATION  
Period ended June 30, 2005**

1 GENERAL

- (a) The Company is incorporated in Samoa with its principal place of business in the Republic of China and registered office at Offshore Chambers, P.O. Box 217, Apia, Samoa. The financial statements are expressed in United States dollars.

The principal activities of the Company are the management and operation of fishing vessels and sale of fish and other marine catches. At June 30, 2005, the Group operated 7 vessels located in the Pacific Ocean and managed 27 vessels of which 19 are located in the Atlantic Ocean and 8 are located in the Indian Ocean.

The Company has entered into a vessel operating agreement with a third party, Perun Limited ("Perun") (referred to as "Arranger") to procure fishing vessels for deep sea fishing. The vessel operating agreement with Perun (inclusive of addendums thereto) is for a term of 10 years from January 1, 2004. Perun has granted an irrevocable option to the Company to extend the term of the agreement for another 10 years after the initial 10 years. The fishing vessels under the vessel operating agreement with Perun comprise 7 vessels which Perun commits to replace under certain circumstances, at the request of the Company.

Effective from January 1, 2005, the Company terminated the vessel operating agreement with a related party, China International Fisheries Hong Kong Limited ("CIFHK") (also referred to as "Arranger") and entered into a new vessel management agreement with CIFHK. Under the terms of the vessel management agreement, the Company manages and operates 27 fishing vessels for CIFHK in consideration of a management fee determined at 62.5% of the net profit derived by CIFHK from these 27 vessels, such net profit to be determined for the fleet as a whole.

For the purpose of calculating management fees payable by CIFHK to the Company, net profits are determined after deduction of fixed charter hire, at rates higher than those in the terminated vessel operating agreement.

If the management fee calculated on this basis is a negative amount, the Company has to pay to CIFHK this negative amount.

The vessel management agreement is for a term of three years from January 1, 2005. CIFHK has granted an irrevocable option to the Company to extend the management period for another three years after the expiry of the initial three years.

The fishing vessels under the vessel management agreement comprise 27 fishing vessels, which CIFHK commits to replace under certain circumstances at the request of the Company and may include additional new vessels mutually agreed by both parties.

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**APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED  
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THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2005**

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- (b) The functional currency is United States dollars as the majority of the Group's transactions are denominated in that currency.
- (c) The consolidated interim financial information of the Group for the financial period ended June 30, 2005 were authorised for issue by the Board of Directors on November 2, 2005.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** – The interim financial information are prepared in accordance with the historical cost convention and Singapore Financial Reporting Standards except that comparative information (required by FRS) is provided only for the consolidated profit and loss statement and not for the full financial statements as these are not required for the purpose of this review.

The Group has adopted all the applicable new/revised FRS which became effective for the financial period beginning January 1, 2005. The adoption of the new/revised FRS does not have any material impact on the accounting policies and figures presented in the financial statements for the comparative period.

**BASIS OF CONSOLIDATION** – The interim financial information incorporate the interim financial information of the Company and enterprises controlled by the Company (its subsidiaries) for the six months ended June 30. Control is achieved when the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at the fair values at the date of acquisition. 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 to the effective of disposal, as appropriate. All significant intercompany transactions and balances between group enterprises are fully eliminated on consolidation.

**FINANCIAL ASSETS** – The Group's principal financial assets are cash and cash equivalents and trade and other receivables. These financial assets are stated at their nominal values as reduced by appropriate allowances for any estimated irrecoverable amounts.

**FINANCIAL LIABILITIES AND EQUITY** – Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include trade and other payables and interest-bearing bank loan.

Interest-bearing bank loan is recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are included in other payables to the extent they are not settled in the period in which they arise.

Trade and other payables are stated at their nominal value.

Equity instruments are recorded at the fair value of the consideration received, net of any direct issue costs.

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**APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED  
FINANCIAL INFORMATION OF CHINA FISHERIES INTERNATIONAL LIMITED FOR  
THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2005**

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**DEFERRED EXPENSES** – Expenses incurred in catching fish and other marine catches during voyages are deferred in the balance sheet and released to the profit and loss statement as expenses when the fish and marine catches are sold and revenue is recognised for the sale. Expenses on each voyage are deferred to the extent that there is reasonable probability of recovery from sale of fish and other marine catches from that voyage. When it is probable that the costs incurred or to be incurred on a voyage will exceed the estimated value of the catches, the expected loss is recognised as an expense in the profit and loss statement immediately. The Company 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 Perun. 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 Company expenses fixed charter hire cost on a time-proportionate basis in the profit and loss statement and does not include this cost in deferred expenses. Variable charter hire costs are determined when the revenue from the sale of fish and marine products can be determined. Variable charter hire cost is accrued as an expense at the same time when revenue is recognised.

Expenses incurred in connection with preparation for the proposed listing of the Group on the exchange of Singapore Exchange Securities Trading Limited are recorded as deferred expenses in the balance sheet. They will be deducted against the share premium (a component of shareholders' equity) expected to be created from the planned issue of new shares in the Group at a premium over the par value of the new shares. Should the proposed listing not materialise, the deferred expenses will be released to the profit and loss statement.

**DEFERRED CHARTER HIRE** – Deferred charter hire represents future charter hire expense for fishing vessels which have been prepaid. It is amortised and charged to the profit and loss statement as charter hire expense proratably over the period for which the prepayment is made and the benefits accrued.

**EQUIPMENT** – Furniture and fittings, office equipment and vehicles are carried at cost less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives of 5 years, using the straight-line method.

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

**IMPAIRMENT OF ASSETS** – At each balance sheet date, the carrying amounts of assets are reviewed 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 any impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Recoverable amount is the greater of net selling price 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/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. Impairment loss is recognised as an expense immediately.

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## APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED FINANCIAL INFORMATION OF CHINA FISHERIES INTERNATIONAL LIMITED FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2005

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When 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 only to the extent 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 as income immediately.

**PROVISIONS** – Provisions are recognised when there is a present obligation as a result of a past event and where it is probable that the obligation will result in an outflow of economic benefits that can be reasonably estimated.

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

Management fee income is recognised when the services are rendered.

**FOREIGN CURRENCY TRANSACTIONS** - Transactions in foreign currencies are recorded in United States dollars using the exchange rates ruling on the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair values that are denominated in currencies other than United States dollar are reported in United States dollar at the exchange rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense when incurred.

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

### 3 FINANCIAL RISKS AND MANAGEMENT

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

#### Liquidity risk

The Group finances its working capital requirements mainly from cash generated from its operations.

In April 2005, the Company entered into an agreement with a bank to provide a long-term working capital loan of US\$40 million repayable in 7 equal quarterly instalments, with the first repayment instalment due 12 months from April 28, 2005. Cash flow from future operating profits are expected to be more than adequate to service instalment obligations as US\$5,600,000 of annual fixed charter hire has been prepaid for 10 years ending 2013. Parties with beneficial interest in the shares of the Company have provided financial support in the past and have continued to provide financial support by guaranteeing repayment of the bank loan (Note 11).

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**APPENDIX H: AUDITORS' REVIEW REPORT AND THE CONSOLIDATED  
FINANCIAL INFORMATION OF CHINA FISHERIES INTERNATIONAL LIMITED FOR  
THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2005**

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Interest rate risk

The Group is exposed to the effect of changes in the London Interbank Offer Rate ("LIBOR") for borrowings denominated in United States dollars (Note 11) and to changes in interest rates applicable to cash balances denominated in United States dollars.

Credit risk

Sales of fish and other marine catches are made to companies which the Group has assessed to be of good credit rating through their trading and payment history as well as such commercial information which the Group obtains from time to time. A substantial amount of fish is sold to a party related to Pacific Andes (Holdings) Limited (Note 4).

Cash balances are placed with creditworthy financial institutions.

Foreign currency risk

The Group has limited exposure to foreign currency risk as its revenue and expenses are mainly denominated in United States dollars, the functional and reporting currency.

Other risk

The Company has prepaid US\$56 million of charter hire fees for 7 vessels, the benefits of which are to be realised over 10 years from 2004 to 2013. The Company mitigates risk relating to obligations of Perun [Note 1(a)] in respect of the prepayment arrangement and the vessel operating agreement through the security documents set out in Note 8(c).

Fair values of financial asset and financial liabilities

The carrying amounts of financial assets and liabilities approximate their fair values.

**4 RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES**

The shareholders of the Company and their equity stake in the Company were as follows:

	<u>At</u> <u>June 30, 2005</u>	<u>At</u> <u>December 31, 2004</u>
Zhonggang Fisheries Limited (a)	-	49.9%
Jade China Investments Limited (b)	-	48.1%
Golden Target Pacific Limited (c)	-	2%
Super Investment Limited (d)	100%	-

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- (a) Pacific Andes (Holdings) Limited and CIFHK [Note 1(a)] hold beneficial interest in 70% and 30% respectively of the equity in Zhonggang Fisheries Limited.
- (b) Mr Sung Yu Ching, a director of the Company, holds beneficial interest in all the shares in Jade China Investments Limited.
- (c) Pacific Andes (Holdings) Limited holds beneficial interest in all the shares in Golden Target Pacific Limited.
- (d) On June 30, 2005, Zhonggang Fisheries Limited, Jade China Investments Limited and Golden Target Pacific Limited transferred their beneficial interest of 49.9%, 48.1% and 2% respectively in the equity of the Company to Super Investment Limited as consideration for 49.9%, 48.1% and 2%, respectively in the equity of Super Investment Limited.
- (e) On July 1, 2005, Super Investment Limited transferred to Smart Group Limited the entire issued share capital of the Company at a consideration of US\$30,504,637, being the amount equal to the consolidated net assets of the Group as at March 31, 2005 and after taking into account the proposed dividend payment of US\$5,885,000.

The consideration for the transfer was not paid in cash but was left outstanding as a debt of US\$30,504,637 payable on demand by Smart Group Limited to Super Investment Limited (the "Smart Group Debt").

- (f) Super Investments Limited assigned to China Fishery Group Limited the benefit of Smart Group Debt. The consideration of US\$30,504,637 for the assignment, due from China Fishery Group Limited to Super Investment Limited (the "Super Investment Debt") was not paid in cash but was left outstanding as a debt of US\$30,504,637 payable on demand by China Fishery Group Limited to Super Investment Limited.
- (g) In satisfaction of US\$30,503,999 of the Super Investment Debt, the China Fishery Group Limited issued to Super Investment Limited 30,503,999 shares at US\$1.00 each, credited as fully paid. The balance of US\$638 of the Smart Group Debt will be settled in cash by China Fishery Group Limited.

Related parties are entities with common direct or indirect shareholders and/or directors as those of the three shareholders of the company. 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.

All members of Pacific Andes International Holdings Limited and Pacific Andes (Holdings) Limited group of companies; and all entities related to CIFHK [Note 1(a)] are considered to be related parties of the Group with effect from July 12, 2004.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements.

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Significant related party transactions are as follows:

	January 1, 2005 to June 30, 2005 <u>US\$'000</u>	January 1, 2004 to June 30, 2004 <u>US\$'000</u>
<u>Revenue</u>		
Sale of fishes and other marine catches	21,208	-
Management fee	663	-
<u>Expenses</u>		
Purchase of bunker and other supplies	<u>918</u>	<u>-</u>

All balances with related parties are unsecured, interest-free and without fixed repayment terms.

5 TRADE RECEIVABLES

	June 30, 2005 <u>US\$'000</u>
Outside parties	1,690
Related parties (Note 4)	4,983
Arranger [Note 1(a)]	349
Total	<u>7,022</u>

6 OTHER RECEIVABLES AND PREPAYMENTS

	June 30, 2005 <u>US\$'000</u>
Arranger [Note 1(a)]	4,588
Prepayments	181
Deposit	15
Total	<u>4,784</u>

The amount owing by the Arranger relates to reimbursable expenses paid on behalf of the Arranger.

7 DEFERRED EXPENSES

	June 30, 2005 <u>US\$'000</u>
Costs incurred in operating fishing vessels to be recovered through subsequent sales of fish and other marine products	2,134
Cost incurred in connection with preparation for the proposed listing of the Group on the exchange of Singapore Exchange Securities Trading Limited	<u>521</u>
	<u>2,655</u>

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**8 DEFERRED CHARTER HIRE**

	June 30, 2005 <u>US\$'000</u>
Total deferred charter hire	56,000
Less accumulated amortisation	<u>(8,400)</u>
	47,600
Included as current asset	<u>(5,600)</u>
Included as non-current asset	<u>42,000</u>
Accumulated amortisation:	
At beginning of period	5,600
Amortisation during the period charged as charter hire expense	<u>2,800</u>
At end of period	<u>8,400</u>

(a) Prepayment arrangement

The Company exercised an option granted by Perun [Note 1(a)] in an agreement dated January 20, 2004 to prepay fixed charter hire of US\$56 million for a period of 10 years effective from January 2004.

As a consequence of the prepayment arrangement, the Company no longer pays the fixed charter hire of US\$11,000 per day, per vessel for the 7 vessels covered by the agreement, effective from January 2004.

The US\$56 million is substantially lower than the approximate US\$281 million that would have been payable for the 7 vessels over a period of 10 years (before deducting charter-free down time for repairs) under the terms of the agreement, prior to the exercise of the prepayment option. Prior to the effective date of the prepayment arrangement, 20% of the net profit from operation of the 7 vessels is payable to Perun as variable charter hire. After the effective date of the prepayment arrangement, the variable charter hire payable to Perun is calculated at 20% of the net profit for operations of the 7 vessels (without deduction for amortisation of the prepaid charter hire). The net reduction in charter hire cost (without taking into account the time value of money) approximates US\$168.84 million.

(b) Funding of prepayment arrangement

In March 2004, the Company utilised US\$30 million received from a subsidiary of Pacific Andes (Holdings) Limited (referred to in Note 4) for prepayment of fish purchase as part payment of the US\$56 million. In 2004, the Company refunded to that subsidiary of Pacific Andes (Holdings) Limited a sum of US\$16.4 million using the proceeds of an interest-free loan from Jade China Investments Limited. In February 2005, the Company paid the remaining US\$26 million to Perun. The Company repaid the US\$30 million shareholders' loan granted by the two shareholders from internal sources as well as from the proceeds of a long-term working capital loan obtained from Landsbanki Islands HF in April 2005.

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(c) Security for the prepayment

To secure the prepayment and to ensure that Perun complies with its obligations under the vessel operating agreement, ("Perun Vessel Operating Agreement"), Perun executed the following documents in favour of the Company:

- (i) a charge of all the issued shares of Perun (the "Perun Charges");
- (ii) a debenture over all the present and future assets of Perun (the "Perun Debenture"); and
- (iii) an entrusted management agreement to vest upon the nominee of the Company, the management and control of Perun in respect of and limited to the performance and obligations of the Perun Vessel Operating Agreement (the "Perun Entrusted Management Agreement"), and excluding the rights to declaration and payment of dividends.

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

- (i) any failure of Perun to pay any sum payable from time to time to the Company on the due date whether in connection with the Perun Vessel Operating Agreement, the Perun Charges, the Perun Debenture or any other security granted in favour of the Company by Perun; and
- (ii) any default by Perun in the due performance of any undertaking, condition or obligation on its part to be performed and observed in the Perun Vessel Operating Agreement, the Perun Charges, the Perun Debenture or any other instruments or agreements entered for the benefit of the Company.

9 EQUIPMENT

	<u>Furniture and fittings</u> US\$'000	<u>Office equipment</u> US\$'000	<u>Vehicles</u> US\$'000	<u>Total</u> US\$'000
Cost:				
Balance at beginning of period	6	18	-	24
Additions	<u>166</u>	<u>20</u>	<u>123</u>	<u>309</u>
Balance at end of period	<u>172</u>	<u>38</u>	<u>123</u>	<u>333</u>
Accumulated depreciation:				
Balance at beginning of period	-	2	-	2
Depreciation for the period	<u>3</u>	<u>2</u>	<u>5</u>	<u>10</u>
Balance at end of period	<u>3</u>	<u>4</u>	<u>5</u>	<u>12</u>
Carrying amount:				
At end of period	<u>169</u>	<u>34</u>	<u>118</u>	<u>321</u>
At beginning of period	<u>6</u>	<u>16</u>	<u>-</u>	<u>22</u>

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10 OTHER PAYABLES AND ACCRUED EXPENSES

	June 30, 2005 <u>US\$'000</u>
Related party (Note 4)	3,422
Accrued expenses	<u>1,985</u>
	<u>5,407</u>

The amount owing to a related party at June 30, 2005 includes dividend payable of US\$2,831,000.

11 BANK LOAN

	June 30, 2005 <u>US\$'000</u>
Bank loan:	
Current portion	5,714
Non-current portion	<u>34,286</u>
	<u>40,000</u>

The bank loan is repayable in 7 equal quarterly instalments with the first instalment due in April 2006. Interest is chargeable at 3% above LIBOR at approximately 6.19% per annum.

The unsecured loan is jointly and severally guaranteed by Pacific Andes (Holdings) Limited and by Mr Sung Yu Ching, both of whom hold beneficial interests in the issued share capital of the Company.

12 ISSUED CAPITAL

	<u>June 30, 2005</u>	
	<u>Number of ordinary shares of US\$1 each</u>	<u>US\$'000</u>
Authorised	<u>1,000,000</u>	<u>1,000</u>
Issued and paid up	<u>1,000</u>	<u>1</u>

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13 REVENUE

	January 1, 2005 to June 30, 2005 <u>US\$'000</u>	January 1, 2004 to June 30, 2004 <u>US\$'000</u>
Sale of fish and marine catches	52,471	52,408
Management fee	<u>663</u>	<u>-</u>
	<u>53,134</u>	<u>52,408</u>

14 FINANCE COSTS

	January 1, 2005 to June 30, 2005 <u>US\$'000</u>	January 1, 2004 to June 30, 2004 <u>US\$'000</u>
Interest expense on bank loan	<u>433</u>	<u>-</u>

15 PROFIT BEFORE INCOME TAX

On June 30, 2005, the Group has 679 employees.

	January 1, 2005 to June 30, 2005 <u>US\$'000</u>	January 1, 2004 to June 30, 2004 <u>US\$'000</u>
Crew wages and staff costs, including directors' remuneration	5,375	6,768
Directors' remuneration	21	28
Amortisation of deferred charter hire (Note 8)	2,800	2,800
Foreign currency exchange adjustment (gain) loss	(16)	1
Interest income	<u>(29)</u>	<u>-</u>

16 INCOME TAX

The Group has no income tax liability as it fishes in international waters. Additionally, under the terms of the vessel operating agreement and vessel management agreement executed by the Company with Arrangers [Note 1(a)], the Arrangers bear all tax consequences, if any, relating to the agreements.

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**17 EARNINGS PER SHARE**

The calculation of earnings per share is calculated on the Group net profit for the period of US\$21,658,000 (2004 : US\$13,204,000) divided by the weighted average number of ordinary shares of 1,000 (2004 : 750) in issue during the period. Diluted earnings per share is not applicable as there is no option on the Company's shares.

**18 SEGMENT INFORMATION**

For management purposes, the Group is organised on a world-wide basis into three major fishing locations – the Atlantic Ocean, Indian Ocean and Pacific Ocean. The geographical locations are the basis on which the Group reports its primary segment information. For the purpose of allocating assets and liabilities by segments, assets or liabilities specifically related to or arising from the segment are allocated to that segment. The Company's business segment comprises mainly sale of fish and other marine catches.

Group

Geographical segments

	<u>Atlantic Ocean</u>		<u>Indian Ocean</u>		<u>Pacific Ocean</u>		<u>Total</u>	
	January 1, 2005 to June 30, 2005	January 1, 2004 to June 30, 2004	January 1, 2005 to June 30, 2005	January 1, 2004 to June 30, 2004	January 1, 2005 to June 30, 2005	January 1, 2004 to June 30, 2004	January 1, 2005 to June 30, 2005	January 1, 2004 to June 30, 2004
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	<u>474</u>	<u>9,637</u>	<u>189</u>	<u>8,297</u>	<u>52,471</u>	<u>34,474</u>	<u>53,134</u>	<u>52,408</u>
Segment results	474	3,239	189	(4,698)	22,714	15,022	23,377	13,563
Finance costs							(433)	-
Unallocated corporate expenses							(1,286)	(359)
Profit before income tax							21,658	13,204
Income tax							-	-
Net profit for the year							<u>21,658</u>	<u>13,204</u>

Other information

	<u>Atlantic Ocean</u>	<u>Indian Ocean</u>	<u>Pacific Ocean</u>	<u>Total</u>
	June 30, 2005	June 30, 2005	June 30, 2005	June 30, 2005
	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	349	-	83,059	<u>83,408</u>
Segment liabilities	-	-	3,806	3,806
Unallocated corporate liabilities				<u>43,364</u>
Total liabilities				<u>47,170</u>
	January 1, 2005 to June 30, 2005	January 1, 2005 to June 30, 2005	January 1, 2005 to June 30, 2005	January 1, 2005 to June 30, 2005
	US\$'000	US\$'000	US\$'000	US\$'000
Capital expenditure	-	-	309	<u>309</u>
Depreciation and amortisation	-	-	2,810	<u>2,810</u>

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

Revenue	Atlantic Ocean		Indian Ocean		Pacific Ocean		Total	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
People's Republic of China	474	-	189	5,277	21,209	19,821	21,872	25,098
Japan	-	7,234	-	444	12,389	5,833	12,389	13,511
Korea	-	-	-	-	13,371	8,820	13,371	8,820
Europe	-	2,403	-	306	3,591	-	3,591	2,709
Others	-	-	-	2,270	1,911	-	1,911	2,270
	<u>474</u>	<u>9,637</u>	<u>189</u>	<u>8,297</u>	<u>52,471</u>	<u>34,474</u>	<u>53,134</u>	<u>52,408</u>

**19 CAPITAL EXPENDITURE COMMITMENTS**

	June 30, 2005 US\$'000
Balance of purchase price for office premise	<u>354</u>

This amount was not provided for in the financial statements as the purchase was not concluded at June 30, 2005. A deposit of US\$15,384 was placed at that date. This purchase commitment was subsequently assigned to a related party (Note 21).

**20 OPERATING LEASE EXPENSE AND COMMITMENTS**

	January 1, 2005 to June 30, 2005 US\$'000	January 1, 2004 to June 30, 2004 US\$'000
(a) Minimum lease expense under operating leases included in the profit and loss statement [Note (b)]	<u>9,156</u>	<u>15,971</u>

(b) The US\$9,156,000 of operating lease expense for the six months ended June 30, 2005 comprises the amortisation of deferred charter hire (Note 8) of US\$2,800,000 and variable charter hire of US\$6,356,000.

The US\$15,971,000 of operating lease expense for the six months ended June 30, 2004 comprises the amortisation of deferred charter hire (Note 8) of US\$2,800,000, fixed and variable charter hire of US\$13,087,000 and rental of premises of US\$84,000.

(c) At June 30, 2005, the Company had additional commitment to pay future variable hire charter of fishing vessels based on 20% of future annual operating profits of 7 fishing vessels.

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21 SUBSEQUENT EVENT

On August 22, 2005, the Company entered into an agreement with a related party to assign to the related party the right to purchase the office premise (Note 19) for a consideration of approximately US\$369,000.

