PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

For the six-month period ended 28 March 2010

STOCK CODE : 1174

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of Pacific Andes International Holdings Limited (the "Company") are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six-month period from 29 September 2009 to 28 March 2010 ("1HFY2010") together with the unaudited comparative figures for the corresponding period of the immediately preceding year for the six-month period ended 31 March 2009 ("1HFY2009").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 28 March 2010

		Six-month period ended	
	Notes	**29.9.2009 to 28.3.2010 HK$'000 (unaudited)**	1.10.2008 to 31.3.2009 HK$'000 (unaudited)
Revenue	*3*	**6,178,821**	5,707,657
Cost of sales		**(4,963,802)**	(4,522,904)
Gross profit		**1,215,019**	1,184,753
Other income	*4*	**152,286**	107,864
Selling and distribution expenses		**(231,026)**	(169,450)
Administrative expenses		**(231,773)**	(212,735)
Other expenses		**(10,371)**	(13,766)
Gain on deemed acquisition of additional interest in subsidiaries	*5*	**–**	7,058
Finance costs		**(203,977)**	(254,158)
Share of results of associates		**100**	(106)
Profit before taxation	*6*	**690,258**	649,460
Taxation	*7*	**(18,835)**	6,213
Profit for the period		**671,423**	655,673
Attributable to :			
Owners of the Company		**334,829**	326,999
Non-controlling interests		**336,594**	328,674
		671,423	655,673
Earnings per share	*9*		
Basic		**HK11.2 cents**	HK16.1 cents
Diluted		**HK11.1 cents**	HK15.4 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 28 March 2010

	Six-month period ended	
	29.9.2009 to 28.3.2010	1.10.2008 to 31.3.2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**671,423**	655,673
Other comprehensive income		
Surplus on revaluation of properties	**88,270**	7,651
Deferred tax liability arising on revaluation of properties	**(14,556)**	(4,397)
Reversal of deferred tax liability *(note 7)*	**33,000**	–
Exchange differences arising on translation of foreign operations	**45,801**	(13,490)
Other comprehensive income (expense) for the period	**152,515**	(10,236)
Total comprehensive income for the period, net of tax	**823,938**	645,437
Total comprehensive income attributable to:		
Owners of the Company	**464,556**	318,935
Non-controlling interests	**359,382**	326,502
	823,938	645,437

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 March 2010

	Notes	As at 28 March 2010 HK$'000 (unaudited)	As at 28 September 2009 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**5,258,815**	4,654,180
Investment properties	*10*	**336,761**	292,229
Prepaid lease payments		**46,428**	47,058
Goodwill	*11*	**2,730,035**	2,730,035
Deferred charter hire	*12*	**1,318,640**	1,404,960
Available-for-sale investment		**7,800**	7,800
Interests in associates		**13,620**	13,520
Other intangible assets	*13*	**602,634**	602,634
Other long term receivable		**928**	928
		10,315,661	9,753,344
CURRENT ASSETS			
Inventories		**1,327,776**	1,847,387
Trade, bills and other receivables	*14*	**4,646,947**	4,641,463
Trade receivables with insurance coverage	*15*	**336,896**	277,451
Trade receivables from associates	*16*	**108,263**	138,139
Amounts due from associates		**12,219**	6,291
Amount due from a jointly-controlled entity		**1,446**	1,421
Held-for-trading investments		**4,498**	3,224
Derivative financial instruments		**19,112**	–
Tax recoverable		**24,937**	46,661
Pledged deposits		**44,455**	59,491
Bank balances and cash		**518,424**	361,888
		7,044,973	7,383,416
CURRENT LIABILITIES			
Trade, bills and other payables	*17*	**1,106,070**	822,330
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	*15*	**391,020**	309,669
Derivative financial instruments		**–**	7,512
Dividend payable		**51,564**	167,093
Deferred consideration payable		**–**	39,839
Taxation		**113,225**	107,444
Obligations under finance leases – due within one year		**43,928**	37,491
Bank borrowings – due within one year	*18*	**3,094,891**	3,737,225
		4,800,698	5,228,603
NET CURRENT ASSETS		**2,244,275**	2,154,813
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,559,936**	11,908,157

	Notes	As at 28 March 2010 HK$'000 (unaudited)	As at 28 September 2009 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Obligations under finance leases			
– due after one year		**92,807**	81,302
Bank borrowings – due after one year	*18*	**1,138,393**	1,345,739
Convertible bonds	*19*	**602,350**	591,666
Senior notes	*20*	**1,655,188**	1,661,208
Deferred taxation		**272,813**	316,258
		3,761,551	3,996,173
NET ASSETS		**8,798,385**	7,911,984
CAPITAL AND RESERVES			
Share capital	*21*	**303,318**	283,209
Share premium and reserves		**4,908,234**	4,368,186
Equity attributable to owners of the Company		**5,211,552**	4,651,395
Equity component of convertible bonds of a listed subsidiary	*19*	**37,445**	37,445
Non-controlling interests		**3,549,388**	3,223,144
TOTAL EQUITY		**8,798,385**	7,911,984

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 28 March 2010

	Attributable to owners of the Company											
	Share capital HK\$'000	**Share premium** HK\$'000	**Properties revaluation reserve** HK\$'000	**Translation reserve** HK\$'000	**Other reserve** HK\$'000	**Goodwill reserve** HK\$'000	**Special reserve** HK\$'000	**Retained profits** HK\$'000	**Total** HK\$'000	**Equity component of convertible bonds of a listed subsidiary** HK\$'000	**Non-controlling interests** HK\$'000	**Total** HK\$'000
At 1 October 2008 (unaudited)	182,814	1,794,174	182,347	85,380	(52,655)	(135,913)	9,800	1,510,918	3,576,865	42,226	2,341,988	5,961,079
Surplus on revaluation of properties	–	–	11,601	–	–	–	–	–	11,601	–	(3,950)	7,651
Deferred tax liability arising on revaluation of properties	–	–	(4,397)	–	–	–	–	–	(4,397)	–	–	(4,397)
Exchange difference arising translation of foreign operations	–	–	–	(15,268)	–	–	–	–	(15,268)	–	1,778	(13,490)
Other comprehensive income (expense)	–	–	7,204	(15,268)	–	–	–	–	(8,064)	–	(2,172)	(10,236)
Profit for the period	–	–	–	–	–	–	–	326,999	326,999	–	328,674	655,673
Total comprehensive income (expense) for the period	–	–	7,204	(15,268)	–	–	–	326,999	318,935	–	326,502	645,437
Decrease in equity component of convertible bonds of a listed subsidiary on repurchase	–	–	–	–	–	–	–	–	–	(2,516)	–	(2,516)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(10,467)	(10,467)
Issue of scrip dividend shares *(note i)*	5,992	49,068	–	–	–	–	–	–	55,060	–	–	55,060
At 31 March 2009 (audited)	188,806	1,843,242	189,551	70,112	(52,655)	(135,913)	9,800	1,837,917	3,950,860	39,710	2,658,023	6,648,593
At 28 September 2009 (audited)	283,209	2,303,497	330,341	68,499	(52,655)	(135,913)	9,800	1,844,617	4,651,395	37,445	3,223,144	7,911,984
Surplus on revaluation of properties	–	–	81,125	–	–	–	–	–	81,125	–	7,145	88,270
Deferred tax liability arising on revaluation of properties	–	–	(14,556)	–	–	–	–	–	(14,556)	–	–	(14,556)
Reversal of deferred tax liability	–	–	33,000	–	–	–	–	–	33,000	–	–	33,000
Exchange difference arising translation of foreign operations	–	–	–	30,158	–	–	–	–	30,158	–	15,643	45,801
Other comprehensive income	–	–	99,569	30,158	–	–	–	–	129,727	–	22,788	152,515
Profit for the period	–	–	–	–	–	–	–	334,829	334,829	–	336,594	671,423
Total comprehensive income for the period	–	–	99,569	30,158	–	–	–	334,829	464,556	–	359,382	823,938
Acquisition of additional interest in a subsidiary	–	–	–	–	(2,279)	–	–	–	(2,279)	–	(2,345)	(4,624)
Deemed acquisition of additional interest in subsidiaries	–	–	–	–	926	–	–	–	926	–	(926)	–
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	419	419
Issue of scrip dividend shares *(note 21)*	20,109	128,409	–	–	–	–	–	–	148,518	–	–	148,518
Dividend paid	–	–	–	–	–	–	–	–	–	–	(30,286)	(30,286)
Dividend recognised as distribution *(note 8)*	–	–	–	–	–	–	–	(51,564)	(51,564)	–	–	(51,564)
At 28 March 2010 (unaudited)	303,318	2,431,906	429,910	98,657	(54,008)	(135,913)	9,800	2,127,882	5,211,552	37,445	3,549,388	8,798,385

Note (i): On 23 October 2008, 59,910,479 shares of HK\$0.10 each in the Company were issued at HK\$0.92 per share as scrip dividend.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 28 March 2010

	Six-month period ended	
	29.9.2009 to 28.3.2010	1.10.2008 to 31.3.2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Operating activities		
Profit before taxation	**690,258**	649,460
Adjustments for non-cash items	**396,772**	483,334
Operating cash flows before movements in working capital	**1,087,030**	1,132,794
Decrease (increase) in inventories	**519,611**	(30,307)
Increase in trade, bills and other receivables	**(8,939)**	(691,033)
Increase in trade and other payables	**292,138**	10,108
Others	**(237,818)**	(262,897)
Net cash from operating activities	**1,652,022**	158,665
Investing activities		
Addition to property, plant and equipment	**(694,113)**	(703,398)
Decrease (increase) in pledged deposits	**15,036**	(64,724)
Others	**(3,333)**	(40,666)
Net cash used in investing activities	**(682,410)**	(808,788)
Financing activities		
Repurchase of convertible bonds	**–**	(21,118)
Dividend paid to minority shareholders	**(30,286)**	–
Dividend paid	**(18,575)**	(45,488)
Payment of deferred consideration	**(39,839)**	(54,487)
Syndicated loans repaid	**(120,000)**	–
Net bank advances drawn on discounted trade receivables with insurance coverage and discounted bills raised	**83,874**	27,200
Net other bank borrowings (repaid) raised	**(707,798)**	682,209
Others	**20,765**	(40,988)
Net cash (used in) from financing activities	**(811,859)**	547,328
Net increase (decrease) in cash and cash equivalents	**157,753**	(102,795)
Cash and cash equivalents at beginning of the period	**361,888**	431,259
Effect of foreign exchange rate changes	**(1,217)**	7,025
Cash and cash equivalents at end of the period	**518,424**	335,489
Representing :		
Bank balances and cash	**518,424**	335,489

Notes :

1. **BASIC OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Pursuant to a resolution of the Board of Directors dated 26 August 2009, the Company had changed its financial year end date from 31 March to 28 September. The reason for the change is set out in the Company's announcement dated 26 August 2009. The Group's subsidiaries, Pacific Andes Resources Development Limited ("PARD") and China Fishery Group Limited ("China Fishery"), also simultaneously changed their financial year end date to 28 September.

The unaudited comparative figures presented for the condensed consolidated income statement, statement of comprehensive income, statement of change in equity and statement of cash flows and related notes cover the six-month period from 1 October 2008 to 31 March 2009. The directors of the Company considered that this is relevant for understanding to the current period's performance.

2. **PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties, investment properties and derivative financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the six-month period ended 28 September 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009, except for amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 and HKFRS 8
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The adoption of HKAS 27 (Revised) has resulted in a change in the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary are accounted for as equity transactions. As the revised accounting policy has been applied prospectively from 29 September 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under HKAS 27 (Revised), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

In respect of the (i) the change in share of net assets attributable to the Group of HK$926,000 in relation to the deemed acquisition of additional interests in a subsidiary resulting from shares issued to the Group by the subsidiary under scrip dividend; and (ii) the difference between the purchase consideration and decrease in the carrying value of non-controlling interest of the subsidiary of HK$2,279,000 relating to the acquisition of additional interest in a subsidiary during the period, the impact of the change in policy has been recognised directly in equity. Had the previous accounting policy been applied, the profit for the six-month period ended 28 March 2010 would has been increased by HK$926,000 and the goodwill as at 28 March 2010 would has been increased by HK$2,279,000.

The adoption of other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 and HKFRS 8[3]
HKAS 24 (Revised 2009)	Related Party Disclosures[2]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue and results by operating segments is as follows:

The Group's operating segments under HKFRS 8 are based on different business divisions which are summarised as follows:

Frozen fish supply chain management ("SCM")	–	sales of frozen fish and other seafood products and shipping services
Fish fillets processing and distribution	–	selling and processing of frozen seafood products and distribution
Fishing and fishmeal	–	sales of fish and other marine catches from fishing activities and the production and sale of fishmeal and fish oil
Others	–	property leasing and laboratory testing service income

These divisions are on the basis on which the Group reports its segment information to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance.

Segment sales and expenses: Segment sales and expense are the sales and operating expense reported in the Group's consolidated income statement that are directly attributable to a segment and the relevant portion of such sales and expense that can be allocated on a reasonable basis to a segment. The accounting policies of the operating segments are the same as the Group's accounting policies in the preparation of the Group's financial statements. Segment result represents the profit earned by each segment without the allocation of certain other income, corporate administrative expenses, gains and losses on revaluation of properties, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Inter-segment transfers: Segment sales and expenses include transfers between operating segments. These transfers are eliminated on consolidation.

Information regarding the above segments is reported below.

INCOME STATEMENT

For the six-month period ended 28 March 2010

	Frozen fish SCM HK$'000 (unaudited)	Fish fillets processing and distribution HK$'000 (unaudited)	Fishing and fishmeal HK$'000 (unaudited)	Others HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
REVENUE					
External sales	**1,841,797**	**2,171,368**	**2,149,110**	**16,546**	**6,178,821**
RESULT					
Segment result	**215,008**	**190,335**	**672,336**	**8,574**	**1,086,253**
Unallocated corporate income					**50,126**
Unallocated corporate expenses					**(242,144)**
Finance costs					**(203,977)**
Profit before taxation					**690,258**
Taxation					**(18,835)**
Profit for the period					**671,423**

3. REVENUE AND SEGMENT INFORMATION – *Continued*

For the six-month period ended 31 March 2009

	Frozen fish SCM HK$'000 (unaudited)	Fish fillets processing and distribution HK$'000 (unaudited)	Fishing and fishmeal HK$'000 (unaudited)	Others HK$'000 (unaudited)	Elimination HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
REVENUE						
External sales	1,901,455	1,715,010	2,071,827	19,365	–	5,707,657
Inter-segment sales	–	–	45,089	–	(45,089)	–
Total	1,901,455	1,715,010	2,116,916	19,365	(45,089)	5,707,657
RESULT						
Segment result	211,666	300,485	578,097	11,189	–	1,101,437
Unallocated corporate income						28,682
Unallocated corporate expenses						(226,501)
Finance costs						(254,158)
Profit before taxation						649,460
Taxation						6,213
Profit for the period						655,673

4. OTHER INCOME

	Six-month period ended **29.9.2009 to 28.3.2010 HK$'000 (unaudited)**	1.10.2008 to 31.3.2009 HK$'000 (unaudited)
Gross rental income	**6,147**	4,911
Agency income	**8,399**	3,293
Fair value changes on investment properties	**42,456**	3,388
Interest income	**1,428**	215
Compensation received from suppliers of fish	**58,625**	49,569
Gain on repurchase of convertible bonds	**–**	20,168
Exchange gain, net	**16,898**	14,198
Sundry income	**18,333**	12,122
	152,286	107,864

5. GAIN ON DEEMED ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

In October 2008, the Group acquired, in aggregate, an additional 0.23% and 0.045% of the issued share capital of the subsidiaries, PARD and China Fishery at a consideration of HK$2,393,000 and HK$1,016,000 respectively, while the carrying values of the Group's share of the identifiable assets and liabilities of the subsidiaries at the respective dates of acquisition attributable to the acquired interests, in aggregate, amounted to HK$9,346,000 and HK$1,121,000 respectively. The excess of the carrying values over the costs of acquisitions of HK$7,058,000 was credited to the profit or loss.

6. PROFIT BEFORE TAXATION

	Six-month period ended	
	29.9.2009 to 28.3.2010 HK$'000 (unaudited)	1.10.2008 to 31.3.2009 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging :		
Amortisation of deferred charter hire (included in cost of sales)	**86,320**	86,320
Amortisation of prepaid lease payments	**463**	785
Depreciation of property, plant and equipment	**167,617**	131,388
Loss on disposal of property, plant and equipment	**596**	–
Impairment loss on property, plant and equipment *(note)*	**9,775**	–

Note: During the six-month period ended 28 March 2010, the directors had reviewed the carrying values of property, plant and equipment and certain idle plant and machinery of HK$9,775,000 were fully impaired.

7. TAXATION

	Six-month period ended	
	29.9.2009 to 28.3.2010 HK$'000 (unaudited)	1.10.2008 to 31.3.2009 HK$'000 (unaudited)
The charge (credit) comprises :		
Profit for the period		
– Hong Kong	**3,000**	147
– other jurisdictions	**37,595**	46,138
	40,595	46,285
Under(over)provision in prior period		
– Hong Kong	**3,432**	968
– other jurisdictions	**–**	(6,853)
	3,432	(5,885)
Deferred taxation	**(25,192)**	(46,613)
Tax charge (credit) for the period	**18,835**	(6,213)

7. TAXATION – *Continued*

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the period.

Taxation in other jurisdictions are calculated of the rate prevailing in the respective jurisdictions.

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

Pursuant to ＜中華人民共和國企業所得稅法＞財稅[2008] 149號, the Company's subsidiary, Pacific Andes Food Limited ("PAF"), obtained the 100% tax exemption from the tax bureau of the People's Republic of China during the current period. So, the deferred tax liability of HK$33,000,000 previously recognised on revaluation of properties held by PAF accumulated in equity has been reversed in other comprehensive income during the current period.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six-month period ended 28 March 2010.

On 22 March 2010, the Company declared a final dividend of HK1.7 cents per share amounting to HK$51,564,000 for the six-month period ended 28 September 2009 with a scrip alternative to offer the right to shareholders to elect to receive the final dividend by allotment of new shares in lieu of cash. Subsequent to 28 March 2010, 30,003,261 shares of HK$0.10 each in the Company were issued at HK$1.43 per share as scrip dividend and cash dividend of HK$8,659,000 were paid.

9. EARNINGS PER SHARE

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

	Six-month period ended	
	29.9.2009 to 28.3.2010 HK$'000 (unaudited)	1.10.2008 to 31.3.2009 HK$'000 (unaudited)
Earnings attributable to the owners of the Company for the purpose of calculation of basic earnings per share	**334,829**	326,999
Effect of dilution arising on potential conversion of convertible bonds issued by a subsidiary	**(777)**	(12,295)
Earnings for the purpose of calculation of diluted earnings per share	**334,052**	314,704
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	**3,000,959,043**	2,037,191,633
Effect of dilutive potential ordinary shares in respect of share award	**3,446,207**	1,560,401
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	**3,004,405,250**	2,038,752,034

For the six-month period ended 31 March 2009, the weighted average number of shares outstanding have been adjusted for the effect of rights issue in June 2009.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six-month period ended 28 March 2010, the Group incurred the following capital expenditure on property, plant and equipment:

	Six-month period ended	
	29.9.2009 to 28.3.2010 HK$'000 (unaudited)	1.10.2008 to 31.3.2009 HK$'000 (unaudited)
Leasehold land and buildings	**–**	7,675
Freehold land and buildings	**–**	355
Leasehold improvements	**436**	4,010
Furniture, fixtures and office equipment	**28,754**	438
Motor vehicles	**2,579**	7,475
Plant and machinery	**38,893**	145,620
Vessels	**218,089**	39,836
Fishing nets	**–**	5,322
Construction in progress	**405,362**	574,811
Total	**694,113**	785,542

The Group's leasehold land and buildings classified as property, plant and equipment were revalued by BMI Appraisals Limited and LLC Apex Group, independent property valuers, at 28 March 2010. The valuation was mainly based on direct comparison approach. BMI Appraisals Limited and LLC Apex Group have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation give rise to a net revaluation increase of HK$88,365,000 (1.10.2008 to 31.3.2009: HK$5,196,000) in which HK$88,270,000 (1.10.2008 to 31.3.2009: HK$7,651,000) have been credited to the property revaluation reserve and HK$95,000 has been credited to profit or loss (1.10.2008 to 31.3.2009: charged to profit or loss of HK$2,455,000) as a reversal of loss previously recognised on profit or loss respectively.

During the six-month period ended 28 March 2010, the Group disposed of property, plant and equipment with a carrying amount of HK$765,000 (1.10.2008 to 31.3.2009: HK$2,188,000) to independent third parties for HK$169,000 (1.10.2008 to 31.3.2009: HK$4,639,000).

The Group's investment properties were revalued by BMI Appraisals Limited and Bogeria Consulting Company, independent property valuers, at 28 March 2010. The valuation was based on investment approach by taking into account the current rents passing and the reversionary income potential of tenancies. The resulting increase in fair value of investment properties of HK$42,456,000 (1.10.2008 to 31.3.2009: HK$3,388,000) has been recognised in other income in the condensed consolidated income statement.

11. GOODWILL

	28.3.2010	28.9.2009
	HK$'000	HK$'000
	(unaudited)	(audited)
Gross amount	**2,743,390**	2,743,390
Less: impairment	**(13,355)**	(13,355)
Carrying amount at end of period	**2,730,035**	2,730,035

From 17 August 2009 to 28 September 2009, the Group acquired, in aggregate, an additional 0.6264% of the issued share capital of a subsidiary, China Fishery, at a consideration of HK$37,021,000, while the fair value of the Group's share of the identifiable assets and liabilities of the subsidiary at the date of acquisition attributable to the acquired interest, in aggregate, amounted to HK$19,732,000. The goodwill arising on the acquisition of additional interests in a subsidiary is HK$17,289,000.

For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to four cash generating units (CGUs) before impairment. The carrying amounts of goodwill after impairment as at 28 March 2010 allocated to the CGUs are as follows:

	28.3.2010	28.9.2009
	HK$'000	HK$'000
	(unaudited)	(audited)
Frozen fish SCM segment – PARD	**13,245**	13,245
Fish fillets processing and distribution segment		
– National Fish and Seafood Inc.	**15,594**	15,594
Fishing and fishmeal segment:		
Pacific Ocean fishing operation		
– China Fisheries International Limited	**1,780,068**	1,780,068
Peruvian fishing and fishmeal operations		
– CFG Investment S.A.C. ("CFGI")	**921,128**	921,128
	2,730,035	2,730,035

11. GOODWILL – *Continued*

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

During the six-month period ended 28 March 2010, management of the Group conducted impairment review on the goodwill which is based on the cash flow forecast derived from the most recent financial budgets for the next five years for Frozen fish SCM segment and Fish fillets processing and distribution segment.

That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rates of 20% (28 September 2009: 20%) for the CGU of Fish fillets processing and distribution segment and the CGU of Frozen fish SCM segment. The discount rate of 20% (28 September 2009: 20%) are estimated from the rate implicit in the weighted average cost of capital of a similar investment with similar risk. A key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not caused the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount.

In addition to the above, the Group has engaged an independent financial advisor, BMI Appraisals Limited, to determine the value in use of the Pacific Ocean fishing operation and Peruvian fishing and fishmeal operations under the fishing and fishmeal segment at 28 March 2010. Based on the report of the valuer dated 18 June 2010 and management's assessment of business prospects, management expects that carrying amount of respective goodwill to be recoverable and there is no impairment in value of the goodwill.

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

(i) forecasted projected cash flows up to 2019 (28 September 2009 : 2018) and projection of a terminal value using the perpetuity method;

(ii) growth rate 3.3% per annum during the forecast period (28 September 2009 : 3.3%); and

(iii) use of 10.4% (28 September 2009: 15.5%) for Pacific Ocean fishing operations and use of 14.6% (28 September 2009 : 16.5%) for Peruvian fishing and fishmeal operations to discount the projected cash flows to net present values.

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

12. DEFERRED CHARTER HIRE

Deferred charter hire represents future charter hire expense for fishing vessels which have been prepaid. They are amortised and charged to the profit or loss as charter hire expense pro-ratably over the period for which prepayments are made.

13. OTHER INTANGIBLE ASSETS

Other intangible assets comprise fishing permits of HK$578,671,000 (28 September 2009: HK$578,671,000) granted by the authority in Peru with indefinite useful lives and club debentures of HK$23,963,000 (28 September 2009: HK$23,963,000).

Fishing permits are granted by the authority in Peru. The fishing permits are attached to fishing vessels and are transferable to other vessels of no bigger capacity should the original vessels become obsolete or sink. The cost of purchase of a fishing vessel and the attached fishing permit and the cost of acquiring the subsidiary are allocated to the property, plant and equipment and other intangible assets on the basis of valuation reports prepared by independent third party valuer in Peru at acquisition date.

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

As stated in note 11, the Group has engaged an independent financial advisor located in Hong Kong to determine the value in use of the CGUs of the fishing and fishmeal segment. Based on that report and management's assessment of business prospects, management expects the carrying amount of fishing permits to be recoverable and there is no impairment in value of the fishing permits.

Since the cash inflows of the fishing permits are not largely independent of those from other group of assets in the CGU of Peruvian fishing and fishmeal operations, the recoverable amounts of the fishing permits are included in the assessment of impairment of goodwill for the CGU of Peruvian fishing and fishmeal operations. Key assumptions for the estimation are disclosed in note 11. Based on these evaluations, management is of the view that the recoverable amounts of the fishing permits exceed their carrying amounts.

Club memberships have infinite life and are not amortised.

14. TRADE, BILLS AND OTHER RECEIVABLES

Included in trade, bills and other receivables are trade receivables of HK$1,536,873,000 (28 September 2009: HK$1,325,124,000) and bills receivables of HK$115,898,000 (28 September 2009: HK$29,787,000). The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to 180 days to the external trade customers. The aged analysis of trade receivables and bills receivables based on the invoice date at the end of the reporting period is as follows:

	28.3.2010 HK$'000 (unaudited)	28.9.2009 HK$'000 (audited)
Less than 30 days	**680,387**	742,200
31 – 60 days	**276,045**	199,164
61 – 90 days	**175,970**	64,056
91 – 120 days	**169,591**	174,667
Over 120 days	**350,778**	174,824
	1,652,771	1,354,911

Certain bills receivables are discounted to banks under the recourse receivable discounting advance facilities, where the Group continues to recognise as the Group remains exposed to the credit risks of such assets.

14. TRADE, BILLS AND OTHER RECEIVABLES – *Continued*

Included in other receivables are amount of HK$1,949,141,000 (28 September 2009: HK$2,401,666,000) in respect of prepayments made for the purchase of frozen fish inventories and the current portion of deferred charter hire of HK$172,640,000 (28 September 2009: HK$172,640,000).

15. TRADE RECEIVABLES WITH INSURANCE COVERAGE/BANK ADVANCES DRAWN ON DISCOUNTED TRADE RECEIVABLES WITH INSURANCE COVERAGE AND DISCOUNTED BILLS

The trade receivables with insurance coverage have been discounted to banks under the recourse receivable discounting advance facilities, where the Group continues to recognise as the Group remains exposed to the credit risk.

The aged analysis of the trade receivables with insurance coverage based on the invoice date at the end of the reporting period is as follows:

	28.3.2010	28.9.2009
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**176,283**	185,179
31 – 60 days	**114,203**	65,579
61 – 90 days	**44,661**	16,674
91 – 120 days	**1,355**	8,475
Over 120 days	**394**	1,544
	336,896	277,451

16. TRADE RECEIVABLES FROM ASSOCIATES

For trade receivables from associates on sales of goods, the Group allows an average credit period of 30 days to 60 days. The age of trade receivables from associates at the end of the reporting period are all less than 30 days.

17. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade payables of HK$696,934,000 (28 September 2009: HK$515,903,000). The average credit period on purchase of goods is 30 days. The age analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows

	28.3.2010	28.9.2009
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**295,430**	496,699
31 – 60 days	**120,774**	7,981
61 – 90 days	**179,988**	3,036
Over 90 days	**100,742**	8,187
	696,934	515,903

18. BANK BORROWINGS

	28.3.2010 HK$'000 (unaudited)	28.9.2009 HK$'000 (audited)
Bank borrowings comprise :		
Trust receipt and bank loans	**3,170,659**	3,889,993
Syndicated loans	**1,001,538**	1,128,000
Mortgage loans	**64,449**	72,106
Bank overdrafts	**6,394**	4,872
	4,243,040	5,094,971
Less : upfront fee of syndicated loan	**(9,756)**	(12,007)
	4,233,284	5,082,964

The maturity of bank borrowings is as follows:

	28.3.2010 HK$'000 (unaudited)	28.9.2009 HK$'000 (audited)
Within one year	**3,094,891**	3,737,225
In the second year	**584,508**	487,977
In the third year	**535,619**	835,636
In the fourth year	**5,392**	8,282
In the fifth year	**1,163**	1,551
Over five years	**11,711**	12,293
	4,233,284	5,082,964
Amount due within one year shown under current liabilities	**(3,094,891)**	(3,737,225)
Amount due after one year	**1,138,393**	1,345,739

19. CONVERTIBLE BONDS

On 18 April 2007, PARD issued convertible bonds of the principal amount of US$93,000,000 (approximately HK$720,750,000) at par, which are listed on the Singapore Exchange Securities Trading Limited and bear coupon interest rate at 4% per annum payable semi-annually in arrears. Each holder of the notes has the option to convert the notes into shares at an initial conversion price of S$1.0813 per share, subject to adjustment, at any time on or after 29 May 2007 up to close of business on 18 April 2012.The conversion price was subsequently adjusted to S$0.6785 pursuant to the rights issue of PARD effective from 24 July 2009. The number of shares to be issued on conversion of a bond will be determined by dividing the principal amount of bond to be converted (using a fixed exchange rate of S$1.5265 = US$1.00) by the conversion price in effect at the conversion date. PARD has an early redemption option to redeem in whole and not in part of the notes at any time on or after 18 April 2009, at the pre-determined redemption amounts set out in the bond agreement. The fair value of such early redemption option at the date of issue and subsequent reporting dates is insignificant.

19. CONVERTIBLE BONDS – *Continued*

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

If the bonds are not converted, they will be redeemed on 18 April 2012 at 116.04%. Interest of 4% per annum will be paid semi-annually in arrear until settlement date.

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

	Liability component	**Equity conversion component**
	HK$'000	HK$'000
Balance at 1 April 2009	612,772	39,710
Interest expenses	25,391	–
Interest paid	(11,512)	–
Repurchased	(34,985)	(2,265)
Balance at 28 September 2009	591,666	37,445
Interest expenses	25,986	–
Interest paid	(11,415)	–
Exchange realignment	(3,887)	–
Balance at 28 March 2010	602,350	37,445

The directors estimate the fair value of the liability component of the convertible bonds at 28 March 2010 to be approximately HK$629,763,000 (28 September 2009: HK$587,255,000). This fair value has been calculated by using effective interest rate of 7.52% (28 September 2009: 10.18%) per annum with reference to the US Treasury Zero Coupon Bond and credit risk margin.

20. SENIOR NOTES

On 19 December 2006, the Group, through its subsidiary, CFGI, issued guaranteed senior fixed rate notes at par with aggregate nominal value of US$225,000,000 (approximately HK$1,744,000,000) (the "Notes") which carry fixed interest of 9.25% per annum (interest payable semi-annually in arrear) and will be fully repayable by 19 December 2013.

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

At any time prior to 19 December 2010, CFGI may redeem the Notes in whole or in part at the principal amount of the Notes plus pre-determined premium and accrued interest provided that any partial redemption shall not result in less than US$100 million (approximately HK$775 million) of outstanding Notes. At any time prior to and up to 19 December 2009, CFGI may redeem up to 35% of the Notes, with net cash proceeds from issue of ordinary shares of China Fishery or sale of ordinary shares of CFGI, at the redemption price equal to 109.25% of the principal amount of the Notes plus accrued and unpaid interests, if any, as of the redemption date.

As the risk and characteristics of the early redemption option are not closely related to the host contract, it is separately accounted for as financial derivatives and measured at fair value with changes in fair value recognised in profit and loss. The directors consider that the fair value of the redemption option is immaterial as at 28 September 2009 and 28 March 2010.

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

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

The net carrying amount of the Notes is stated net of issue expenses totaling US$4,781,000 (approximately HK$37,053,000) (28 September 2009: US$5,447,000 (approximately HK$42,487,000)).

Management estimates the fair value of the Notes at 28 March 2010 to be approximately HK$1,925,972,000 (28 September 2009: HK$1,868,104,000). The fair value has been calculated by assuming redemption on 19 December 2013, using effective interest rate of 3.82% to 6.28% per annum (28 September 2009: 5.15% to 7.51%) with reference to the US Treasury Zero Coupon Bonds and holding the credit risk margin constant.

21. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
At 1 April 2009	1,888,055,689	188,806
Issue of shares as a result of rights issue	944,027,844	94,403
At 28 September 2009	2,832,083,533	283,209
Issue of shares as scrip dividend	201,095,180	20,109
At 28 March 2010	3,033,178,713	303,318

On 24 June 2009, the Company issued 944,027,844 rights shares at the issue price of HK$0.60 each on the basis of one rights share for every two existing shares held. Net proceeds were approximately HK$555,000,000 and were used to raise sufficient funding to subscribe for its entitlement under the rights issue of PARD, a listed subsidiary of the Company.

On 8 September 2009, the Company declared a final dividend of HK5.9 cents per share for the year ended 31 March 2009 with a scrip alternative to offer the right to shareholders to elect to receive the final dividend by allotment of new shares in lieu of cash. On 27 October 2009, scrip dividend of HK$148,811,000 were paid by issuing 201,095,180 shares of HK$0.10 each in the Company at HK$0.74 per share and cash dividend of HK$18,282,000 were paid.

22. CAPITAL COMMITMENTS

	28.3.2010 HK$'000 (unaudited)	28.9.2009 HK$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**148,005**	215,251

23. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had the following contingent liabilities:

Certain subsidiaries of the Group are parties to legal processes in Peru with potential claims amounting to US$6,467,000 (approximately HK$50,119,000) (28 September 2009: US$5,722,000 (approximately HK$44,628,000)). These relate to employment disputes and miscellaneous claims. The Group's legal advisor has advised that US$2,277,000 (approximately HK$17,647,000) (28 September 2009: US$2,253,000 (approximately HK$17,570,000)) of these claims is likely to have unfavourable outcome for the Group and the outcome for claims of US$4,190,000 (approximately HK$32,472,000) (28 September 2009: US$3,469,000 (approximately HK$27,058,000)) cannot be reasonably ascertained. Additionally, there are claims which the legal advisor has opined to have remote chances of resulting in unfavourable outcomes for the Group.

At the end of the reporting period, the Group had made a provision of US$2,277,000 (approximately HK$17,647,000) (28 September 2009: US$2,253,000 (approximately HK$17,570,000)) for these claims where the outcome is likely to be unfavourable to the Group.

Saved as disclosed above, no member of the Group is engaged in any litigation or claims of material importance known to the directors to be pending or threatened against any members of the Group.

24. PLEDGE OF ASSETS

(a) At 28 March 2010, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$416,337,000 (28 September 2009: HK$383,867,000) and HK$95,033,000 (28 September 2009: HK$83,406,000) respectively, as collateral for mortgage loans granted to the Group by certain banks. In addition to the above, inventories of a subsidiary in the United States of America of HK$145,686,000 (28 September 2009: HK$194,379,000) were pledged as security for general banking facilities arranged for that subsidiary.

(b) At 28 March 2010, deposits amounting to HK$280,000 (28 September 2009: HK$15,198,000) are pledged to a bank to secure an export invoice discounting facility granted to the Group.

(c) At 28 March 2010, inventories of fishmeal of HK$45,825,000 (28 September 2009: HK$28,197,000) were also pledged as security for the revolving inventory financing facilities obtained from banks.

(d) At 28 March 2010, a fishing vessel with net carrying amount of HK$977,545,000 (28 September 2009: HK$677,040,000), fixed deposits of HK$44,175,000 (28 September 2009: HK$44,293,000) and shares of a subsidiary were pledged as security for a term loan granted to the Group. The fixed deposits pledged bear interest at 0.22% (28 September 2009: 0.40%) per annum.

(e) At 28 March 2010, the obligations under finance leases were secured by the lessors' title to the leased property, plant and equipment of a subsidiary in Peru with carrying values of HK$232,002,000 (28 September 2009: HK$356,694,000).

(f) At 28 March 2010, shares and net assets amounted to HK$205,115,000 (28 September 2009: HK$250,833,000) of certain subsidiaries were also pledged as securities for revolving inventory financing and syndicated bank loan facilities.

(g) At 28 March 2010, certain bank advances were secured by bills receivables of HK$115,898,000 (28 September 2009: HK$29,787,000).

(h) At 28 September 2009, certain plant and machinery installed in fishmeal processing plants and freehold land with carrying amounts totaling US$16,981,000 (approximately HK$132,452,000) have been mortgaged and pledged respectively in connection with the deferred consideration payable of US$5,108,000 (approximately HK$39,839,000) on acquisition of a subsidiary. The pledged was released after the deferred consideration was repaid during the current period.

25. RELATED PARTY TRANSACTIONS

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

	Six-month period ended	
	29.9.2009 to 28.3.2010 HK$'000 (unaudited)	1.10.2008 to 31.3.2009 HK$'000 (unaudited)
Sales of frozen seafood	**273,987**	263,663
Purchase of frozen seafood	**10,170**	9,756
Agency income	**5,266**	3,293

(b)

	28.3.2010 HK$'000 (unaudited)	28.9.2010 HK$'000 (audited)
Bank advances drawn by the Group on discounted trade receivables with insurance coverage of:		
– associates of the Group	**23,607**	45,304
The above advances are secured by trade receivables of:		
– associates of the Group	**26,399**	50,338

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six-month period ended	
	29.9.2009 to 28.3.2010 HK$'000 (unaudited)	1.10.2008 to 31.3.2009 HK$'000 (unaudited)
Short-term benefits	**15,495**	14,019
Post-employment benefits	**310**	250
	15,805	14,269

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

26. EVENTS AFTER THE REPORTING PERIOD

In May 2010, the Group's subsidiary China Fishery acquired two Peruvian fishing companies at a total consideration of HK$876 million (US$113 million) and increased its fishing quota from 4.85% to 6.05% in the North of Peru and from 7.11% to 10.91% in South of Peru respectively. These transactions will enable us to increase production volume of fishmeal, and will further enhance economies of scale, allowing higher operating efficiencies for operations in Peru.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market And Business Review

During the first half of FY2010, the overall market for frozen fish and fish products remained strong with global demand for fish continuing to increase. This positive market trend is mainly driven by emerging economies such as the People's Republic of China (the "PRC") and regions such as Africa, as well as the rising global demand for fish as a healthy source of protein.

The fishing division, which operates through its Singapore-listed subsidiary China Fishery Group Limited ("China Fishery"), increased in revenue by 1.5% to HK$2,149.1 million (US$277.3 million) from HK$2,116.9 million (US$273.1 million). The increase was mainly driven by higher catch volume from North Pacific trawling operations despite lower selling prices for fish roe as well as lower sales volumes for fishmeal products, primarily due to as lower inventory carried forward from last period.

South Pacific operations did not make any significant contribution to revenue during the period under review, as the major fishing season in the South Pacific spans from April to October.

The frozen fish SCM division, which operates through its Singapore-listed subsidiary Pacific Andes Resources Development Limited ("PARD"), continued to perform steadily. Revenue decreased slightly by 0.8% to HK$1,841.8 million (US$237.7 million) from HK$1,856.4 million (US$239.5 million). This was mainly caused by the temporary delay in product shipment into the PRC as ports in the Bohai Sea and the Huanghai Sea were temporarily closed due to ice buildup during winter.

Revenues for **the processing and distribution division** leapt 26.6% to HK$2,171.4 million (US$280.2 million) from HK$1,715.0 million (US$221.3 million). This was mainly because increased production capacity at the Hongdao processing complex which began operation in mid 2009 enabled us to raise sales volumes. In addition, through the adoption of the full traceability system at the state-of-the-art production facility, the Group was able to capture additional market share particularly in the European markets.

Financial Review

Turnover

Total turnover increased by 8.3% to HK$6,178.8 million (US$797.3 million) from HK$5,707.7 million (US$736.5 million), mainly on the back of increased contributions from the processing and distribution division. The fishing division accounted for 34.8% (1HFY2009: 37.1%) of total turnover, the frozen fish SCM division for 29.8% (1HFY2009: 32.5%) and the processing and distribution division 35.1% (1HFY2009: 30.1%).

Geographically, the PRC remains the Group's key market, with sales growing 3.1% to reach HK$3,317.6 million, representing 53.7% of total turnover. Sales to Europe increased by 20.1% to HK$1,406.5 million, accounting for 22.8% of total turnover. Sales to North America increased 4.2% to HK$943.6 million, accounting for 15.3% of total turnover. Sales to East Asia accounted for 6.8% of total turnover, reflecting an increase of 2.1% to HK$420.6 million.

Gross profit

Gross profit of the Group for the first half of FY2010 was HK$1,215.0 million, an increase of 2.6% over the corresponding period last year. Gross profit margin went down slightly from 20.8% to 19.7% due mainly to the increased proportion of business from the processing and distribution division, which normally operates at a lower margin as compared to the fishing division.

Selling and distribution costs

Selling and distribution costs for the first half of FY2010 increased by 36.3% to HK$231.0 million. This was mainly associated with rising sales of the processing and distribution division as well as the fishing division.

Administrative expenses

Administrative expenses increased by 8.9% to HK$231.8 million from HK$212.7 million, mainly as a result of increased headcount and other expenses in line with the increase in business activities.

Finance costs

Finance costs decreased by 19.7% to HK$204.0 million during the period under review. The reduction was mainly due to lower borrowing interest rates and the repurchase of convertible bonds by PARD in March 2009.

Profit for the period

As a result of these factors, profit for the period increased by 2.4% to HK$671.4 million from HK$655.7 million. Profit attributable to owners of the Company increased by 2.4% to HK$334.8 million from HK$327.0 million. Taking account of the dilution effects of the one-for-two rights issue completed in June 2009, basic earnings per share were HK11.2 cents (1HFY2009: HK16.1 cents based on 2,037.2 million shares as restated for the Rights Issue).

Financial position and liquidity

As of 28 March 2010, total assets of the Group amounted to HK$17,360.6 million (28 September 2009: HK$17,136.8 million).

Property, plant and equipment increased by 13.0% to HK$5,258.8 million. The increase was primarily linked with payment of the balance of the refurbishment cost of a factory vessel and catcher vessels operating in the South Pacific region. Trade receivables increased by 16.0% to HK$1,536.9 million from HK$1,325.1 million, due mainly to the temporary delay of product shipments in early 2010.

Trade and other payables increased by 34.5% to HK$1,106.1 million, mainly due to higher suppliers' credits obtained from suppliers.

Total interest-bearing borrowings decreased by 9.6% to HK$7,018.6 million, (including short-term borrowings of HK$3,529.9 million and long-term borrowings of HK$3,488.7 million).

Out of the Group's total interest-bearing borrowings, 74.4% of short-term borrowings and 75.7% of long-term borrowings was made by the Group's subsidiaries China Fishery and PARD. These loans were not guaranteed by the Company.

Equity attributable to the equity holders of the Company was HK$5,211.6 million, 12.0% higher than the HK$4,651.4 million as at 28 September 2009.

As of 28 March 2010, the net-debt-to-equity ratio of the Group, defined as a percentage of net interest bearing borrowings over shareholders' equity, improved to 73.4% from 92.8%. As at 28 March 2010, the Group held HK$518.4 million in cash and bank balances.

The Group's borrowings are mainly denominated in US Dollars and carry LIBOR plus rates. As its turnover is mainly denominated in US Dollars and major expenses are made either in US Dollars or HK Dollars, the Group faces relatively low currency risk.

Subsequent Events

The Group is particularly confident in its development strategy of targeting under-utilised and sustainable fishery resources. Subsequent to the reporting period, the Group has completed two acquisitions in Peru that are driven by this strategy.

In May 2010, the Group's subsidiary China Fishery acquired two Peruvian fishing companies at a total consideration of HK$876 million (US$113 million) and increased its fishing quota from 4.85% to 6.05% in the North of Peru and from 7.11% to 10.91% in South of Peru respectively. These transactions will enable us to increase production volume of fishmeal, and will further enhance economies of scale, allowing higher operating efficiencies for operations in Peru.

Dividends

In line with its past practice, the Board of Directors has not declared any interim dividend for the six-month period ended 28 March 2010.

Employees and Remuneration

As at 28 March, 2010, the Group had a total of approximately 16,800 employees. Remuneration packages offered to employees are in line with industry standards and reviewed annually. The award of bonuses is discretionary and based on the performance of, firstly, the individual employee, and secondly, the Group.

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

Prospects

We continue to be positive about the growth potential of all our business divisions.

The fishing division is well-placed for continued growth. Higher Peruvian quota share following the acquisition of two Peruvian fishing companies and contributions from South Pacific operations are expected to have a positive impact on the Group's revenue and profitability in the second half of FY2010.

Also, higher expected catch volumes in the North Pacific will enhance operating efficiencies in the region.

The frozen fish SCM division will continue to benefit from worldwide growth in demand for fish, particularly in the PRC, where demand for fish as a healthy source of protein continues to grow. We will continue to strengthen our distribution in the PRC as well as in Eastern Europe and Africa to increase further the sales volume of frozen fish.

We are committed to best practices as a responsible employer, and so have invested substantially in production processes that are environmentally responsible, and focus keenly on ensuring safe working conditions, and ensuring our staff is treated with respect and dignity.

The Group believes strongly that retaining a stable, productive and skilled workforce will translate into longer term benefits including enhanced productivity, higher production efficiency and profitability. To further improve the well-being of our staff in the PRC, we proactively raised the average wage of our PRC workers by 12% after Chinese New Year in early 2010. This move preemptively addressed the nationwide challenge of labour shortages by ensuring enhanced retention of our skilled workforce and better productivity at our new Hongdao processing complex. With a higher production capacity at Hongdao, the Group expects to increase sales as we satisfy the continual rising demand for our products.

Despite higher export prices of our products due to the recent depreciation of Euro, we expect that demand for our frozen fish products will remain stable in the European markets, since they are seen as consumer staples meeting the basic needs of consumers.

The Group remain confident about future prospects. While striving to ensure our organic business growth, we see an opportunity-rich environment which we intend to seize. The Group will continue to search for good opportunities for growth in the highly fragmented fishing and seafood processing industry, creating fruitful returns for our shareholders.

PURCHASE, SALE OR REDEMPTION

During the six-month period ended 28 March 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities of the Company during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions (the "Model Code").

Specific enquiry has been made of all the directors of the Company who have confirmed their compliance with the required standards set out in the Model Code during the six-month period ended 28 March 2010.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six-month period ended 28 March 2010.

The interim financial reports have been reviewed by the Company's auditors, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

The members of the Audit Committee are Mr. Lew V Robert (chairman), Mr. Kwok Lam Kwong, Larry and Mr. Tao Kwok Lau, Clement, the independent non-executive directors of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code of Corporate Governance (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all the applicable code provisions in the CG Code throughout the six-month period ended 28 March 2010, except for the following deviations:

CG Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 28 March 2010, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

Shares

	Number of ordinary shares held (long position)		
Directors	**Personal Interest**	**Family Interest**	**Percentage of the issued share capital of the Company**
Ng Joo Siang	–	3,180,966 *(Note)*	0.10%
Ng Puay Yee	869,497	–	0.03%

Note: These shares are held under the name of the spouse of Ng Joo Siang.

Save as disclosed above, as at 28 March 2010, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 28 March 2010, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, no other person or companies (other than a Director or chief executive of the Company whose interests are disclosed above) had an interest or a short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Name of shareholder	Capacity	Total number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
N. S. Hong Investment (BVI) Limited *(Note 1)*	Beneficial owner	1,648,819,931	54.36%
Leung Hok Pang *(Note 2)*	Beneficial owner	238,466,724	7.86%

Notes :

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

(2) Leung Hok Pang directly holds such shares.

Other than disclosed above, the Company has not been notified of any persons who had interests or short positions in the shares or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of SFO.

By Order of the Board
Ng Joo Siang
Vice-Chairman and Managing Director

Hong Kong, 23 June 2010

As at the date of this report, the executive directors of the Company are Madam Teh Hong Eng, Mr. Ng Joo Siang, Mr. Ng Joo Kwee, Mr. Ng Joo Puay, Frank and Ms. Ng Puay Yee whilst the independent non-executive directors of the Company are Mr. Lew V Robert, Mr. Kwok Lam Kwong, Larry and Mr Tao Kwok Lau, Clement.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 1 to 23, which comprises the condensed consolidated statement of financial position of Pacific Andes International Holdings Limited and its subsidiaries as of 28 March 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 31 March 2009 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 June 2010