PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

For the six-month period ended 28 March 2011

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 2010 to 28 March 2011 ("1HFY2011") together with the unaudited comparative figures for the corresponding period of the immediately preceding year for the six-month period ended 28 March 2010 ("1HFY2010").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 28 March 2011

	Notes	**Six-month period ended** **28.3.2011** **HK$'000** **(unaudited)**	28.3.2010 HK$'000 (unaudited)
Revenue	*3*	**6,602,651**	6,178,821
Cost of sales		**(5,312,448)**	(4,963,802)
Gross profit		**1,290,203**	1,215,019
Other income	*4*	**138,044**	152,286
Selling and distribution expenses		**(241,123)**	(231,026)
Administrative expenses		**(318,824)**	(231,773)
Other expenses		**(45,455)**	(10,371)
Finance costs		**(246,815)**	(203,977)
Share of results of associates		**(2,437)**	100
Profit before taxation	*5*	**573,593**	690,258
Taxation	*6*	**14,080**	(18,835)
Profit for the period		**587,673**	671,423
Attributable to:			
Owners of the Company		**228,539**	334,829
Non-controlling interests		**359,134**	336,594
		587,673	671,423
Earnings per share	*8*		
Basic		**HK7.5 cents**	HK11.2 cents
Diluted		**HK7.5 cents**	HK11.1 cents

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 28 March 2011

	Six-month period ended	
	28.3.2011	28.3.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**587,673**	671,423
Other comprehensive income		
Surplus on revaluation of properties	**82,064**	88,270
Deferred tax liability arising on revaluation of properties	**(12,616)**	(14,556)
Fair value changes of available-for-sale investment	**(17,539)**	–
Reversal of deferred tax liability *(note 6)*	**–**	33,000
Exchange differences arising on translation of foreign operations	**39,087**	45,801
Other comprehensive income for the period	**90,996**	152,515
Total comprehensive income for the period, net of tax	**678,669**	823,938
Total comprehensive income attributable to:		
Owners of the Company	**314,489**	464,556
Non-controlling interests	**364,180**	359,382
	678,669	823,938

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 March 2011

	Notes	28 March 2011 HK$'000 (unaudited)	28 September 2010 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**6,476,433**	6,023,668
Investment properties	*9*	**641,756**	506,515
Prepaid lease payments		**44,853**	45,622
Goodwill	*10*	**2,927,985**	2,907,624
Deferred charter hire	*11*	**1,146,000**	1,232,320
Available-for-sale investments	*12*	**400,981**	7,800
Interests in associates		**898**	15,035
Other intangible assets	*13*	**1,463,147**	1,463,147
Other long term receivable		**928**	928
		13,102,981	12,202,659
CURRENT ASSETS			
Inventories		**2,219,882**	1,786,295
Trade, bills, other receivables and prepayments	*14*	**6,319,019**	6,041,084
Trade receivables with insurance coverage	*15*	**402,789**	319,914
Trade receivables from associates	*16*	**50,698**	70,992
Amounts due from associates		**9,823**	13,516
Amount due from a jointly-controlled entity		**16,033**	7,536
Held-for-trading investments		**6,056**	3,754
Tax recoverable		**92,745**	39,216
Pledged deposits		**6,749**	44,839
Bank balances and cash		**633,117**	635,066
		9,756,911	8,962,212
CURRENT LIABILITIES			
Trade, bills and other payables	*17*	**1,762,033**	1,543,659
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	*15*	**420,003**	265,560
Derivative financial instruments		**29,631**	21,130
Dividend payable		**140,911**	–
Taxation		**113,604**	122,471
Obligation under finance lease – due within one year		**37,397**	31,116
Bank borrowings – due within one year	*18*	**4,305,101**	4,832,172
		6,808,680	6,816,108
NET CURRENT ASSETS		**2,948,231**	2,146,104
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,051,212**	14,348,763

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *Continued*

At 28 March 2011

	Notes	**28 March 2011 HK$'000 (unaudited)**	28 September 2010 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Obligation under finance lease			
– due after one year		**77,271**	95,118
Bank borrowings – due after one year	*18*	**2,229,095**	978,559
Convertible bonds	*19*	**603,979**	588,895
Senior notes	*20*	**1,648,022**	1,643,260
Deferred taxation		**642,707**	614,856
		5,201,074	3,920,688
NET ASSETS		**10,850,138**	10,428,075
CAPITAL AND RESERVES			
Share capital	*21*	**306,327**	306,319
Share premium and reserves		**5,664,945**	5,502,572
Equity attributable to owners of the Company		**5,971,272**	5,808,891
Equity component of convertible bonds of a listed subsidiary	*19*	**35,482**	35,482
Non-controlling interests		**4,843,384**	4,583,702
TOTAL EQUITY		**10,850,138**	10,428,075

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 28 March 2011

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Investment revaluation reserve HK$'000	Goodwill reserve HK$'000	Warrants reserve HK$'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 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 non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	419	419
Issue of scrip dividend shares, net of issue expense *(note 21)*	20,109	128,409	–	–	–	–	–	–	–	–	148,518	–	–	148,518
Dividend paid by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(30,286)	(30,286)
Dividend recognised as distribution *(note 7)*	–	–	–	–	–	–	–	–	–	(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
At 28 September 2010 (audited)	306,319	2,358,956	469,120	92,481	309,822	–	(135,913)	112,228	9,800	2,286,078	5,808,891	35,482	4,583,702	10,428,075
Surplus on revaluation of properties	–	–	77,475	–	–	–	–	–	–	–	77,475	–	4,589	82,064
Deferred tax liability arising on revaluation of properties	–	–	(12,616)	–	–	–	–	–	–	–	(12,616)	–	–	(12,616)
Fair value changes of available-for-sale investment	–	–	–	–	–	(17,539)	–	–	–	–	(17,539)	–	–	(17,539)
Exchange difference arising translation of foreign operations	–	–	–	38,630	–	–	–	–	–	–	38,630	–	457	39,087
Other comprehensive income	–	–	64,859	38,630	–	(17,539)	–	–	–	–	85,950	–	5,046	90.996
Profit for the period	–	–	–	–	–	–	–	–	–	228,539	228,539	–	359,134	587,673
Total comprehensive income for the period	–	–	64,859	38,630	–	(17,539)	–	–	–	228,539	314,489	–	364,180	678,669
Issue of shares on exercise of warrants	8	171	–	–	–	–	–	(17)	–	–	162	–	–	162
Deemed acquisition of additional interest in subsidiaries	–	–	–	–	(11,359)	–	–	–	–	–	(11,359)	–	11,359	–
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	54,636	54,636
Dividend paid and payable by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(170,493)	(170,493)
Dividend recognised as distribution *(note 7)*	–	–	–	–	–	–	–	–	–	(140,911)	(140,911)	–	–	(140,911)
At 28 March 2011 (unaudited)	306,327	2,359,127	533,979	131,111	298,463	(17,539)	(135,913)	112,211	9,800	2,373,706	5,971,272	35,482	4,843,384	10,850,138

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 28 March 2011

	Six-month period ended	
	28.3.2011	28.3.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Operating activities		
Profit before taxation	**573,593**	690,258
Adjustments for non-cash items	**574,537**	396,772
Operating cash flows before movements in working capital	**1,148,130**	1,087,030
(Increase) decrease in inventories	**(433,587)**	519,611
Increase in trade, bills, other receivables and prepayments	**(277,633)**	(8,939)
Increase in trade and other payables	**108,372**	292,138
Others	**(329,782)**	(237,818)
Net cash from operating activities	**215,500**	1,652,022
Investing activities		
Addition to property, plant and equipment	**(621,140)**	(694,113)
Addition to available-for-sale investments	**(410,720)**	–
Decrease in pledged deposits	**38,090**	15,036
Others	**(51,329)**	(3,333)
Net cash used in investing activities	**(1,045,099)**	(682,410)
Financing activities		
Dividend paid to non-controlling shareholders	**(77,425)**	(30,286)
Dividend paid	**–**	(18,575)
Payment of deferred consideration	**–**	(39,839)
Club loan raised	**1,560,000**	–
Syndicated loans repaid	**(888,000)**	(120,000)
Net bank advances drawn on discounted trade receivables with insurance coverage and discounted bills raised	**154,443**	83,874
Net other bank borrowings raised (repaid)	**45,704**	(707,798)
Others	**45,408**	20,765
Net cash from (used in) financing activities	**840,130**	(811,859)
Net increase in cash and cash equivalents	**10,531**	157,753
Cash and cash equivalents at beginning of the period	**635,066**	361,888
Effect of foreign exchange rate changes	**(12,480)**	(1,217)
Cash and cash equivalents at end of the period	**633,117**	518,424
Representing:		
Bank balances and cash	**633,117**	518,424

Notes:

1. BASIS 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").

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 annual financial statements for year ended 28 September 2010, except as described below.

Adoption of new accounting policy

During the current period, the Group acquired new available-for-sale investments with quoted market price, as details in note 12. The Group has adopted the following accounting policy during the current period for such investments:

Available-for-sale financial assets at fair value

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Application of Hong Kong Financial Reporting Standards

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)	Improvement to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010, in relation to amendments to HKFRS 3 (as revised in 2008), HKAS 1, HKAS 27 and HKAS 28
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

Amendments to HKAS 17 "Leases"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 29 September 2010 based on information that existed at the inception of the leases and considered that leasehold land that qualifies for finance lease classification has already been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior 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 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1, HKAS 27 and HKAS 28[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 24	Related Party Disclosures[1]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[1]

1 Effective for annual periods beginning on or after 1 January 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments : Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. **PRINCIPAL ACCOUNTING POLICIES** – *Continued*

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Under HKAS 12 (Amendments), the measurement of deferred tax liabilities and deferred tax assets depends on whether or not an entity expect to recover an asset by using it or by selling it. Specifically, under the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, an entity should presume that the properties will be recovered through sale (i.e. the measurement of deferred tax should reflect the tax consequences of recovering the carrying amount of the properties entirely through sale). Such a presumption is rebutted only when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for investment properties should be measured in accordance with the general principles in HKAS 12. Based on the amendments, in respect of the Group's investment properties in Hong Kong, the Group does not have to provide deferred tax on fair value gains or losses arising from revaluation of investment properties or arising from a business combination, unless the presumption is rebutted.

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

3. **REVENUE AND SEGMENT INFORMATION**

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors) in order to allocate resources to segments and to assess their performance.

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 expenses reported in the profit or loss that are directly attributable to a segment and the relevant portion of such sales and expenses that can be allocated on a reasonable basis to a segment.

3. **REVENUE AND SEGMENT INFORMATION** – *Continued*

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, 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.

For the six-month period ended 28 March 2011

Income statement

	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 to external customers	**1,983,729**	**2,261,627**	**2,340,173**	**17,122**	**6,602,651**
RESULT					
Segment result	**205,719**	**191,637**	**713,597**	**9,218**	**1,120,171**
Unallocated corporate income					**64,516**
Unallocated corporate expenses					**(364,279)**
Finance costs					**(246,815)**
Profit before taxation					**573,593**

For the six-month period ended 28 March 2010

Income statement

	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 to external customers	1,841,797	2,171,368	2,149,110	16,546	6,178,821
RESULT					
Segment result	215,080	190,342	673,668	8,591	1,087,681
Unallocated corporate income					48,698
Unallocated corporate expenses					(242,144)
Finance costs					(203,977)
Profit before taxation					690,258

4. OTHER INCOME

	Six-month period ended 28.3.2011 HK$'000 (unaudited)	28.3.2010 HK$'000 (unaudited)
Gross rental income	**6,328**	6,147
Agency income	**4,995**	8,399
Fair value changes on investment properties	**57,841**	42,456
Reversal of revaluation decrease of land and buildings previously charged to profit or loss	**347**	95
Interest income	**651**	1,428
Compensation received from suppliers of fish	**57,001**	58,625
Gain on disposal of property, plant and equipment	**247**	–
Exchange gain, net	**–**	16,898
Sundry income	**10,634**	18,238
	138,044	152,286

5. PROFIT BEFORE TAXATION

	Six-month period ended 28.3.2011 HK$'000 (unaudited)	28.3.2010 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of deferred charter hire (included in cost of sales)	**86,320**	86,320
Amortisation of prepaid lease payments	**477**	463
Depreciation of property, plant and equipment	**289,073**	167,617
(Gain) loss on disposal of property, plant and equipment	**(247)**	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.

6. TAXATION

	Six-month period ended	
	28.3.2011	28.3.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The (credit) charge comprises:		
Profit for the period		
– Hong Kong	**1,700**	3,000
– Other jurisdictions	**2,000**	37,595
	3,700	40,595
(Over) under provision in prior period		
– Hong Kong	**–**	3,432
– Other jurisdictions	**(29,460)**	–
	(29,460)	3,432
Deferred taxation	**11,680**	(25,192)
Tax (credit) charge for the period	**(14,080)**	18,835

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the period.

Taxation in other jurisdictions are calculated at the rate prevailing in the respective jurisdictions. The overprovision in the current period was mainly due to the reduction of the estimated assessable profit for certain of the Group's Peruvian operating subsidiaries for the year ended 31 December 2010, which is estimated by the management based on recent and available facts and circumstances.

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 six-month period ended 28 March 2010. 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 in the prior period.

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six-month period ended 28 March 2011.

On 18 March 2011, the Company declared a final dividend of HK4.6 cents per share amounting to HK$140,911,000 for the year ended 28 September 2010 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 2011, 84,551,136 shares of HK$0.10 each in the Company were issued at HK$1.27 per share as scrip dividend and cash dividend of HK$33,531,000 were paid.

On 22 March 2010, the Company declared a final dividend of HK1.7 cents per share amounting to HK$51,564,000 for 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. On 12 May 2010, scrip dividend of HK$42,905,000 were paid by issuing 30,003,261 shares of HK$0.10 each in the Company at HK$1.43 per share and cash dividend of HK$8,659,000 were paid.

8. 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	
	28.3.2011	28.3.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings attributable to the owners of the Company for the purpose of calculation of basic earnings per share	**228,539**	334,829
Effect of dilution arising on potential conversion of convertible bonds issued by a subsidiary *(note)*	**–**	(777)
Earnings for the purpose of calculation of diluted earnings per share	**228,539**	334,052
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**3,063,199,115**	3,000,959,043
Effect of dilutive potential ordinary shares in respect of share award	**3,775,145**	3,446,207
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	**3,066,974,260**	3,004,405,250

Note: For the six-month period ended 28 March 2011, the computation of diluted earnings per share does not assume the conversion of the Group's outstanding convertible bonds since their exercise would result an increase in profit per share.

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

During the six-month period ended 28 March 2011, the Group incurred the following capital expenditures on property, plant and equipment:

	Six-month period ended	
	28.3.2011	28.3.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Leasehold land and buildings	**14,042**	–
Leasehold improvements	**327**	436
Furniture, fixtures and office equipment	**7,652**	28,754
Motor vehicles	**1,719**	2,579
Plant and machinery	**268,019**	38,893
Vessels	**241,332**	218,089
Construction in progress	**88,049**	405,362
Total	**621,140**	694,113

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 2011. 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 gave rise to a net revaluation increase of HK$82,411,000 (2010: HK$88,365,000) in which HK$82,064,000 (2010: HK$88,270,000) have been credited to the property revaluation reserve and HK$347,000 has been credited to profit or loss (2010: HK$95,000) as a reversal of loss previously recognised on profit or loss respectively.

During the six-month period ended 28 March 2011, the Group disposed of property, plant and equipment with a carrying amount of HK$126,000 (2010: HK$765,000) to independent third parties for HK$373,000 (2010: HK$169,000).

The Group's investment properties were revalued by BMI Appraisals Limited and Bogeria Consulting Company, independent property valuers, at 28 March 2011. The valuation was based on investment approach by taking into account the current rents passing and the reversionary income potential of tenancies. The revaluation gave rise to a fair value gain of HK$57,841,000 (2010: HK$42,456,000) which has been recognised in other income in the condensed consolidated income statement.

10. GOODWILL

	28.3.2011	28.9.2010
	HK$'000	HK$'000
	(unaudited)	(audited)
Gross amount	**2,941,340**	2,920,979
Less: impairment	**(13,355)**	(13,355)
Carrying amount at end of period	**2,927,985**	2,907,624

During the current period, the Group completed the valuation of the net assets of Pesquera Alejandria S.A.C., a subsidiary being acquired on 18 May 2010. The provisional fair value assigned to the net assets acquired decreased by HK$16,625,000, resulting in an increase in goodwill of HK$16,625,000.

On 23 December 2010, the Group has acquired an additional 50% equity interest in an associate, Servicios Pesqueros Chimbote S.A., of which the Group previously held 50% equity interest, at a consideration of HK$428,000. The entity becomes a wholly-owned subsidiary of the Group afterwards. The entity is incorporated in Peru and is engaged in the provision of logistic warehousing services for fishing vessels.

The acquisition has no significant financial impact to the Group.

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 2011 allocated to the CGUs are as follows:

	28.3.2011	28.9.2010
	HK$'000	HK$'000
	(unaudited)	(audited)
Frozen fish SCM operation – Pacific Andes Resources Development Limited ("PARD")	**13,245**	13,245
Fish fillets processing and distribution operation – National Fish and Seafood Inc.	**15,594**	15,594
Fishing and fishmeal operation:		
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")	**1,119,078**	1,098,717
	2,927,985	2,907,624

The recoverable amounts of these CGUs have been determined based on value in use calculations. The CGUs operate 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 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 CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of the future changes in the market.

10. GOODWILL – *Continued*

During the six-month period ended 28 March 2011, 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 CGU segment and Fish fillets processing and distribution CGU.

That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rates of 20% (2010: 20%) for the Fish fillets processing and distribution CGU and 20% (2010: 20%) for the Frozen fish CGU. 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 cause 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 Appraisal Limited, to determine the value in use of the Pacific Ocean fishing operation and Peruvian fishing and fishmeal operations under the fishing and fishmeal CGU at 28 March 2011. Based on the report of the valuer dated 25 May 2011 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 CGU include:

(i) forecasted projected cash flows up to 2020 (28 September 2010: 2020) and projection of a terminal value using the perpetuity method;

(ii) growth rate 3.3% per annum during the forecast period (28 September 2010: 3.3%); and

(iii) use of 8.22% (28 September 2010: 8.07%) for Pacific Ocean fishing operation and use of 18.06% (28 September 2010: 17.44%) 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.

11. DEFERRED CHARTER HIRE

Deferred charter hire represents payment made to the Arrangers under Vessel Operating Agreements for certain fishing vessels. They are amortised and charged to the profit or loss pro-ratably over the period for which payments relate.

12. AVAILABLE-FOR-SALE INVESTMENTS

The Group has on 8 December 2010 entered into a sale and purchase agreement with an independent third party Webster Limited (the "Vendor") under which the Group has acquired a total of 28,910,367 shares, representing approximately 19.76% of the total number of issued shares of Tassal Group Limited ("Tassal") from the Vendor, for a consideration of A$51,749,556 (approximately HK$411 million). Tassal is principally engaged in the hatching, farming, processing, sales and marketing of Atlantic salmon in Australia and listed in Australian Securities Exchange. Such available-for-sale investments are measured at fair value using the quoted price on Australian Securities Exchange.

13. OTHER INTANGIBLE ASSETS

Other intangible assets comprise fishing permits of HK$1,439,184,000 (28 September 2010: HK$1,439,184,000) granted by the authority in Peru with indefinite useful lives and club debentures of HK$23,963,000 (28 September 2010: HK$23,963,000).

Fishing permits are granted by the fishing authority in Peru. The fishing permits are attached to fishing vessels and are transferable to other vessels of no bigger capacity should the original vessels become obsolete or sink. The cost of purchase of a fishing vessel with the attached fishing permit and the cost of acquiring the subsidiary are allocated to the property, plant and equipment and other intangible assets on the basis of valuation reports prepared by an 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 10, the Group has engaged an independent financial advisor to determine the value in use of the fishing and fishmeal CGUs. 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 Peruvian fishing and fishmeal operations, the recoverable amounts of the fishing permits are included in the assessment of impairment of goodwill for the Peruvian fishing and fishmeal operations. Key assumptions for the estimation are disclosed in note 10. 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, OTHER RECEIVABLES AND PREPAYMENTS

	28.3.2011 HK$'000 (unaudited)	28.9.2010 HK$'000 (audited)
Trade receivables	**2,500,348**	1,316,245
Bills receivables	**83,398**	5,101
Current portion of deferred charter hire	**172,640**	172,640
Balance with Arrangers	**785,474**	518,003
Deferred expenditure	**404,013**	432,240
Prepayments for frozen fish inventories	**1,948,378**	3,219,857
Other receivables and prepayments	**424,768**	376,998
	6,319,019	6,041,084

The balance with Arrangers represents prepaid operating expenses in respect of the vessels which are the subject of the Vessel Operating Agreements.

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

Deferred expenditure represents prepaid vessel and fishing-related operating expenses in respect of other fishing vessels which are not subject to the Vessel Operating Agreements.

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 and bills receivables based on the invoice date at the end of the reporting period is as follows:

	28.3.2011	28.9.2010
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**1,030,017**	409,535
31 – 60 days	**562,077**	179,358
61 – 90 days	**232,412**	49,405
91 – 120 days	**437,872**	166,319
Over 120 days	**321,368**	516,729
	2,583,746	1,321,346

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.

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 are trade receivables which have been discounted with recourse to certain banks under the receivable discounting facilities, where the Group continues to recognise as the Group remains exposed to the credit risk. The Group generally allows a credit period of 30 days to 90 days to its trade customers.

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:

	28.3.2011	28.9.2010
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**258,588**	193,344
31 – 60 days	**106,806**	89,478
61 – 90 days	**37,137**	24,057
91 – 120 days	**170**	11,147
Over 120 days	**88**	1,888
	402,789	319,914

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$1,283,912,000 (28 September 2010: HK$1,261,852,000). The average credit period on purchase of goods is 30 days. The aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

	28.3.2011	28.9.2010
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**786,042**	457,578
31 – 60 days	**87,929**	215,230
61 – 90 days	**252,246**	434,573
Over 90 days	**157,695**	154,471
	1,283,912	1,261,852

Other payables include construction payables of HK$136,759,000 (28 September 2010: HK$30,930,000)

18. BANK BORROWINGS

	28.3.2011	28.9.2010
	HK$'000	HK$'000
	(unaudited)	(audited)
Bank borrowings comprise:		
Trust receipt and bank loans	**4,849,329**	4,779,866
Club loan	**1,560,000**	–
Syndicated loans	**–**	888,000
Mortgage loans	**174,504**	151,622
Bank overdrafts	**6,633**	4,457
	6,590,466	5,823,945
Less: issuing costs	**(56,270)**	(13,214)
	6,534,196	5,810,731

18. BANK BORROWINGS – *Continued*

	28.3.2011 HK$'000 (unaudited)	28.9.2010 HK$'000 (audited)
The maturity of bank borrowings is as follows:		
Within one year	**4,160,078**	4,708,630
In the second year	**510,887**	970,926
In the third year	**593,315**	355
In the fourth year	**1,121,205**	3,699
In the fifth year	**3,688**	3,579
	6,389,173	5,687,189
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but with repayable on demand clause (shown under current liabilities)	**145,023**	123,542
	6,534,196	5,810,731
Amount due within one year shown under current liabilities	**(4,305,101)**	(4,832,172)
Amount due after one year	**2,229,095**	978,559

19. CONVERTIBLE BONDS

On 18 April 2007, PARD issued convertible bonds of the principal amount of US$93,000,000 (approximately HK$725,400,000) 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.

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.

19. CONVERTIBLE BONDS – *Continued*

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 HK$'000	Equity conversion component HK$'000
Balance at 28 September 2009	591,666	37,445
Interest expenses	52,376	–
Interest paid	(22,899)	–
Repurchased	(32,248)	(1,963)
Balance at 28 September 2010	588,895	35,482
Interest expenses	25,965	–
Interest paid	(10,881)	–
Balance at 28 March 2011	603,979	35,482

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 Group Limited ("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.

CFGI may redeem the Notes in whole or in part at various redemption prices of the principal amount of the Notes at any time and from time to time on or after 19 December 2010, provided that the remaining outstanding aggregate principal amount after each such redemption is not less than US$100 million (approximately HK$780 million). 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$780 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 fair value of the redemption option has been calculated by assuming redemption on 19 December 2013, using effective interest rate of 6.98% per annum (2010: 6.72%) with reference to the US Treasury Zero Coupon Bonds and the credit risk margin. The directors consider that the fair value of the redemption option is immaterial as at 28 September 2010 and 28 March 2011.

20. SENIOR NOTES – *Continued*

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 totalling US$8,957,000 (approximately HK$69,865,000).

21. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.10 each		
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
Issue of shares as scrip dividend	30,003,261	3,001
Exercise of warrants	704	–
At 28 September 2010	3,063,182,678	306,319
Exercise of warrants	89,430	8
At 28 March 2011	3,063,272,108	306,327

On 12 May 2010, scrip dividend of HK$42,905,000 was paid by issuing 30,003,261 shares of HK$0.10 each in the Company at HK$1.43 per share.

On 8 September 2009, the Company declared a final dividend of HK5.9 cents per share amounting to HK$167,093,000 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.

Each warrant entitles the holder to subscribe one share of the Company at an initial subscription price of HK$1.80, subject to adjustment.

22. CAPITAL COMMITMENTS

	28.3.2011 HK$'000 (unaudited)	28.9.2010 HK$'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	**268,632**	405,408

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$2,879,000 (approximately HK$22,456,000) (28 September 2010: US$3,032,000 (approximately HK$23,649,000)). These relate to employment disputes and miscellaneous claims. The Group's legal advisor has advised that US$1,751,000 (approximately HK$13,658,000) (28 September 2010: US$1,767,000 (approximately HK$13,779,000)) of these claims is likely to have unfavourable outcome for the Group and the outcome for claims of US$1,128,000 (approximately HK$8,798,000) (28 September 2010: US$1,265,000 (approximately HK$9,870,000)) 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$1,751,000 (approximately HK$13,658,000) (28 September 2010: US$1,767,000 (approximately HK$13,779,000)) 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 2011, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$502,327,000 (28 September 2010: HK$469,007,000) and HK$339,837,000 (28 September 2010: HK$245,692,000) 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$247,995,000 (28 September 2010: HK$199,161,000) were pledged as security for general banking facilities arranged for that subsidiary.

(b) At 28 March 2011, deposits amounting to HK$6,749,000 (28 September 2010: HK$282,000) are pledged to a bank to secure an export invoice discounting facility granted to the Group.

(c) At 28 March 2011, inventories of fishmeal of HK$140,400,000 (28 September 2010: HK$12,843,000) and inventories of frozen fish and fillets and portions amounting to HK$Nil (28 September 2010: HK$248,102,000) were also pledged as security for the revolving inventory financing facilities obtained from banks.

(d) At 28 September 2010, a fishing vessel with net carrying amount of HK$952,212,000, fixed deposits of HK$44,557,000 and shares of a subsidiary were pledged as security for a term loan granted to the Group. The fixed deposits pledged bear interest at 0.23% per annum. No fishing vessel or fixed deposits is pledged as at 28 March 2011.

24. PLEDGE OF ASSETS – *Continued*

(e) At 28 March 2011, 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$129,300,000 (28 September 2010: HK$134,311,000).

(f) At 28 March 2011, shares and net assets amounted to HK$370,396,000 of certain subsidiaries were pledged as securities for a term loan facility. At 28 September 2010, shares and net assets amounted to HK$205,562,000 of certain subsidiaries were pledged as securities for revolving inventory financing and syndicated bank loan facilities.

(g) At 28 March 2011, certain bank advances were secured by bills receivables of HK$83,398,000 (28 September 2010: HK$nil).

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	
	28.3.2011	28.3.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of frozen seafood	**264,164**	273,987
Purchase of frozen seafood	**3,521**	10,170
Agency income	**4,310**	5,266

(b)

	28.3.2011	28.9.2010
	HK$'000	HK$'000
	(unaudited)	(audited)
Bank advances drawn by the Group on discounted trade receivables with insurance coverage of:		
– associates of the Group	**30,582**	45,581
The above advances are secured by trade receivables of:		
– associates of the Group	**33,980**	50,646

25. **RELATED PARTY TRANSACTIONS** – *Continued*

(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	
	28.3.2011	28.3.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term benefits	**16,951**	15,495
Post-employment benefits	**437**	310
	17,388	15,805

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**

(a) On 3 May 2011, the Company's subsidiary, PARD announced that it has made an application to the Taiwan Stock Exchange Corporation and the Taiwan Central Bank for the proposed issue of the Taiwan Depository Receipts ("TDRs") and listing on the Taiwan Stock Exchange Corporation of approximately 228 million to 285 million units of TDRs, representing approximately 456 million to 570 million new PARD shares to be issued by PARD. As at the date this interim financial information is authorised for issuance, the proposed listing is still subject to approval and its financial effect cannot be reliably estimated.

(b) On 25 May 2011, PARD announced the proposed offering of Chinese Yuan Renminbi denominated bonds with a maturity of 3 years. Please refer to the Company's announcement for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

Market And Business Review

During the 1HFY2011, the general global economy achieved commendable level of recovery in spite of major challenges including substantial volatility for commodities and raw materials prices, natural disasters and rising production and labour costs.

The overall global demand for frozen fish, a consumer staple product, remained strong and continued to increase. Pacific Andes continues to operate effectively in this fast-changing environment.

During the 1HFY2011, the Group continued to aggressively pursue acquisitions in addition to organic growth while further improving the strength and flexibility of its capital structure.

Fishing Division

The Group's fishing division, which operates through its Singapore-listed subsidiary China Fishery Group Limited ("China Fishery"), continued to be the Group's key revenue contributor and delivered satisfactory performance.

During the period, the division commenced operations in Mauritania, Africa, as part of its diversification strategy. Deploying a fleet to this region not only enables expansion geographically to new fishing grounds rich in target species such as horse mackerel and sardines, it also enhances overall utilization of the fishing fleet.

In addition, the division acquired two additional catcher vessels to boost its fishing capacity in the new fishing grounds.

The division's sales to Japan have proved to be very resilient in spite of the recent natural disasters in Fukushima and surrounding regions. However, delivery of fish products to Japan in March 2011 were delayed, resulting in the sales to Japan in March 2011 being recorded in the second half of FY2011.

Frozen Fish Supply Chain Management ("SCM") Division

The Group's frozen fish SCM division, which operates through its Singapore-listed subsidiary Pacific Andes Resources Development Limited ("PARD"), continued to perform steadily with improving operating margins.

During the period under review, this division continued to penetrate into the African market and successfully captured new market share in the region.

In addition, the acquisition of a 19.76% stake in the vertically integrated salmon farming company, Tassal Group Limited ("Tassal"), was completed in February 2011.

Processing and Distribution Division

During the period under review, the Group continued to enhance the processing capacity of its operations in the Peoples' Republic of China ("PRC"). Production volume in the PRC recorded an 6.6% increase.

However, the Group witnessed operating margins pressure for this division on account of (i) increased freight cost from the PRC to Europe and North America, (ii) increased labour costs in the PRC and (iii) the increase in overall production-related costs. These rising costs were yet to be passed on to customers timely during the period as products were sold based on pre-negotiated prices.

The processing and distribution units in the United States of America (the "USA") and Japan, which mainly focus on the processing and distribution of ready-made and value-added products for the retail markets, performed well with sales growing by 29.5% as compared to the same period last year. The encouraging results achieved serve as a testament to the Group's ability to further develop into the downstream processing and distribution business globally.

Further Improvement in Financial Strength

During the period under review, the Group successfully extended its debt maturity profile through refinancing of Pacific Andes' syndication loans and China Fishery's term loans. With a strengthened balance sheet, the Group will have greater financial flexibility to grow its business and implement its strategic objectives.

Financial Review

Revenue

Total revenue increased by 6.9% from HK$6,178.8 million (approximately US$792.2 million) to HK$6,620.7 million (approximately US$848.8 million), with revenue growth in all of the Group's business divisions.

The fishing division accounted for 35.4% (1HFY2010: 34.8%) of total revenue; the frozen fish SCM division for 30.0% (1HFY2010: 29.8%) and the processing and distribution division for the remaining 34.3% (1HFY2010: 35.1%).

Fishing Division

Revenue from the fishing division increased by 8.9% to HK$2,340.2 million (approximately US$300.0 million) from HK$2,149.1 million (approximately US$275.5 million).

Revenue by fishing ground

HK$ million	**1HFY2011**	1HFY2010	Change
North Pacific	**1,840.3**	1,785.3	+3.1%
South Pacific	**263.5**	10.1	+2508.9%
Mauritania	**51.1**	–	N/A
Peru	**185.3**	353.7	-47.6%
Total	**2,340.2**	2,149.1	+8.9%

Revenue increase was mainly attributable to increased contributions from the North Pacific and South Pacific trawling operations, as well as the maiden contribution from the Mauritania trawling operations. However, the increase was partially offset by lower revenue contribution from the Peruvian fishmeal business possibly due to E1 Nino and La Nina.

Due to the intermittent closure of fishing ground in the North of Peru from December 2010 to January 2011, sales volume of fishmeal and fish oil was substantially lower as compare to the same period last year. This temporary closure of the fishing ground was a measure taken by the government to protect the juvenile fish in the sea so as to ensure the long term sustainability of the fish stock. Higher average selling price of fishmeal partially compensated for the lowered sales volume.

Frozen Fish SCM Division

Revenue from the frozen fish SCM division rose 7.7% to HK$1,983.7 million (approximately US$254.3 million) from HK$1,841.8 million (approximately US$236.1 million) on the back on higher sales volume and the change in product mix to target the African market.

During the period under review, this division stepped up its efforts to expand in the African market, resulting in sales generated from this region increasing by 397.9% from HK$58.4 million to HK$290.8 million.

Processing and Distribution Division

Revenue from the processing and distribution division increased by 4.2% to HK$2,261.6 million (approximately US$289.9 million) from HK$2,171.4 million (approximately US$278.4 million). The modest increase was achieved by a significantly higher revenue contribution from the Group's processing and distribution operations in USA and Japan, which was able to offset the drop in revenue contribution from the processing operations in the PRC.

Despite a 6.6% increase in production volume, revenue contribution from the processing operations in the PRC reduced by 10.5% from HK$1,376.7 million to HK$1,232.4 million. This was mainly due to lowered sales volume as a result of lower inventory carried forward as compared to the same period the previous year. As at the end of FY2009, there was a temporarily delay in shipments to Europe as the EU export license for the Hongdao production facilities were only granted in August 2009, therefore, inventory available for sale in the 1HFY2010 increased.

Revenue by Geographical Market

The PRC remains the Group's key market. Sales in this market decreased by 8.5% to HK$3,034.2 million due to lower sales volume of fishmeal and fish oil. Sales to North America increased by 19.8% to HK$1,130.3 million, accounting for 17.1% of total revenue. Following the increased efforts to develop the African market, sales to Africa increased by more than 11.0 times to HK$828.5 million and accounting for 12.5% of total revenue. Sales to Europe decreased 26.0% to HK$1,040.8 million, accounting for 15.8% of total revenue. Sales to East Asia increased by 14.3% to HK$480.8 million, accounting for 7.3% of total revenue.

Gross profit

Gross profit for the 1HFY2011 was HK$1,290.2 million, an increase of 6.2% over the corresponding period last year. Gross profit margin decreased slightly from 19.7% to 19.5% reflecting (i) higher processing costs in Peru due to lowered production volume of fishmeal and fish oil, (ii) the delay in product delivery to Japan after the earthquake, (iii) higher vessel operating costs in relation to increased fuel costs during the period and (iv) higher labour costs in the PRC.

Selling and distribution expenses

Selling and distribution expenses for the 1HFY2011 increased by 4.4% from HK$231.0 million to HK$241.1 million. This was mainly associated with rising sales of all the three divisions.

Administrative expenses

Administrative expenses increased by 37.6% from HK$231.8 million to HK$318.8 million, mainly as a result of higher manpower costs in all the Group's expanding business divisions. Costs relating to the implementation of the Group's enterprise resource planning system also contributed to the increase.

Other expenses

Other expenses increased by 338.3% from HK$10.4 million to HK$45.5 million, primarily due to expenses related to the closure of a fishmeal plant in Peru and the one-off expense associated with the proposed secondary listing of China Fishery in Oslo (the application was withdrawn in 2010).

Finance costs

Finance costs increased by 21.0% from HK$204.0 million to HK$246.8 million during the period under review mainly because of the increase in short-term bank borrowings to finance working capital for the processing operations in the PRC and the fishing operations in North Pacific and Peru. The increase in finance costs also accounted for one-time bank charges in relation to the refinancing of loans.

Profit for the period

As a result of the temporary drop in profit contribution from the Peruvian fishmeal business and the delay in product delivery to Japan after the earthquake, profit for the period decreased by 12.5% from HK$671.4 million to HK$587.7 million. Profit attributable to owners of the Company decreased by 31.7% from HK$334.8 million to HK$228.5 million, mainly as a result of the enlarged equity base of China Fishery.

Financial position and liquidity

As of 28 March 2011, total assets of the Group amounted to HK$22,859.9 million (28 September 2010: HK$21,164.9 million).

Non-current assets increased by 7.4% from HK$12,202.7 million to HK$13,103.0 million. The increase was due mainly to an investment of a 19.76% stake in Tassal in February 2011 by PARD, and the acquisition of two catcher vessels by the fishing division to increase its fishing capacity in a new fishing ground.

Current assets increased by 8.9% from HK$8,962.2 million to HK$9,756.9 million. This was primarily contributed by higher trade receivables due to the temporary difference in timing of sales recognition and higher inventory level in the frozen fish SCM division as of 28 March 2011.

Total interest-bearing borrowings increased by 10.5% from HK$8,434.7 million to HK$9,320.9 million. During the period under review, the processing operations in the PRC and the fishing division drew on its credit facilities to finance its working capital.

The capital structure of the Group had been strengthened with extended loan maturities. As at 28 March 2011, approximately 51% (as at 28 September 2010: approximately 61%) of the Group's total bank loans and other borrowings were repayable within the first year and approximately 49% (as at 28 September 2010: approximately 39%) was repayable within the second to the fifth year.

Of the Group's total bank loans and other borrowings, 62% of short-term borrowings and 85% of long-term borrowings were 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$5,971.3 million, 2.8% higher than the HK$5,808.9 million as at 28 September 2010.

As of 28 March 2011, the net-debt-to-equity ratio of the Group, defined as a percentage of net interest bearing borrowings of HK$8,681.0 million over total equity of HK$10,850.1 million, increased from 74.4% to 80.0%.

The Group's borrowings are mainly denominated in US Dollars and carry LIBOR plus rates. As its revenue 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.

Foreign exchange risks arising from sales and purchases transacted in different currencies are managed by the Group treasury through the use of foreign exchange forward contracts. Pursuant to the Group policies in place, foreign exchange forward contracts are entered into by the Group for hedging purpose.

As at 28 March 2011, the Group held HK$633.1 million in cash and bank balances.

Subsequent Events

On 3 May 2011, the Group's subsidiary PARD submitted an application to the Taiwan Stock Exchange ("TWSE") and the Taiwan Central Bank to issue Taiwan Depository Receipts ("TDRs") on the TWSE. This proposal is designed to support the longer term growth ambitions of PARD, to achieve greater liquidity and exposure throughout the Asia Pacific region. In addition, it will also enable the Group to raise Pacific Andes' profile in Taiwan, as well as offering an opportunity for investors in Taiwan to invest in PARD.

On 25 May 2011, PARD announced the proposed offering of Chinese Yuan Renminbi ("CNY") denominated bonds with a maturity of 3 years. Through the Group's first CNY bond issue, PARD will be able to further diversify its sources of financing and its investor base, thereby better positioning the Company to capture opportunities for further growth.

Dividend

In line with its past practice, the Board of Directors has not declared any interim dividend for the six-month period ended 28 March 2011.

Employees and Remuneration

As at 28 March, 2011, the Group had a total of approximately 14,100 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 have 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

According to the latest forecast by The Food and Agricultural Organisation ("FAO"), there will be a continuing increase in world seafood demand through 2025. Increases will be coming from the combination of both population growth and per-capita seafood consumption. The strongest growth is expected from the PRC, where the FAO forecasts per-capita consumption growing from 26kg in 2008 to 36kg by 2020. As a global seafood company with a particularly strong presence in the PRC, Pacific Andes is well positioned to benefit from this favorable market development in the long run.

The fishing division is expected to benefit from higher catch volume in both the North Pacific and Peru. In Peru, the total allowable catch limit of Peruvian Anchovy has increased from 2.50 million tonnes to 3.68 million tonnes in the main fishing season that commenced in April 2011. With the Group's daily catch volume in Peru averaging approximately 3,400 tonnes/day since April 2011 versus approximately 930 tonnes/day in the last 2 quarters, we believe that the El Nino and La Nina effects are now behind us, and thus, barring unforeseen circumstances, we expect to be able to fully utilise our quota share.

The strategic investment in Tassal represents an entirely new and exciting opportunity for the Group's frozen fish SCM business. This investment provides PARD with a platform to venture into the fast-growing salmon aquaculture industry and to diversify its product portfolio, which will better position PARD for the next stage of growth.

The processing and distribution division will continue its efforts in optimizing the processing capacity and efficiency in the PRC through increasing output and enhancing its capabilities of processing value-added and ready made products, targeting the fast developing domestic PRC market. The division will also further develop and expand its down-stream processing and distribution business in all continents.

The Group remains positive about the growth potential of all its business divisions. While striving to ensure a healthy organic business growth, the Group sees numerous opportunities for consolidation within the global industry with attractive opportunities for acquisition. The Group will continue to search for such opportunities in order to continue its growth, and to further extend its value chain.

PURCHASE, SALE OR REDEMPTION

During the six-month period ended 28 March 2011, 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 2011.

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 2011.

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 2011, 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, WARRANTS, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 28 March 2011, the interests and short positions of the Directors or chief executive of the Company in the shares, warrants, 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 and warrants held (long position)		
Directors	**Personal Interest**	**Family Interest**	**Percentage of the issued share capital of the Company**
Ng Joo Siang			
– shares	–	3,218,781 *(Note)*	0.11%
– warrants	–	636,193 *(Note)*	0.02%
Ng Puay Yee			
– shares	869,497	–	0.03%
– warrants	173,899	–	0.01%

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

Save as disclosed above, as at 28 March 2011, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, warrants, 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, WARRANTS AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 28 March 2011, 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, warrants 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	Number of issued ordinary shares and warrants held (long position)	Percentage of the issued share capital of the Company
N. S. Hong Investment (BVI) Limited *(Note 1)*			
– shares	Beneficial owner	1,668,421,285	54.47%
– warrants	Beneficial owner	329,763,984	10.77%
Leung Hok Pang *(Note 2)*			
– shares	Beneficial owner	238,466,724	7.78%
– warrants	Beneficial owner	28,191,549	0.92%

Notes:

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

(2) Leung Hok Pang directly holds such shares and warrants.

Other than disclosed above, the Company has not been notified of any persons who had interests or short positions in the shares, warrants 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, 26 May 2011

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 25, which comprises the condensed consolidated statement of financial position of Pacific Andes International Holdings Limited and its subsidiaries as of 28 March 2011 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 May 2011