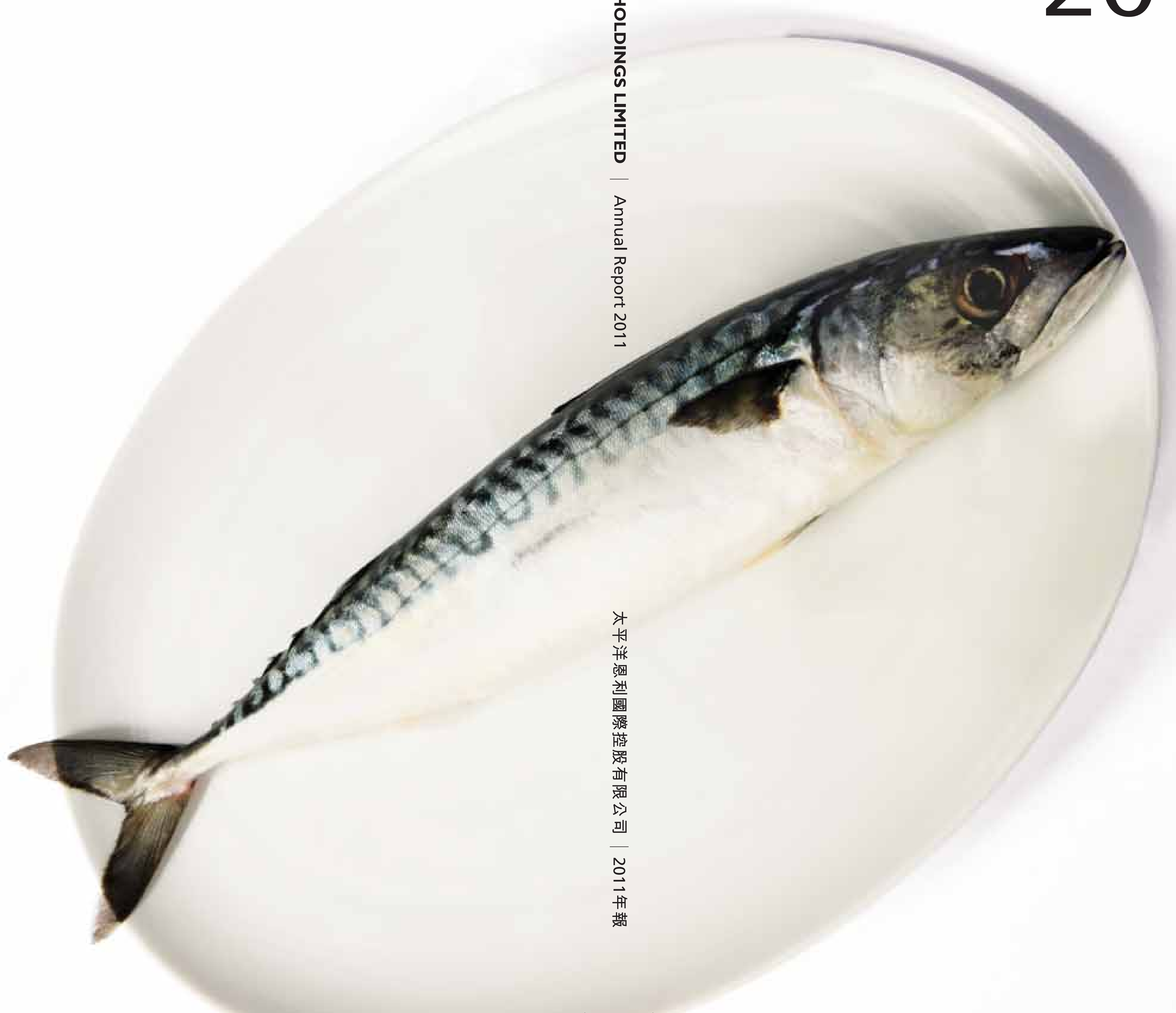
2011
年報
從深海到餐桌

太平洋恩利
國際控股有限公司

股票編號：1174

PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED | Annual Report 2011 | 太平洋恩利國際控股有限公司 | 2011年報



From Ocean to Plate
Annual Report 2011

PACIFIC ANDES
INTERNATIONAL HOLDINGS LIMITED

STOCK CODE: 1174

INFORMATION FOR INVESTORS

Listing Information
Listing: The Stock Exchange of Hong Kong Limited
Stock code: 1174

Ticker Symbol
Reuters: 1174.HK
Bloomberg: 1174 HK Equity

Key Dates

Payment of FY2010 Final Dividend	17 May 2011
Announcement of FY2011 Interim Results	26 May 2011
Announcement of FY2011 Final Results	23 December 2011
Financial year end	28 September

Share Information (as at 28 September 2011)
Board lot size: 2,000 shares
Nominal value per share: HK$0.1
Shares outstanding: 3,147,850,033 shares
Market capitalisation: HK$2,234,973,523
Earnings per share for FY2011: HK11.6 cents
Dividend per share for FY2011: HK3.6 cents

Share Registrar & Share Transfer Offices
Principal
HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

Hong Kong Branch
Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
Tel: 852-2980 1333
Fax: 852-2810 8185

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Fax: 852-2858 2764
E-mail: ir@pacificandes.com

CONTENTS

FROM OCEAN TO PLATE

A fish travels a long way before it is served on a dining table. From Ocean to Plate, the goal of our vertically integrated business is to ensure that our safe, healthy and high quality fish is sustainably sourced or fished, with nutrients and freshness carefully preserved through our cutting edge processing and freezing-at-sea technology, and arrives on the store shelf through stringent quality control along the logistic chain. With a globally traceable operating model, we aim at maximising control over product quality as well as sustaining shorter food miles, reducing energy consumption and emissions with greater efficiency, and ensuring sustainability of fish source and fishing methods that contribute to a healthier ocean and planet.

CORPORATE INFORMATION

Board of Directors

Executive
Teh Hong Eng *(Chairperson)*
Ng Joo Siang *(Managing Director and Vice-Chairman)*
Ng Joo Kwee
Ng Joo Puay, Frank
Ng Puay Yee

Independent Non-Executive
Lew V Robert
Kwok Lam Kwong, Larry
Tao Kwok Lau, Clement

Audit Committee
Lew V Robert *(Chairman)*
Kwok Lam Kwong, Larry
Tao Kwok Lau, Clement

Remuneration Committee
Kwok Lam Kwong, Larry *(Chairman)*
Lew V Robert
Tao Kwok Lau, Clement
Ng Joo Siang
Ng Joo Puay, Frank

Company Secretary
Chan Tak Hei

Solicitors
Baker & McKenzie

Auditors
Deloitte Touche Tohmatsu

Principal Bankers
Australia and New Zealand Banking Group Limited, Hong Kong Branch
CITIC Bank International Limited
DBS Bank (Hong Kong) Limited
Malayan Banking Berhad, Hong Kong Branch
Rabobank International, Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Registered Office
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office
Rooms 3201-3210
Hong Kong Plaza
188 Connaught Road West
Hong Kong
Tel: 852-2547 0168
Fax: 852-2858 2764

Stock Code
1174

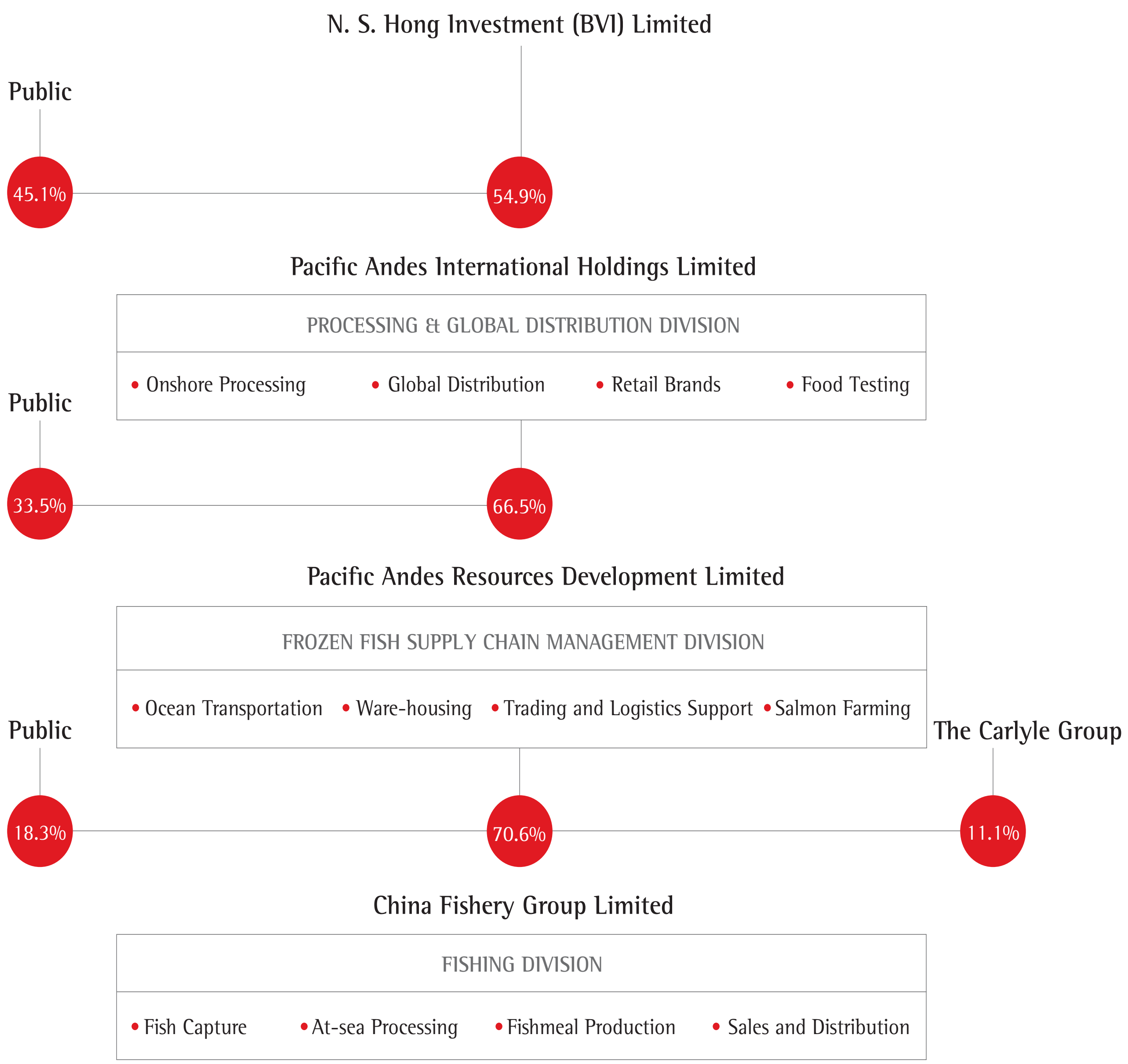
Website
http://www.pacificandes.com

CORPORATE PROFILE

Established in 1986 and listed on the Mainboard of The Stock Exchange of Hong Kong Limited in 1994, Pacific Andes International Holdings Limited (the "Company") and its subsidiaries (1174.HK, "Pacific Andes" or the "Group") is a fully integrated group of companies with operations across the entire seafood value chain which includes harvesting, sourcing, ocean logistics and transportation, food safety testing, processing and distribution of frozen fish products, as well as fishmeal and fish oil. The Group's businesses span across the world with particular emphasis in the People's Republic of China (the "PRC") market while it has processing factories located in the PRC, Japan, North America and Peru. Today, Pacific Andes is one of the world's largest fishing group, supplier of frozen fish into the PRC market and fish fillet producer.

Pacific Andes' resource development and supply chain management division, Pacific Andes Resources Development Limited ("PARD"), and its fishing arm, China Fishery Group Limited ("China Fishery"), have been listed on the Singapore Exchange since 1996 and 2006 respectively.

CORPORATE & BUSINESS STRUCTURE



Note: Shareholdings as at 28 September 2011

CORPORATE & BUSINESS STRUCTURE

PROCESSING & GLOBAL DISTRIBUTION DIVISION

The processing and distribution division produces a wide range of frozen fish fillets, portions and other value-added seafood products for both in-house labels as well as customers' brands in its processing plants located in the PRC, Japan and the United States of America ("USA"). Its distribution network spans across the world's continents, selling to leading food processors and retailers worldwide.

FROZEN FISH SUPPLY CHAIN MANAGEMENT DIVISION

The frozen fish supply chain management division focuses on the development, marketing and distribution of fish products. It offers a full range of logistical services to fishing vessels, and distributes frozen ocean-caught fish to wholesalers or re-processors around the world. The division owns 5 reefer vessels.

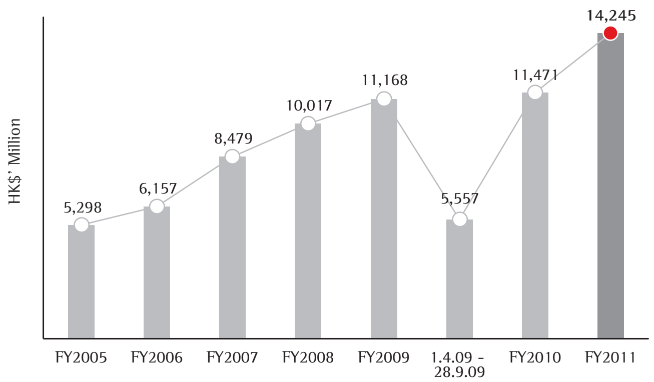
FISHING DIVISION

The fishing division operates over 60 fishing vessels in some of the world's most important and well-governed fishing grounds. Employing latest catch and processing solutions, it harvests, onboard-processes and delivers high quality catch to consumers the world over. It also engages in fishing and fishmeal processing business in Peru.

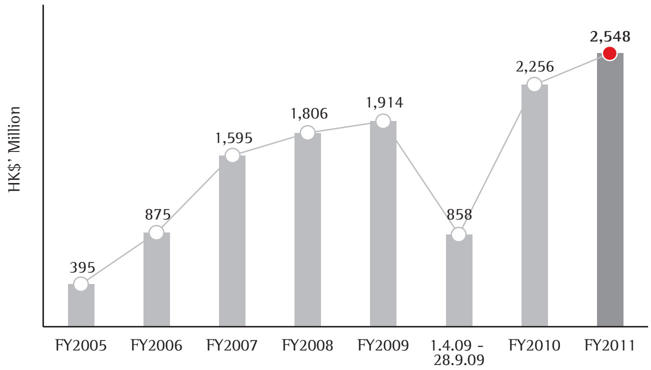
FINANCIAL HIGHLIGHTS

As a result of the change in financial year end date from 31 March to 28 September since 2009, FY2005 to FY2009 cover twelve-month period ended 31 March, while FY2010 and FY2011 cover the twelve-month period ended 28 September.

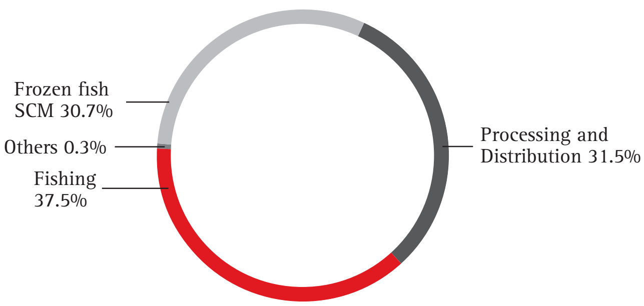
Revenue



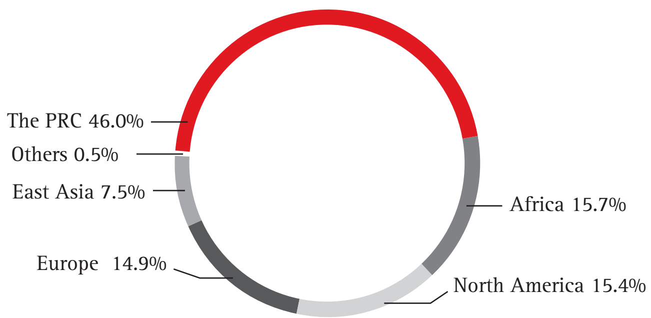
EBITDA



Revenue by Business Division

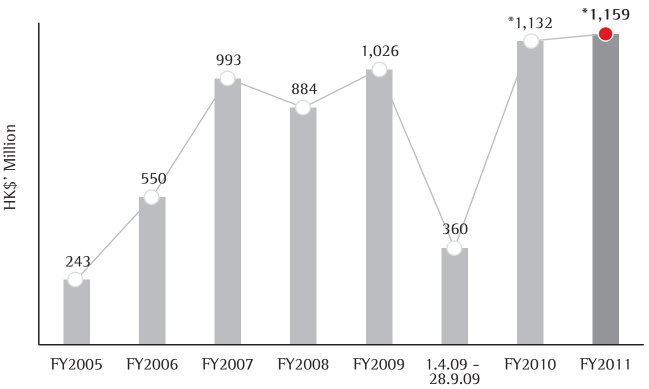


Revenue by Market

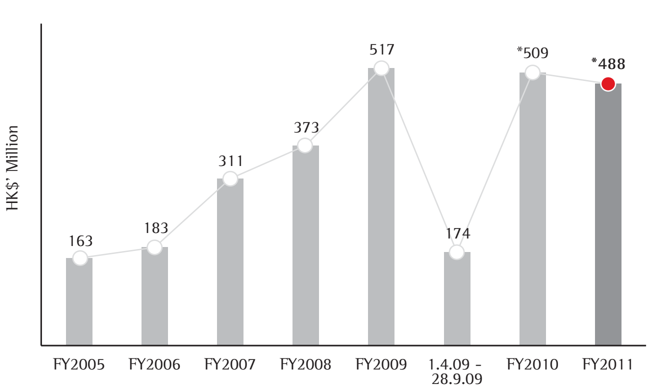


FINANCIAL HIGHLIGHTS

Profit

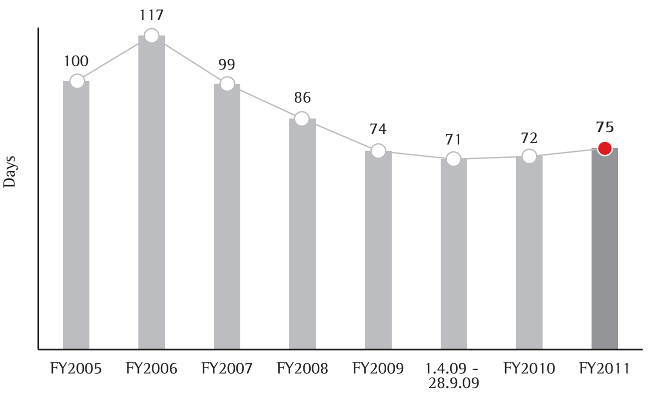


Profit Attributable to Owners of the Company

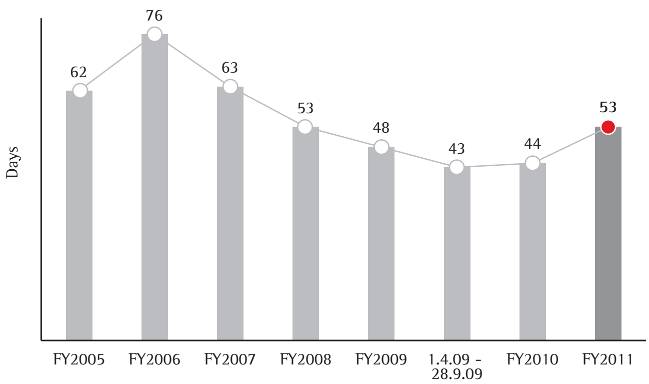


* Excludes one-off exceptional items (including cost of early redemption of senior notes and other expenses)

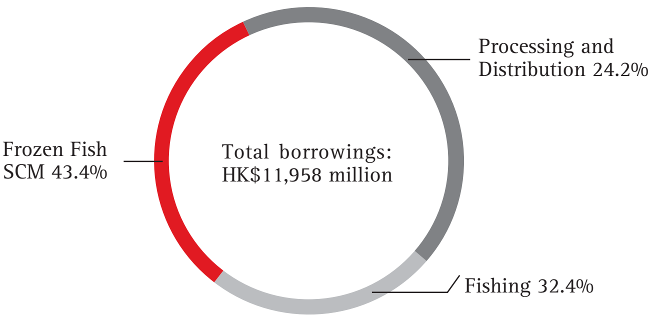
Inventory Turnover Days



Net Debtor Turnover Days



Debt by Business Division for FY2011



MANAGING DIRECTOR'S REPORT

Dear Investors and other Stakeholders,

I am pleased to present to you the annual results of Pacific Andes for the financial year ended 28 September 2011 ("FY2011"), which continue to reflect the momentum of our core businesses and our growth strategy throughout the value chain.

The overall global demand for frozen fish, a consumer staple product, remained strong and continued to increase. During the year, Pacific Andes witnessed steady growth across its value chain with revenue growth in all business divisions. We also significantly increased our presence in emerging markets like Africa from a set up established since 2009.

In FY2011, total revenue surged by 24.2% to HK$14,245.4 million (approximately US$1,826.3 million). Gross profit increased 18.6% to HK$2,745.8 million, attributable to higher operational efficiencies and enhanced resource utilisation. Gross profit margin decreased slightly from 20.2% to 19.3% reflecting the fishing division's higher vessel operating cost due to the enlarged vessel fleet. If one-off and exceptional items totaling HK$236.0 million are excluded, the FY2011 core net profit was up 2.4% to HK$1,159.4 million.

The Board has resolved to propose a final cash dividend of HK3.6 cents (FY2010: HK4.6 cents) per share for FY2011 to shareholders of the Company subject to approval in the forthcoming Annual General Meeting.

As always, Pacific Andes continues to employ a two-pronged strategy of acquisitions and organic growth to expand the business. During the year, all our business divisions have expanded their operations through acquisitions and investments. Tapping into the fast-growing salmon business through an investment in the ASX-listed Tassal Group Limited ("Tassal") and further expanded our processing and distribution business by investing into leading suppliers and distributors of frozen seafood products, Icelandic Holding France SAS ("IHF") and Icelandic Holding Germany GmbH ("IHG") in Europe, are the examples. All these acquisitions and investments have been meticulously analysed across a number of criteria, most importantly their strategic fit and potentials, to ensure the Group's growth as an industry leader.

As our business continues to grow, sustainability remains a pillar of our corporate culture and we also recognise the importance of our role as a responsible corporate citizen. The Group strives to improve the sustainability of our operations and supply chain, through our own initiatives as well as through partnership with our stakeholders, customers and other organisations. The Group is in the process of putting together its inaugural Sustainability Report, which will be published in FY2012.

Prospects

We remain optimistic on continuing global demand for fish and fishmeal as fish remains a key source of protein, and while the global population continues to grow. According to The State of World Fisheries and Aquaculture 2010 report by the Food and Agricultural Organisation, it is estimated that an additional annual production of 82 million tonnes of fish supply will be needed to meet world demand in 2050.

MANAGING DIRECTOR'S REPORT

Prospects – continued

Fishing Division

In Peru, the division added fishing quota and a fishmeal plant in South Peru through the acquisition of two Peruvian fishing companies in early November 2011. This places the division in a good position to take advantage of the higher total allowable catch of 2.5 million tonnes (same period last year: 2 million tonnes) for the fishing season that started in Peru on 23 November 2011.

The factory vessel concept has continued to be a proven success with the increasing contribution from the South Pacific fleet. Upon completion of the fleet's periodic repair and maintenance, which is currently in progress, the fleet will be deployed to fishing grounds that we have experience with and that have good biomass. In the meantime, we will continue to identify new and sustainable fishing grounds with rich resources to grow our business.

Frozen fish SCM Division

The division will continue to strengthen its businesses to better capture the growing demand in emerging markets. We expect further increase in sales to Africa through market expansion.

Furthermore, PARD's strategic investment in Tassal will be treated as an investment in associates from FY2012, which will allow the Group to account for Tassal's contribution on an equity basis.

Processing and Distribution Division

We will continue to optimise the processing capacity and efficiency in the PRC through increasing output, and increasing automation to reduce labour costs as well as enhancing capabilities of processing value-added and ready made products, targeting the fast developing domestic PRC market.

The business of IHF and IHG is a good strategic fit to the Group's businesses. The two companies have been engaging in the production and marketing of private label frozen fish products in Europe for many years. The close relationship between the Group, IHF and IHG would bring along future co-operation opportunities whereby their experience and technology know-how could benefit the Group for its development of value-added processing and branded business in the PRC.

We remain positive about the growth potential of all our business divisions. The acquisitions and investments completed in 2011 should become another growth engine to the Group and will provide increasing revenue and facilitate our growth in the global seafood industry.

Looking ahead to FY2012, we will be operating in a world of macroeconomic uncertainty, headlined by the European debt crisis, fears of recession, unemployment issues and high prices. In such an environment, we will cautiously but confidently seek to further consolidate our leadership position.

Acknowledgements

The excellence of our Board governance, management and staff, the loyalty of our customers and the trust of our shareholders underpin the continuous growth of Pacific Andes. I would like to extend my warmest thanks to my fellow directors, our staff and all our stakeholders for their continued support.

Ng Joo Siang
Managing Director and Vice-Chairman

23 December 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 year, we continued to take strategic moves in our endeavour to become a leading consolidator in the global fishing industry, and our Peruvian fishmeal operations saw benefits from this strategy. FY2011 saw the full year contribution from an additional 1.0% quota from the acquisition in May 2010, which led to higher revenue for fishing division in FY2011.

By completing its second full year of operations, the South Pacific fleet was able to leverage on the past experience to improve its operations. In addition, our strategy to deploy the factory vessel fleet to fishing grounds in the South Pacific Ocean and the North Atlantic Ocean has allowed us to significantly enhance fleet utilisation. We will continue with this strategy to deploy our South Pacific fleet to fishing grounds that we have experience with, and that have good biomass to optimise the utilisation of the fleet. During the year, the division also added two additional catcher vessels to boost the fishing capacity of the South Pacific fleet.

Meanwhile, the operation of our North Pacific fleet remained stable. Enhancing fleet efficiency and resources utilisation continue to be the key focus. To this end, the Group decided to delay the fishing schedule in the fourth quarter of FY2011 to optimise fleet resources utilisation. Nevertheless, the Group is confident of fully utilising its entire quota share for the calendar year.

Frozen Fish 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.

In FY2011, PARD continued with its strategy of enhancing operational efficiency and utilisation as well as expanding its markets to great effect. The frozen fish SCM division enjoyed significantly higher sales to West Africa as well as persistently strong demand in the PRC, which remained the Group's largest market.

The Group is always on the look-out for opportunities to invest in high-quality assets, in particular, resources that are limited in supply yet enjoy a strong market demand. In February 2011, PARD successfully completed the investment of 19.76% of Tassal, a vertically integrated salmon grower, processor, seller and marketer. Tassal's strong fundamentals, exciting growth prospects and attractive valuation made it a compelling investment for PARD.

In November 2011, PARD further increased its investment in Tassal from 19.76% to 22.76%, which allowed PARD to treat its strategic investment in Tassal as an investment in associates from FY2012. Furthermore, with the election of our Group Director of Strategic Development to the Tassal board as a non-executive director, it is expected that additional guidance and expertise would be contributed in shaping the future growth strategy of Tassal in order to benefit all shareholders. This diversification of business will better position us for the next stage of growth.

Processing and Distribution Division

In FY2011, the Group continued to enhance the processing capacity and operating efficiency of its processing operations in the PRC, USA and Japan.

In spite of inflationary pressures, higher labour costs in the PRC and overall production related costs, gross profit margin increased from 12.0% to 14.6%. Better prices, favorable product mix together with the Group's global sourcing initiatives have contributed to the positive growth despite rising costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – continued

Processing and Distribution Division – continued

In September 2011, the Group completed the investment of 19% indirect equity interest in IHF and IHG.

IHF and IHG are leading suppliers and distributors of private label or co-pack frozen seafood products in Europe. They provide value-added products including frozen fish fingers, nuggets and gourmet fillets for the retail and catering market as well as for food service. They have extensive distribution networks into all the major supermarkets, hypermarkets and food service chains across Europe, with dominant market positions in Germany and France. In 2010, IHF and IHG's sales exceeded EUR276 million (approximately HK$3,091 million).

Through the investments into IHF and IHG, the division will also further develop and expand its down-stream processing and distribution business in all continents.

Financial Review

Revenue

Total revenue increased by 24.2% from HK$11,470.5 million (approximately US$1,470.6 million) to HK$14,245.4 million (approximately US$1,826.3 million), with revenue growth in all of the Group's business divisions.

The fishing division accounted for 37.5% (FY2010: 36.6%) of total revenue; the frozen fish SCM division accounted for 30.7% (FY2010: 28.2%) and the processing and distribution division taking up the remaining 31.8% (FY2010: 35.2%).

Fishing Division

Revenue from the fishing division increased by 27.2% from HK$4,203.7 million (approximately US$538.9 million) to HK$5,346.5 million (approximately US$685.5 million).

Revenue contribution by fishing fleet

HK$ million	FY2011	FY2010	Change
North Pacific fleet	**2,922.7**	3,021.3	–3.3%
South Pacific fleet	**1,096.8**	134.4	+716.1%
Peruvian fleet	**1,327.0**	1,048.0	+26.6%
Total	**5,346.5**	4,203.7	+27.2%

Revenue from the Peruvian fleet rose by 26.6% primarily due to higher production volumes as a result of the full year effect from an additional 1.0% quota that arose from an acquisition in May 2010, and higher average selling prices.

The North Pacific fleet recorded a slight dip of 3.3% in revenue. This was due mainly to lower sales volumes that resulted from the Group's decision to delay the fishing schedule in order to enhance fleet efficiency and resource utilisation. The Group is confident of fully utilising its entire quota for the calendar year.

Revenue from the South Pacific fleet increased significantly as the fleet leveraged on the experience gained from last year. In addition, the South Pacific fleet benefited from the Group's strategy to diversify its fishing grounds and maximise the utilisation of its factory vessel fleet. During the year under review, the Group deployed two fishing vessels to the South Pacific whilst the remaining fleet was deployed to operate in new fishing grounds in the North Atlantic Ocean.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review – continued

Frozen Fish SCM Division

Revenue from the frozen fish SCM division rose 35.3% from HK$3,228.6 million (approximately US$413.9 million) to HK$4,369.4 million (approximately US$560.2 million). The increase was mainly due to persistently strong demand in the PRC market as well as the Group's successful efforts at exploring new markets such as Africa, where sales has jumped 888.3% to reach HK$660.2 million from HK$66.8 million in FY2010.

Processing and Distribution Division

Revenue from the processing and distribution division increased by 12.2% from HK$4,038.2 million (approximately US$517.7 million) to HK$4,529.5 million (approximately US$580.7 million).

Revenue contribution from the processing operations in the PRC increased by 5.2% from HK$2,484.7 million to HK$2,612.8 million. This was mainly due to higher average selling price of our products.

As for processing and distribution units in 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 grew by 23.6%. This was mainly attributable to higher production volume and average selling prices of the products. The encouraging results in USA and Japan serve as a testament to the Group's ability to further develop into the downstream processing and distribution business globally.

Revenue by Geographical Market

During the year, the Group continued to expand its market reach and experienced sales growth in all the markets except for Europe.

The significant jump in revenue contribution from West Africa attests to the success of the Group's market expansion efforts.

The drop in sales to Europe was due mainly to the delay in shipments of products to customers in this market.

The following outlines the geographical breakdown of the Group's revenue:

	FY2011 HK$ million	FY2010 HK$ million	Change	**FY2011 % to total revenue**	FY2010 % to total revenue
The PRC	**6,552.2**	6,116.7	+7.1%	**46.0%**	53.3%
Africa	**2,229.1**	186.7	+1094.1%	**15.7%**	1.6%
North America	**2,197.3**	1,813.8	+21.1%	**15.4%**	15.8%
Europe	**2,118.2**	2,331.2	-9.1%	**14.9%**	20.3%
East Asia	**1,072.4**	968.0	+10.8%	**7.5%**	8.5%
Others (including South America, South East Asia etc.)	**76.2**	54.1	+40.9%	**0.5%**	0.5%
Total	**14,245.4**	11,470.5	+24.2%	**100.0%**	100.0%

Gross profit

Gross profit was HK$2,745.8 million, an increase of 18.6% over the corresponding period last year. Gross profit margin decreased slightly from 20.2% to 19.3% reflecting the fishing division's higher vessel operating cost due to the enlarged vessel fleet.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review – continued

Selling and distribution expenses

Selling and distribution expenses increased by 36.3% from HK$468.3 million to HK$638.1 million. The increase was attributable mainly to the higher sales volume for the Group's fishing division and higher freight rate. Rising sales of the frozen fish SCM division and processing and distribution division also contributed to the increase in selling and distribution expenses.

Administrative expenses

Administrative expenses increased by 19.7% from HK$484.9 million to HK$580.3 million mainly due to higher corporate overhead in line with expanding operations. Costs relating to the implementation of the Group's enterprise resource planning system also contributed to the increase.

Other expenses

Other expenses increased by 189.7% from HK$41.3 million to HK$119.7 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 and the proposed offering and listing of Taiwan Depositary Receipts by PARD. In addition, a negative fair value change of HK$62.0 million on the financial guarantee contract issued to IHF and IHG has also recorded in other expenses.

Finance costs

Finance costs increased by 51.5% from HK$449.0 million to HK$680.4 million as a result of higher bank borrowings and the one-off expense incurred for the early redemption of China Fishery's senior notes. The successful redemption of the China Fishery's senior notes, which was re-financed by a term loan in September 2011, will yield significant savings on finance costs for the Group.

Taxation

Tax expense increased by 17.9% from HK55.1 million to HK$65.0 million. The increase was directly attributable to the higher taxable earnings of the Peruvian fishmeal operations and the processing division in USA.

Profit for the year

Excluding HK$236.0 million exceptional and one-off items, FY2011 core net profit was up 2.4% from HK$1,132.1 million to HK$1,159.4 million, primarily generated by the fishing division.

As a result of the above and as a result of the enlarged equity base of China Fishery, profit attributable to owners of the Company decreased by 27.5% from HK$493.0 million to HK$357.4 million.

Financial position, liquidity and capital structure

As of 28 September 2011, total assets of the Group amounted to HK$26,368.9 million (2010: HK$21,164.9 million).

Non-current assets increased by 12.7% from HK$12,202.7 million to HK$13,753.7 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 new fishing grounds.

Current assets increased by 40.8% from HK$8,962.2 million to HK$12,615.2 million. This was primarily due to higher receivables and prepayments for the year, in line with higher sales volume in the frozen fish SCM division.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review – continued

Financial position, liquidity and capital structure – continued

Total interest-bearing borrowings increased by 41.8% from HK$8,434.7 million to HK$11,957.8 million. This was due mainly to the increase in trade receivables and working capital loans to support the frozen fish SCM operations and the increase in credit facilities drawn to finance the working capital of both the processing and distribution operations in the PRC and the fishing division. In addition, the issuance of CNH 600 million fixed rate unsecured bond by PARD in May 2011 also contributed to the increase in borrowings.

As at 28 September 2011, approximately 65.5% (2010: approximately 60.8%) of the Group's total bank loans and other borrowings were repayable within the first year and approximately 34.5% (2010: approximately 39.2%) was repayable within the second to the fifth year.

Of the Group's total bank loans and other borrowings, 70.5% of short-term borrowings and 86.0% 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$6,197.5 million, 6.7% higher than the HK$5,808.9 million as at 28 September 2010.

As of 28 September 2011, the net-debt-to-equity ratio of the Group, defined as a percentage of net interest bearing borrowings of HK$10,931.9 million over total equity of HK$11,330.7 million, increased from 74.4% to 96.5%.

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 September 2011, the Group held HK$442.8 million in cash and bank balances.

Details of the contingent liabilities and pledged of assets of the Group, please refer to notes 46 and 47 to the consolidated financial statements respectively.

Subsequent Events

On 8 November 2011, China Fishery acquired two Peruvian fishing companies, which increased its share of the total allowable catch of Peruvian Anchovy to 6.21% in North Peru and 11.72% in South Peru. Besides the additional quota share, the acquisitions also included a new fishmeal plant in Ilo, the most important port city in South Peru. With this new fishmeal processing plant in the South, we can enhance our geographical spread throughout Peru and improve the utilisation of its fishing quota in the South of Peru.

On 23 November 2011, PARD has further increased its stake in Tassal from 19.76% to 22.76%. Furthermore, with the election of our Group Director of Strategic Development to the Tassal board as a non-executive director, it is expected that additional guidance and expertise would be contributed in shaping the future growth strategy of Tassal in order to benefit all shareholders.

Employees and Remuneration

As at 28 September 2011, the Group had a total of approximately 13,000 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. Each of the Company and its non-wholly owned subsidiaries, PARD and China Fishery, has an employee share award plan and the Company has and PARD will have an employee share option scheme for granting of share options and share awards to eligible employees based on their contribution to the Group.

DIRECTORS' PROFILE

Executive Directors

Teh Hong Eng 76, is the Chairperson and Executive Director of the Company responsible for general administration and strategic planning. She joined the Group in 1986 and has over 30 years of experience in administration and financial investments.

Madam Teh is the mother of Ng Joo Siang, Ng Joo Kwee, Ng Joo Puay, Frank and Ng Puay Yee.

Ng Joo Siang 52, is the Managing Director, Vice-Chairman and Executive Director of the Company. He is responsible for overall corporate policy making, strategic planning, development, investment and management of the Group. Mr. Ng graduated from Louisiana State University, Baton Rouge, Louisiana in the USA, majoring in International Trade and Finance, and has over 30 years' experience in the trading of seafood products. Prior to joining the Company in 1986, Mr. Ng was in the ship agency business, overseeing the chartering and operation of ocean-going vessels calling at various Asian ports.

Mr. Ng is the son of Teh Hong Eng. He is the brother of Ng Joo Kwee, Ng Joo Puay, Frank and Ng Puay Yee.

Ng Joo Kwee 51, is the Executive Director of the Company responsible for all production of frozen seafood in the PRC. Mr. Ng studied in the USA at Southeastern Louisiana University in Hammond, Louisiana. From 1983 to 1989, Mr. Ng was president of a fish trading company in Taiwan. In 1989, Mr. Ng joined the Group as general manager of its PRC operations, responsible for daily operations, trading activities and the sourcing of frozen seafood products from South America, India, the PRC and Russia. In 1994, Mr. Ng resigned from the Company, but rejoined in March 1996.

Mr. Ng is the son of Teh Hong Eng. He is the brother of Ng Joo Siang, Ng Joo Puay, Frank and Ng Puay Yee.

Ng Joo Puay, Frank 49, is the Executive Director of the Company. He is responsible for international sales and marketing of the Group's frozen seafood products outside the PRC. Mr. Ng graduated from Loyola University in New Orleans, Louisiana, in the USA, majoring in business administration. He has over 20 years of experience in the seafood trading business. Prior to joining the Company in 1987, Mr. Ng was the trading manager of a fish trading company in Taiwan for three years.

Mr. Ng is the son of Teh Hong Eng. He is the brother of Ng Joo Siang, Ng Joo Kwee and Ng Puay Yee.

Ng Puay Yee 39, is the Executive Director of the Company. She is responsible for global sales and marketing of the Group's frozen fish and seafood products. In addition, she also oversees the Group's global raw material sourcing. She graduated from the Indiana University of Bloomington, USA majoring in Mass Communication. Ms. Ng joined the Group in 1995. She is an active board member of various fish trade organisations around the world such as the Groundfish Forum Council, Whitefish CEO Sustainability Committee, and the National Fishery Institute Executive Committee. She is also a member of the Young Presidents' Organization Hong Kong Chapter, and is an active member of the young business leaders' community in Hong Kong, having chaired the Entrepreneurs' Organization Hong Kong Chapter in 2008/9.

Ms. Ng is the daughter of Teh Hong Eng. She is the sister of Ng Joo Siang, Ng Joo Kwee and Ng Joo Puay, Frank.

DIRECTORS' PROFILE

Independent Non-executive Directors

Lew V Robert 55, is currently Independent Chairman of Pak Tak International Limited and Independent Non-Executive Director of Sincere Watch HK Limited, both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lew is also currently Director of a corporation of certified public accountants in Hong Kong. He has over 20 years of experience in corporate assurance advisory, taxation and business consultation. Mr. Lew graduated from the University of British Columbia in Canada in 1979. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Alberta Institute of Chartered Accountants.

Kwok Lam Kwong, Larry, B.B.S. J.P. 55, is a solicitor practising in Hong Kong, and is currently the Managing Partner, Mainland China and Hong Kong of Mallesons Stephen Jaques. Mr. Kwok is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia respectively. He is also a member of The Institute of Chartered Accountants in England & Wales. Mr. Kwok graduated from the University of Sydney, Australia, with a Bachelor's Degree in economics and laws respectively, and a Master's Degree in laws. He has also completed the Advanced Management Program at the Harvard Business School. Mr. Kwok is currently Chairman of the Traffic Accident Victims Assistance Advisory Committee, Chairman of the Finance Committee of Kwai Chung Hospital/ Princess Margaret Hospital and a member of the Hong Kong Tourism Board, Land and Development Advisory Committee, Social Workers Registration Board, Mandatory Provident Fund Schemes Advisory Committee and Securities and Futures Appeals Tribunal. He is also a member of the Political Consultative Committee of Guangxi in the PRC.

Tao Kwok Lau, Clement, B.B.S. J.P. 62, is presently the Managing Director of Associated Advisers Limited, a licensed corporation of the Securities and Futures Commission and a member of the Hong Kong Confederation of Insurance Brokers. He has been with Associated Advisers Limited since 1988. Mr. Tao is a fellow member of The Hong Kong Institute of Directors, a Registered Investment Adviser registered with the Securities and Futures Commission and a Chartered Financial Consultant. Mr. Tao is currently holding the positions of Chairman of the Appeal Panel (The Estate Agents Ordinance) and the Chairman of the Investment Committee of The Life Underwriters Association of Hong Kong Limited. He is also a member of the School Management Committee of the Kowloon Technical School and the Standing Committee on Young Offenders. Mr. Tao received a Bachelor of Social Science with major in Economics from the University of Hong Kong in 1971. Mr. Tao was awarded with a Badge of Honour in 1993 and Bronze Bauhinia Star in 1999; and was appointed Justice of Peace in 1995.

REPORT OF THE DIRECTORS

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 28 September 2011.

Principal Activities

The Company acts as an investment holding company and provides corporate management services to group companies. The activities of its principal subsidiaries are fishing and fishmeal processing, the operation of fishing vessels, global sourcing, processing onshore and international distribution of a variety of frozen seafood products, trading of marine fuel and the provision of shipping and agency services. The activities of its principal associates are in trading of processed and frozen fish products and its jointly-controlled entity is engaged in property holding.

Details of the Company's principal subsidiaries, associates and jointly-controlled entity at 28 September 2011 are set out in notes 49, 50 and 27 respectively to the consolidated financial statements.

An analysis of the Group's turnover and contribution to profit by principal activities and geographical markets is set out in note 6 to the consolidated financial statements.

Customers and Suppliers

The five largest customers of the Group together accounted for approximately 35% (2010: less than 30%) of the Group's turnover with the largest customer accounting for 11% (2010: 11%). The five largest suppliers of the Group together accounted for approximately 49% (2010: 46%) of the Group's total purchases, with the largest supplier accounting for 21% (2010: 16%).

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

Results and Appropriations

The results of the Group for the year ended 28 September 2011 are set out in the consolidated income statement on page 30.

The directors recommend the payment of a final dividend of HK3.6 cents per share to the shareholders for the year ended 28 September 2011, amounting to HK$113,323,000 and the retention of the remaining profit for the year of HK$244,111,000.

Emolument Policy

The emolument policy for the employees of the Group is set by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share award scheme and a share option scheme as incentives to Directors and eligible employees, details of the schemes are set out in note 41 to the consolidated financial statements.

Property, Plant and Equipment

During the year, the Group spent approximately HK$1,394,778,000 on the acquisition of property, plant and equipment.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Investment Properties

The Group has revalued its investment properties at 28 September 2011.

Details of movements during the year in investment properties of the Group are set out in note 16 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

Convertible Bonds, Share Capital, Warrants, Share Options and Share Awards

Details of movements in the convertible bonds, share capital, warrants, share options and share awards are set out in notes 36, 39, 40 and 41 to the consolidated financial statements respectively.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws in Bermuda.

Obligations Under Finance Leases and Borrowings

Details of obligations under finance leases and bank borrowings of the Group are set out in notes 33 and 34 to the consolidated financial statements respectively.

Bonds and Senior Notes

Details of the bonds and senior notes are set out in notes 35 and 37 to the consolidated financial statements.

Directors

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Teh Hong Eng	(Chairperson)
Ng Joo Siang	(Managing Director and Vice-Chairman)
Ng Joo Kwee	
Ng Joo Puay, Frank	
Ng Puay Yee	

Independent non-executive directors:

Lew V Robert
Kwok Lam Kwong, Larry
Tao Kwok Lau, Clement

In accordance with the provisions of the Company's bye-laws, Teh Hong Eng, Lew V Robert and Kwok Lam Kwong, Larry retire and, being eligible, offer themselves for re-election. All other directors continue to remain in office.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's bye-laws.

Directors' Service Contracts

Each of Teh Hong Eng, Ng Joo Siang, Ng Joo Kwee and Ng Joo Puay, Frank has a service agreement with the Company's subsidiary and Ng Puay Yee has a service agreement with the Company. These service agreements shall remain valid unless terminated by either party giving at least one year's written notice.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executive's Interests

(i) Shares

At 28 September 2011, the interests of the directors and their associates in the shares of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

	Number of ordinary shares held (long position)		
Name of director	Personal Interest	Family Interest	Percentage of the issued share capital of the Company
Ng Joo Siang	–	3,218,781 (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.

(ii) Share option schemes

Particulars of the share option schemes are set out in note 41 to the consolidated financial statements.

There is no share option outstanding during the year. No share option was granted by the Company during the year.

Other than as disclosed above, no director or chief executive or their respective associates had any personal, family, corporate or other interests or short positions in any securities of the Company or any of its associated corporations as defined in the SFO as at 28 September 2011.

Directors' and Chief Executive's Interests – continued

(iii) Share award plan

Particulars of the share award plan are set out in note 41 to the consolidated financial statements.

(i) The Company adopted a share award plan ("Plan") on 28 October 2006 for the benefit of the directors and the employees of the Group.

(ii) The Plan is administered by the Remuneration Committee of the Company, currently comprising Kwok Lam Kwong, Larry, Tao Kwok Lau, Clement, Ng Joo Siang and Ng Joo Puay, Frank.

(iii) The Remuneration Committee may determine in its sole discretion to grant shares to participants of the Plan. The shares will be vested only after satisfactory completion of time-based targets and/or time-and-performance-based targets and shall not be more than 10 years from the date of the grant of the shares. Upon vesting, the participant may receive any or a combination of the following:

(a) new ordinary shares credited as fully paid up;

(b) existing shares repurchased from open market; and

(c) cash equivalent value of such shares.

(iv) 5,884,101, 919,149 and 77,422 share awards remained outstanding as at 28 September 2011, but no share awards will vest until 15 January 2012, 30 December 2012 and 30 December 2013 respectively.

(v) The aggregate number of ordinary shares which may be issued under the Plan shall not exceed 5% of the issued share capital of the Company from time to time.

Other than as disclosed above, none of the directors or chief executives or their respective associates had any personal, family, corporate or other interests or short positions in any securities of the Company or any of its associated corporations as defined in the SFO as at 28 September 2011.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate.

Directors' Interest in Contracts of Significance

No contract of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

Substantial Shareholders

As at 28 September 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholder had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
N. S. Hong Investment (BVI) Limited	Beneficial owner	1,728,852,290 (Note 1)	54.92%
Leung Hok Pang	Beneficial owner	180,593,448 (Note 2)	5.74%

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 other relevant interests or short positions in the issued share capital of the Company as at 28 September 2011.

Transactions with Non-wholly Owned Subsidiaries

The Group had also entered into the following transactions with National Fish & Seafood Inc. ("NFS") and its subsidiary, and Kyoshoku Co., Ltd. ("Kyoshoku") and its subsidiary, in which the Group has a 60% attributable interest, respectively, and Pacific Andes Resources Development Limited ("PARD") and its subsidiaries in which the Group has a 66% attributable interest as at 28 September 2011:

	HK$'000
Sales to Kyoshoku and its subsidiary	63,477
Interest income received from Kyoshoku and its subsidiary	3,310
Interest expense paid to NFS and its subsidiary	2,219
Administrative income received from PARD and its subsidiaries	27,936
Interest income received from PARD and its subsidiaries	105

The interest income was calculated at interest rates ranging from 2.19% to 2.45% per annum on the outstanding amounts due from PARD and its subsidiaries and the outstanding amounts due from Kyoshoku and its subsidiaries respectively. The interest expense was calculated at interest rate of 4% per annum or the outstanding amounts due to NFS and its subsidiary. The administrative income received from PARD and its subsidiaries was calculated in accordance with the management agreement signed on 3 September 1996 upon the listing of the shares of PARD on The Singapore Exchange Securities Trading Limited and a supplemental agreement dated 22 July 2003. Sales and purchases of frozen seafood were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up. These transactions were in the ordinary and usual course of business.

REPORT OF THE DIRECTORS

Transactions with Non-wholly Owned Subsidiaries – continued

During the year, the Company executed guarantees to certain banks in respect of banking facilities in the amount of HK$585,000,000 granted to NFS and its subsidiary and in the amount of HK$50,820,000 granted to Kyoshoku and its subsidiaries. These guarantees given by the Company were in the ordinary and usual course of business.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), based on the information that is publicly available to the Company and within the knowledge of the directors.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the directors. Specific enquiry has been made with all directors and the directors have complied with the required standard set out in the Model Code for the year ended 28 September 2011.

Events After the Reporting Period

Details of significant events occurring after the reporting period are set out in note 51 to the consolidated financial statements.

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 audited consolidated financial statements for the year ended 28 September 2011.

Auditor

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Ng Joo Siang
Managing Director and Vice-Chairman

23 December 2011

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board of Directors of the Company (the "Board") is committed to maintain a high standard of corporate governance. The Board believes that sound and reasonable corporate practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

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 Hong Kong Stock Exchange Limited (the "Listing Rules"). The Company has complied with all the applicable code provisions in the CG Code throughout the financial year ended 28 September 2011 ("FY2011"), except for the following deviations:

CG Code 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. The CG Code also provides that board meetings should be held at least four times a year at approximately quarterly intervals. Although the Board only held its meetings twice in FY2011, it had been informed of all notifiable transactions and development of the Group by email and telephone. 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.

Board of Directors

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and financial performances. The Board delegates to the management team the day-to-day management of the Company's business including the preparation of annual and interim reports, and for implementation of internal control, business strategies and plans developed by the Board.

The Board currently comprises five executive directors and three independent non-executive directors. The executive directors have extensive experience in the frozen seafood and shipping industry and the independent non-executive directors possess appropriate legal and professional accounting qualifications and financial management expertise.

The independent non-executive directors also serve the important function of ensuring and monitoring the basis of an effective corporate governance framework. The Board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation or confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive directors are explicitly identified in all of the Company's corporate communications.

Board meetings are scheduled to be held at regular interval. The Board would meet more frequently as and when required. The attendance of the directors at the Board meetings for FY2011 is as follows:

Name of Directors	Number of attendance
Executive:	
Teh Hong Eng *(Chairperson)*	1/2
Ng Joo Siang *(Managing Director and Vice-Chairman)*	2/2
Ng Joo Kwee	2/2
Ng Joo Puay, Frank	2/2
Ng Puay Yee	2/2
Independent non-executive:	
Lew V Robert	2/2
Kwok Lam Kwong, Larry	1/2
Tao Kwok Lau, Clement	2/2

CORPORATE GOVERNANCE REPORT

Chairperson and Managing Director

The Chairperson of the Company is responsible for the leadership and effective running of the Board and ensuring that all significant and key issues are discussed and where required, resolved by the Board timely and constructively.

The Managing Director of the Company is delegated with the authority and responsibility to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

Directors' Securities Transactions

The Company has adopted the Model Code of the Listing Rules as the code for dealing in securities of the Company by the directors. Specific enquiry has been made with all directors and the directors have complied with the required standard set out in the Model code for FY2011.

Auditors' Remuneration

For FY2011, the auditors of the Company received approximately HK$11,648,000 and HK$10,974,000 for audit services and non-audit services rendered to the Group respectively.

Audit Committee

The Audit Committee currently comprises three independent non-executive directors, Lew V Robert (Chairman), Kwok Lam Kwong, Larry and Tao Kwok Lau, Clement. The attendance of the directors at the Audit Committee Meeting for FY2011 is as follows:

Name of Directors	Number of attendance
Lew V Robert	2/2
Kwok Lam Kwong, Larry	2/2
Tao Kwok Lau, Clement	2/2

The primary duties of the Audit Committee include review of the effectiveness of financial reporting processes and internal control systems of the Group, review the Group's financial information and compliance, making recommendation to the Board on the appointment and removal of external auditors and assessing their independence and performance.

Audit Committee – continued

During the year and up to the date of this report, the works performed by the Audit Committee are mainly set out below:

– reviewed the interim results for the period ended 28 March 2011 and annual results for the year ended 28 September 2011 of the Group

– discussed with the management of the Company the fairness and adequacy of accounting standards and policies of the Group in the preparation of the annual financial statements

– reviewed the connected transactions entered into by the Group during the year

– reviewed and discussed with external auditors the financial reporting of the Company

– reviewed, recommended and approved the retirement and re-appointment of external auditors

– reviewed, recommended and approved the remuneration of external auditors

Remuneration Committee

The Remuneration Committee has been established by the Company in accordance with the requirement of the CG Code. The Remuneration Committee currently comprises five members, being three independent non-executive directors including Kwok Lam Kwong, Larry (Chairman), Lew V Robert and Tao Kwok Lau, Clement, and two executive directors including Ng Joo Siang and Ng Joo Puay, Frank.

The Remuneration Committee is responsible for reviewing and recommending the remuneration of the executive directors and senior management. The fees of the non-executive directors are determined by the Board.

During the year and up to the date of this report, the Remuneration Committee reviewed the Group's remuneration policy and reviewed the remuneration package of the executive directors and senior management for FY2011.

The attendance of the directors at the Remuneration Committee Meeting for FY2011 is as follows:

Name of Directors	Number of attendance
Kwok Lam Kwong, Larry *(Chairman)*	0/1
Lew V Robert	1/1
Tao Kwok Lau, Clement	1/1
Ng Joo Siang	1/1
Ng Joo Puay, Frank	1/1

Nomination of Directors

In FY2011, the Company did not have a nomination committee. The appointment of a new director is a collective decision of the Board, taking into consideration of the expertise, experience, integrity and commitment of the appointee to the relevant principal division, the Company and the Group.

CORPORATE GOVERNANCE REPORT

Accountability

The directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cashflow of the Group. The directors ensure that the financial statements for FY2011 were prepared in accordance with statutory requirements and applicable accounting standards, and have been prepared on a going concern basis.

Internal Controls

The Board reviews the internal control system of the Company annually and will take any necessary and appropriate action to maintain an adequate internal control system to safeguard shareholders' investments and the Company's assets. The effectiveness of the internal control system is discussed on an annual basis with the Audit Committee.

The Company has set up an internal audit department, which reports directly to the Audit Committee. The Audit Committee, on an annual basis, will assess the effectiveness of the internal audit department by examining the scope of the internal audit work and its independence of areas reviewed and the internal auditor's report. The Audit Committee is satisfied that the internal audit department has adequate resources and appropriate standing within the Company to undertake its activities independently and objectively.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF
PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pacific Andes International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 107, which comprise the consolidated statement of financial position as at 28 September 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 28 September 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 December 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 28 September 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	6	14,245,411	11,470,543
Cost of sales		(11,499,639)	(9,155,715)
Gross profit		2,745,772	2,314,828
Other income	7	261,332	273,131
Selling and distribution expenses		(638,090)	(468,281)
Administrative expenses		(580,323)	(484,899)
Other expenses	8	(119,671)	(41,310)
Finance costs			
– Interest	9	(564,045)	(449,017)
– Cost of early redemption of senior notes	37	(116,331)	–
Share of results of associates	21	(242)	1,515
Profit before taxation	10	988,402	1,145,967
Taxation	12	(64,989)	(55,138)
Profit for the year		923,413	1,090,829
Profit for the year attributable to:			
Owners of the Company		357,434	493,025
Non-controlling interests		565,979	597,804
		923,413	1,090,829

		2011 HK cents	2010 HK cents
Earnings per share			
Basic	14	11.6	16.3
Diluted	14	11.5	16.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 September 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	923,413	1,090,829
Other comprehensive income		
Surplus on revaluation of properties	101,657	144,823
Deferred tax liability arising on revaluation of properties	(14,143)	(21,928)
Fair value changes of available-for-sale investments	(109,240)	–
Reversal of deferred tax liability (note 12)	–	30,000
Exchange differences arising on translation of foreign operations	71,123	26,760
Other comprehensive income for the year	49,397	179,655
Total comprehensive income for the year, net of tax	972,810	1,270,484
Total comprehensive income attributable to:		
Owners of the Company	431,445	655,786
Non-controlling interests	541,365	614,698
	972,810	1,270,484

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 September 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	6,948,312	6,023,668
Investment properties	16	653,245	506,515
Prepaid lease payments	17	43,941	45,622
Goodwill	18	2,927,582	2,907,624
Prepayment to arrangers	19	1,059,680	1,232,320
Advances to arrangers	19	315,900	–
Available-for-sale investments	20	319,174	7,800
Interests in associates	21	3,093	15,035
Other intangible assets	22	1,481,867	1,463,147
Other long term receivable		928	928
		13,753,722	12,202,659
Current assets			
Inventories	23	2,918,894	1,786,295
Trade, bills, other receivables and prepayments	24	7,973,431	5,868,444
Trade receivables with insurance coverage	25	382,352	319,914
Trade receivables from associates	26	86,272	70,992
Prepayment to arrangers – current portion	19	172,640	172,640
Amounts due from associates	26	11,169	13,516
Amount due from a jointly-controlled entity	27	16,949	7,536
Held-for-trading investments	28	3,397	3,754
Tax recoverable		24,199	39,216
Pledged deposits	30	583,113	44,839
Bank balances and cash	31	442,776	635,066
		12,615,192	8,962,212
Current liabilities			
Trade, bills and other payables	32	2,255,187	1,543,659
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	25	357,739	265,560
Convertible bonds	36	619,829	–
Other financial liabilities	29	70,153	21,130
Taxation		152,139	122,471
Obligations under finance leases – due within one year	33	31,745	31,116
Bank borrowings – due within one year	34	6,819,792	4,832,172
		10,306,584	6,816,108
Net current assets		2,308,608	2,146,104
Total assets less current liabilities		16,062,330	14,348,763

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 September 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Obligations under finance leases – due after one year	33	63,372	95,118
Bank borrowings – due after one year	34	3,352,259	978,559
Bonds	35	713,051	–
Convertible bonds	36	–	588,895
Senior notes	37	–	1,643,260
Deferred taxation	38	602,919	614,856
		4,731,601	3,920,688
Net assets		11,330,729	10,428,075
Capital and reserves			
Share capital	39	314,785	306,319
Share premium and reserves		5,882,714	5,502,572
Equity attributable to owners of the Company		6,197,499	5,808,891
Non-controlling interests			
Equity component of convertible bonds of a listed subsidiary	36	35,482	35,482
Share of net assets of subsidiaries		5,097,748	4,583,702
Total equity		11,330,729	10,428,075

The financial statements on pages 30 to 107 were approved and authorised for issue by the Board of Directors on 23 December 2011 and are signed on its behalf by:

Ng Joo Siang
DIRECTOR

Ng Joo Puay, Frank
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 September 2011

	Attributable to owners of the Company											Non-controlling Interests		
	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Investment revaluation reserve HK$'000	Warrant 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	Share of net assets of subsidiaries HK$'000	Total HK$'000
At 29 September 2009	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	–	–	130,707	–	–	–	–	–	–	–	130,707	–	14,116	144,823
Deferred tax liability arising on revaluation of properties	–	–	(21,928)	–	–	–	–	–	–	–	(21,928)	–	–	(21,928)
Reversal of deferred tax liability	–	–	30,000	–	–	–	–	–	–	–	30,000	–	–	30,000
Exchange differences arising on translation of foreign operations	–	–	–	23,982	–	–	–	–	–	–	23,982	–	2,778	26,760
Other comprehensive income	–	–	138,779	23,982	–	–	–	–	–	–	162,761	–	16,894	179,655
Profit for the year	–	–	–	–	–	–	–	–	–	493,025	493,025	–	597,804	1,090,829
Total comprehensive income for the year	–	–	138,779	23,982	–	–	–	–	–	493,025	655,786	–	614,698	1,270,484
Issue of scrip dividend shares net of issue expenses	23,110	168,606	–	–	–	–	–	–	–	–	191,716	–	–	191,716
Issue of warrants (note 40)	–	(112,228)	–	–	–	–	112,228	–	–	–	–	–	–	–
Issue of shares on exercise of warrants	–	1	–	–	–	–	–	–	–	–	1	–	–	1
Transaction costs attributable to issue of warrants	–	(920)	–	–	–	–	–	–	–	–	(920)	–	–	(920)
Decrease in equity portion of convertible bonds of a listed subsidiary on repurchase	–	–	–	–	–	–	–	–	–	–	–	(1,963)	–	(1,963)
Acquisition of additional interest in a subsidiary	–	–	–	–	(2,279)	–	–	–	–	–	(2,279)	–	(2,345)	(4,624)
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	926	–	–	–	–	–	926	–	(926)	–
Contribution from non-controlling shareholders	–	–	–	–	363,830	–	–	–	–	–	363,830	–	779,417	1,143,247
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(30,286)	(30,286)
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(51,564)	(51,564)	–	–	(51,564)
At 28 September 2010	306,319	2,358,956	469,120	92,481	309,822	–	112,228	(135,913)	9,800	2,286,078	5,808,891	35,482	4,583,702	10,428,075

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 September 2011

	Attributable to owners of the Company											Non-controlling Interests		
	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Investment revaluation reserve HK$'000	Warrant 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	Share of net assets of subsidiaries HK$'000	Total HK$'000
At 28 September 2010	306,319	2,358,956	469,120	92,481	309,822	–	112,228	(135,913)	9,800	2,286,078	5,808,891	35,482	4,583,702	10,428,075
Surplus on revaluation of properties	–	–	92,074	–	–	–	–	–	–	–	92,074	–	9,583	101,657
Deferred tax liability arising on revaluation of properties	–	–	(14,143)	–	–	–	–	–	–	–	(14,143)	–	–	(14,143)
Far value changes of available-for-sale investments	–	–	–	–	–	(72,590)	–	–	–	–	(72,590)	–	(36,650)	(109,240)
Exchange differences arising on translation of foreign operations	–	–	–	68,670	–	–	–	–	–	–	68,670	–	2,453	71,123
Other comprehensive income	–	–	77,931	68,670	–	(72,590)	–	–	–	–	74,011	–	(24,614)	49,397
Profit for the year	–	–	–	–	–	–	–	–	–	357,434	357,434	–	565,979	923,413
Total comprehensive income for the year	–	–	77,931	68,670	–	(72,590)	–	–	–	357,434	431,445	–	541,365	972,810
Issue of scrip dividend shares net of issue expenses	8,455	98,914	–	–	–	–	–	–	–	–	107,369	–	–	107,369
Issue of shares on exercise of Warrants	11	219	–	–	–	–	(21)	–	–	–	209	–	–	209
Expiry of warrants	–	112,207	–	–	–	–	(112,207)	–	–	–	–	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	7,882	–	–	–	–	–	7,882	–	(29,254)	(21,372)
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	(17,386)	–	–	–	–	–	(17,386)	–	17,386	–
Release reserve upon disposal of property	–	–	(1,400)	–	–	–	–	–	–	1,400	–	–	–	–
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	155,042	155,042
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(170,493)	(170,493)
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(140,911)	(140,911)	–	–	(140,911)
At 28 September 2011	314,785	2,570,296	545,651	161,151	300,318	(72,590)	–	(135,913)	9,800	2,504,001	6,197,499	35,482	5,097,748	11,330,729

The retained profits of the Group include accumulated profit of HK$1,173,000 (2010: HK$1,415,000) and accumulated profit of HK$75,011,000 (2010: HK$45,208,000) attributable to associates and a jointly-controlled entity of the Group, respectively.

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries at the date on which they were acquired by the Company and the nominal value of the Company's shares issued for the exchange of shares under the group reorganisation in 1994.

The other reserve of the Group represents the change in net assets attributable to the Group in relation to changes in ownership interests in subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 September 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit before taxation	988,402	1,145,967
Adjustments for:		
Interest income	(4,456)	(2,161)
Interest expense	564,045	449,017
Amortisation of prepayment to arrangers	172,640	172,640
Share of results of associates	242	(1,515)
Amortisation of prepaid lease payments	976	942
Depreciation of property, plant and equipment	643,727	479,050
Cost of early redemption of senior notes	116,331	–
Revaluation (increase) decrease of land and buildings	(347)	139
Fair value changes on investment properties	(72,849)	(63,277)
Fair value change on held-for-trading investments	357	(530)
Fair value change on derivative financial instruments	(12,977)	13,618
Fair value change of financial guarantee contracts	62,000	–
Gain on repurchase of convertible bonds	–	(3,473)
Premium paid on purchase of senior notes	–	1,232
Impairment loss on property, plant and equipment	–	9,776
(Gain) loss on disposal of property, plant and equipment	(1,111)	717
Operating cash flows before movements in working capital	2,456,980	2,202,142
(Increase) decrease in inventories	(1,132,599)	61,464
Increase in trade, bills, other receivables and prepayments	(2,104,247)	(1,357,367)
Increase in trade receivables with insurance coverage	(62,438)	(42,463)
(Increase) decrease in trade receivables with associates	(15,280)	67,147
Decrease (increase) in amounts due from associates	2,347	(7,225)
Increase in amount due from a jointly-controlled entity	(9,413)	(6,115)
Increase in trade, bills and other payables	716,650	700,777
Cash (used in) generated from operations	(148,000)	1,618,360
Tax paid	(49,528)	(7,980)
Interest paid	(546,028)	(411,579)
Net cash (used in) from operating activities	(743,556)	1,198,801

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 September 2011

	NOTES	2011 HK$'000	2010 HK$'000
Investing activities			
Interest received		4,456	2,161
Proceed on disposal of property, plant and equipment		7,466	275
Addition to property, plant and equipment (note A)		(1,394,778)	(1,418,795)
Addition to investment properties		(59,148)	(148,167)
Addition to available-for-sale investments		(426,786)	–
Advances to arrangers		(315,900)	–
(Increase) decrease in pledged deposits		(538,274)	14,652
Acquisition of subsidiaries	42	(428)	(894,441)
Acquisition of fishing permits		(18,720)	–
Net cash used in investing activities		(2,742,112)	(2,444,315)
Financing activities			
Acquisition of additional interest of a subsidiary		(21,372)	(4,624)
Proceeds from shares issued by a subsidiary		155,042	1,143,247
Proceeds from exercise of warrants		209	1
Share issue expenses		(11)	(920)
Net proceeds from issue of bonds		695,951	–
Redemption of senior notes	37	(1,751,705)	–
Purchase of senior notes	37	–	(28,759)
Repurchase of convertible bonds		–	(30,738)
Dividend paid to non-controlling shareholders		(170,493)	(30,286)
Dividend paid		(33,531)	(26,941)
Repayments of obligations under finance leases		(31,117)	(99,232)
Payment of deferred consideration		–	(39,839)
Club loan raised		3,315,000	–
Additions of mortgage loans		45,479	106,135
Repayments of mortgage loans		(21,526)	(26,619)
Syndicated loans repaid		(888,000)	(240,000)
Net bank advances drawn on discounted trade receivables with insurance coverage and discounted bills raised (repaid)		92,179	(44,109)
Increase (decrease) in bank overdrafts		12,068	(415)
Bank borrowings raised		780,000	518,700
Repayment of bank borrowings		(1,677,818)	(165,027)
Additions of working capital loans, net		2,796,117	496,232
Net cash from financing activities		3,296,472	1,526,806
Net (decrease) increase in cash and cash equivalents		(189,196)	281,292
Cash and cash equivalent at beginning of the year		635,066	361,888
Effect of foreign exchange rate changes		(3,094)	(8,114)
Cash and cash equivalents at end of the year		442,776	635,066
Representing by:			
Bank balances and cash		442,776	635,066
Note A			
Addition to property, plant and equipment		1,394,778	1,525,468
Less: Property, plant and equipment purchased under finance lease arrangements		–	(106,673)
Cash payments on purchase of property, plant and equipment		1,394,778	1,418,795

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is N.S. Hong Investment (BVI) Limited, a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is different from the functional currency of the Company, which is United States dollars, as the directors of the Company control and monitor the performance and financial position of the Company and the Group by using Hong Kong dollars.

The Company acts as an investment holding company and provides corporate management services to group companies. Details of the principal activities engaged in by the principal subsidiaries, associates and a jointly-controlled entity are set out in notes 49, 50, and 27 respectively.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HKFRS 5 and HKFRS 8
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 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of the above new and revised HKFRSs has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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. Such lease payments could not be allocated reliably between the land and building elements in prior years and so the entire lease was classified as a finance lease. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior periods.

2. Application of New and Revised Hong Kong Financial Reporting Standards – continued

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (as revised 2011)	Employee Benefits[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[5]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Venture[5]
HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1, HKAS 27 and HKAS 28[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangements[5]
HKFRS 12	Disclosure of Involvement with Other Entities[5]
HKFRS 13	Fair Value Measurement[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[1]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[5]

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

The effective date of HKFRS 9 has been changed from 1 January 2013 to 1 January 2015.

Under HKAS 12 Income Taxes, the measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow depending on whether an entity expect to recover the carrying amount of an asset by using it or by selling it. Under the amendments to HKAS 12, 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 carrying amount of 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 based on the tax consequences resulting from use. Under the amendments, in respect of the Group's investment properties in Hong Kong, the Group will 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.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HKRFS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgment.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

2. Application of New and Revised Hong Kong Financial Reporting Standards – continued

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 will result in changes in the classification of the Group's joint arrangements and their accounting treatments.

The directors of the Group are still in the process of ascertaining the financial impact of application of HKAS 12, HKFRS 9, HKFRS 10 and HKFRS 11.

The directors anticipate that the application of the other new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, investment properties, available-for-sale investments and derivative financial instruments, which are measured at revalued amounts or fair values as appropriate, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in associates and a jointly controlled entity.

3. Significant Accounting Policies – continued

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at fair value which is calculated as the aggregate of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, if the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, it is measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of the acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant HKFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (Revised 2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 "Share-based Payment"; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed one year from the acquisition date.

3. Significant Accounting Policies – continued

Business combinations – continued

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on acquisitions of net assets and operations of another entity or a jointly controlled entity prior to 1 January 2001 continues to be held in reserves, and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Goodwill arising on an acquisition of a business or a jointly controlled entity is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. Additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. Significant Accounting Policies – continued

Interests in associates – continued

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a jointly controlled entity (see above).

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group's interests.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

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

Service income is recognised when services are provided.

3. Significant Accounting Policies – continued

Revenue recognition – continued

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the terms of the relevant leases.

Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on the revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued land and building is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Construction in progress is property, plant and equipment in the course of construction for production (own use purposes). Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

When leasehold land and buildings are in the course of development for production, or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment other than freehold land and construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method as follows:

Leasehold land and buildings	25 years or lease term, whichever is shorter
Buildings on freehold land	33 years
Leasehold improvements	3 – 10 years
Furniture and fixtures	3 – 10 years
Office equipment	$2^1/_2$ – 10 years
Motor vehicles	$2^1/_2$ – 20 years
Plant and machinery	2 – 10 years
Vessels	10 – 20 years
Fishing nets	4 years

3. Significant Accounting Policies – continued

Property, plant and equipment – continued

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Vessel component costs include the cost of major components which are usually replaced or renewed at drydockings. The Group capitalises drydocking costs as they are incurred and depreciates these costs over their estimated useful lives of 5 years, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. For a transfer of an owner-occupied property to an investment property, the deemed cost of investment properties is the fair value of the owner-occupied property at the date of transfer. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and conditions, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale.

Impairment losses on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

3. Significant Accounting Policies – continued

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses above).

Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy above.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets above).

Deferred expenditure

Expenditures incurred which is directly attributable to activities carried out for the purpose of catching fish and other marine catches during voyages is initially recognised as prepaid expenses in the consolidated statement of financial position and released to profit or loss as an expense when the fish and marine catches are sold and revenue is recognised for the sale. Expenditure on each voyage is deferred to the extent that there is reasonable probability of recovery from sale of fish and other marine catches from that voyage. When it is probable that the costs incurred or to be incurred on a voyage will exceed the estimated value of the catches, the expected loss is recognised in profit or loss immediately.

Prepayment to arrangers

The amount represents future charter hire expense for fishing vessels which have been prepaid. They are recognised and charged to the profit or loss as charter hire expense pro-ratably over the period for which the prepayment is made and the benefits are expected to accrue.

The Group pays charter hire fees based on fixed rates and variable rates based on contracted percentages of the annual operating profit attributable to the vessels procured by counterparties (note 19). As the fixed portions of charter hire cost are payable during the charter hire period regardless of whether the vessels are deployed (save for certain exceptions during the earlier part of the charter hire), the Group expenses fixed charter hire cost on a time proportionate basis in profit or loss and does not include this cost in deferred expenses. Variable charter hire costs are determined when the net profit derived from operating the fishing vessels can be determined. Variable charter hire cost is accrued as an expense at the same time when revenue is recognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies – continued

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other long term receivables, trade, bills and other receivables, trade receivables with insurance coverage, trade receivables from associates, amounts due from associates, amount due from a jointly-controlled entity, pledged deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. Significant Accounting Policies – continued

Financial instruments – continued

Financial assets – continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss and loans and receivables or held to maturity investments.

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 the 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 (see accounting policy on impairment of financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less any identified impairment losses at the end of the reporting period subsequent (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, bills receivables and trade receivables with insurance coverage, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent period.

3. Significant Accounting Policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, bills receivables and trade receivables with insurance coverage, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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 the investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Rights, options, or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency are equity instruments, regardless of the currency in which the exercise price is denominated if the entity offers the rights, options, or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

Except for derivative financial liabilities, the Group's financial liabilities (including trade, bills and other payables, bank advances and borrowings, obligations under finance leases, bonds, convertible bonds, deferred consideration payable, dividend payable and senior notes) are subsequently measured at amortised cost, using the effective interest rate method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible notes

A conversion option embedded in a convertible bond that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is classified as an equity instrument. Such convertible bonds issued by the subsidiary of the Group containing both a liability component and an equity component, are classified separately into respective items on initial recognition. The fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes to the equity, is included in equity.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity component in proportion to the allocation of the proceeds. Transaction costs relating to the liability and equity components are included in the carrying amounts of the liability and equity portion respectively. Transaction costs included in the carrying amount of the liability portion are amortised over the period of the convertible bonds using the effective interest method.

3. Significant Accounting Policies – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values less transaction costs and, subsequently measured at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of the transferred assets (including discounted trade receivables with insurance coverage and discounted bills), the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Share-based payment transactions

Equity-settled share-based payment transactions

Share option/share awards granted to employees

The fair value of services received determined by reference to the fair value of share options or share awards granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve or share awards reserve).

At the end of the reporting period, the Group revises its estimates of the number of share options or share awards that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share options reserve or share awards reserve.

At the time when the share options or share awards are exercised, the amount previously recognised in the share options reserve or share awards reserve will be transferred to share premium. When the share options or share awards are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve or share awards reserve will be transferred to retained profits.

3. Significant Accounting Policies – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. Significant Accounting Policies – continued

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Retirement benefits costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when employee have rendered service entitling them to the contributions.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Key Sources of Estimation Uncertainty – continued

Impairment of quoted available-for-sale equity investment

As described in note 20, the Group has a quoted available-for-sale equity investment which was purchased at cost for approximately HK$421 million. The fair value of the investment as at 28 September 2011 is approximately HK$305 million.

HKAS 39 requires the recognition of an impairment loss for available-for-sale investment if there is objective evidence of impairment such as a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. The determination of what constitutes a significant or prolonged decline is a matter of fact that requires the application of judgment.

In making its judgment, management considered if there was objective evidence of impairment and concluded based on its analysis that no impairment is necessary (see note 20).

Carrying amount of prepayment to arrangers

As at 28 September 2011, the carrying amount of prepayment to arrangers (note 19) was HK$1,232,320,000 (2010: HK$1,404,960,000). The operation of vessels under the operating vessel agreements with the Arrangers (as defined in note 19) has been profitable after deducting recognition of the prepayment to arrangers over the periods for which the charter hires have been prepaid. The directors expect the operations to remain profitable in the foreseeable future and the carrying amount of the prepayment to arrangers to be recoverable from future operations.

Carrying amount of vessels and fishing permits

The carrying amounts of vessels and fishing permits (see note 15 and 22) totalled HK$1,958,509,000 and HK$1,457,904,000, respectively, as at 28 September 2011 (2010: 1,782,594,000 and HK$1,439,184,000 respectively). Determining whether the carrying amounts of these assets can be recovered requires an estimation of the value in use of the cash-generating units and a suitable discount rate in order to calculate present value. Management has evaluated these projections using assumptions on catch quantities, prices of catch and operating cost of this cash-generating unit.

Carrying amount of goodwill

The Group in determining whether goodwill is impaired estimates the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Details of the calculations are provided in note 18.

Goodwill arising from acquisition of subsidiaries during the year amounting to HK$3,333,000 in aggregate (2010: HK$177,589,000), has been provisionally determined based on management's assessment of the fair value of assets and liabilities acquired and is subject to changes. Based on management's assessment, management is of the view that the carrying amount of goodwill of HK$2,927,582,000 (2010: HK$2,907,624,000) is not impaired. Information relating to the carrying amount and management's assessment of goodwill is provided in note 18.

Useful lives of property, plant and equipment

The carrying amount of property, plant and equipment amounting to HK$6,481,012,000 (2010: HK$5,717,839,000) (excluding the carrying amounts of freehold land of HK$45,868,000 (2010: HK$46,287,000), and construction in progress of HK$421,432,000 (2010: HK$259,542,000)), have been determined after charging depreciation on a straight-line basis over the estimated useful life of these assets.

Components of these carrying amounts are detailed in note 15.

Management reviews the estimated useful lives of these assets at the end of the reporting period and has determined that the useful lives as stated in note 3 remain appropriate.

Estimation of allowance of doubtful debts

The Group makes allowance for doubtful trade, bills and other receivables where there is objective evidence of impairment. The identification of doubtful debts requires the use of judgment and estimates of future cash receipts. Where the future discounted cash flow of trade, bills and other receivables is lower than the carrying amount, such difference represents the allowance for doubtful debts recognised as an expense in profit or loss.

5. Financial Instruments, Financial Risks and Capital Risks Management

a. Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2011 HK$'000	2010 HK$'000
Financial assets		
Held-for-trading investments	3,397	3,754
Available-for-sale investments	319,174	7,800
Loans and receivables (including cash and cash equivalents)	4,141,822	2,789,850
	4,464,393	2,801,404
Financial liabilities		
Amortised cost	14,197,815	9,964,560
Derivative financial instruments	8,153	21,130
Financial guarantee contracts	62,000	–
	14,267,968	9,985,690

b. Financial risk management policies and objectives

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

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates, other price risk, credit qualities of counterparties and liquidity.

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

(i) Foreign currency risk management

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

5. Financial Instruments, Financial Risks and Capital Risks Management – continued

b. Financial risk management policies and objectives – continued

(i) Foreign currency risk management – continued

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

	Liabilities		Assets	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
United States dollars	944,463	745,272	155,747	209,904
Peruvian Nuevo Soles	63,300	57,320	100,529	67,951
Chinese Renminbi	732,752	5,080	510,135	2,273
Hong Kong dollars	6,498	8,177	3,974	6,875
Euro	19,152	10,587	156,628	9,012
Singapore dollars	130	619	3,385	2,559
British pounds	204	364	17	–
Japanese Yen	11,127	85	632	193
Norwegian Kroner	2,376	234	–	226
Australian dollars	–	–	66	1,789
Danish Krone	966	–	–	–

Foreign currency sensitivity

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

	2011		2010	
	Increase (decrease) in foreign exchange rates	Effect on profit or loss	Increase (decrease) in foreign exchange rates	Effect on profit or loss
		HK$'000		HK$'000
Peruvian Nuevo Soles	10%	3,723	10%	1,063
	(10%)	(3,723)	(10%)	(1,063)
Chinese Renminbi	10%	(22,262)	10%	(281)
	(10%)	22,262	(10%)	281
Euro	10%	13,748	10%	(158)
	(10%)	(13,748)	(10%)	158
Japanese Yen	10%	(1,050)	10%	11
	(10%)	1,050	(10%)	(11)

For other foreign currencies, the management considers that the amounts involved are insignificant and accordingly no sensitivity analysis is presented.

5. Financial Instruments, Financial Risks and Capital Risks Management – continued

b. Financial risk management policies and objectives – continued

(i) Foreign currency risk management – continued

Foreign currency sensitivity – continued

In addition, the Group has entered into foreign currency forward contracts with banks to reduce its exposure to currency fluctuation risk of contracted sales which are denominated in foreign currencies. The derivative is not accounted for under hedge accounting. The Group is required to estimate the fair value of the foreign currency forward contract at end of the reporting period.

The foreign currency forward contracts amounted to HK$8,153,000 (2010: HK$21,130,000) and has exposure to the forward exchange rate of the relevant foreign currencies against the functional currencies of each group entity.

The management considered that the Group's exposure to the foreign currency risk on these contracts is insignificant. Accordingly, no sensitivity analysis is presented.

(ii) Interest rate risk management

Interest-earning financial assets comprise pledged deposits, bank balances and fixed deposits (notes 30 and 31). Summary quantitative data of the Group's interest-bearing financial liabilities can be found in section (iv) of this note.

The Group is exposed to cash flow interest rate risk in relation to variable rate bank borrowings (note 34). The Group manages its exposure to changes in interest rates by locking in fixed rate borrowings through issue of convertible bonds (note 36), senior notes (note 37) and bonds (note 35), certain bank borrowings (note 34) and use of finance leases for which rates are fixed at inception of the finance leases (note 33). Although the Group is also exposed to fair value interest rate risk in relation to fixed rate borrowings, the Group's policy is to obtain the most favourable interest rates available and also by reviewing the terms of the interest-bearing liabilities to minimise the adverse effects of changes in interest rates.

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by HK$43,531,000 (2010: HK$25,142,000).

(iii) Credit risk management

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

At both 28 September 2011 and 28 September 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 46.

Sales of goods, fishes and related products are made to companies which the Group assesses to be of good credit rating through their trading and payment history as well as such commercial information which the Group obtains from time to time. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits and credit quality attributed to customers are reviewed periodically. Trade receivables that are neither past due not impaired are due substantially from companies with good collection track records with the Group. Management considers that the credit risk associated with the Group's trade receivables has been mitigated by the above risk management practices. The recoverable amount of each individual trade receivable is reviewed at the end of each reporting period and allowance is made for any estimated irrecoverable amount.

The Group has concentration of credit risk as follows: 13% (2010: 9%) and 48% (2010: 39%) of the Group's trade receivables, bills receivables and trade receivables with insurance coverage were due from the Group's largest customer and the five largest customers respectively. The Group allows a credit period of 30 days to 180 days to these five largest customers. These five largest customers include one supermarket chain, and four corporations which are engaged in manufacturing and selling of seafood products. The supermarket chain mainly operates in North America and the four corporations operate in many different countries. They have good historical repayment records and low default rates, and such trade and bills receivables are neither past due nor impaired. Other trade receivables consist of a large number of customers, spread across diverse geographical areas. In this regard, the Group does not have any other significant concentration of credit risk.

5. Financial Instruments, Financial Risks and Capital Risks Management – continued

b. Financial risk management policies and objectives – continued

(iii) Credit risk management – continued

As at 28 September 2011, the Group has a loan receivable of HK$152,046,000 to Asarmona Holdings Limited ("Asarmona") (note 24). The loan is secured by (i) 81% unlisted equity shares of two investees of which the Group holds 19% interest each and (ii) 100% equity interest in Asarmona, a wholly-owned subsidiary of one of the investee. The Group has classified its investments in the two investees as available-for-sale investments. The management closely monitors the consolidated financial position of the investees and allowance is made for estimated irrecoverable amount, if necessary.

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

The Group prepaid HK$2,225 million (2010: HK$2,225 million) of charter hire fees to the Arrangers for 17 (2010: 17) fishing vessels, the benefits of which are to be realised over 10 to 18 years up to 2025. The Group mitigates the risk relating to obligations of the counterparties in respect of the prepayment arrangements and the vessel operating agreements through the security documents described in note 19.

As at 28 September 2011, the Group advanced HK$315,900,000 to Arrangers for acquisition and upgrade of two fishing vessels under vessel operating agreements. The Group's exposure to credit risk arising from default of the Arrangers is limited as the Arrangers have good history of relationship with the Group and the advance amount will be set against future payments made by vessel owners on the basis of arrangements amongst members of the Group, the vessel owners and the Arrangers.

Other than as explained above, the Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics.

(iv) Liquidity risk management

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

Liquidity and interest risk analyses

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. For derivative instruments settle on a net basis, the undiscounted cash outflows are insignificant and therefore not presented.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Weighted average effective interest rate %	On demand or within 1 year HK$'000	Within 2 to 5 years HK$'000	After 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2011						
Non-derivative financial liabilities						
Non-interest bearing	–	2,240,028	–	–	2,240,028	2,240,028
Obligations under finance leases	8.88	45,250	81,714	–	126,964	95,117
Variable interest rate instruments (note a)	2.68	7,237,968	3,465,049	12,831	10,715,848	10,426,617
Fixed interest rate instruments	6.34	766,688	864,228	–	1,630,916	1,436,053
Financial guarantee contracts (note b)	–	981,404	–	–	981,404	981,404
		11,271,338	4,410,991	12,831	15,695,160	15,179,219

5. Financial Instruments, Financial Risks and Capital Risks Management – continued

b. Financial risk management policies and objectives – continued

(iv) Liquidity risk management – continued

Liquidity and interest risk analyses – continued

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010						
Non-derivative financial liabilities						
Non-interest bearing	–	1,529,880	–	–	1,529,880	1,529,880
Obligations under finance leases	9.26	48,275	128,040	–	176,315	126,234
Variable interest rate instruments (note a)	2.68	5,117,197	965,059	–	6,082,256	6,021,989
Fixed interest rate instruments	8.53	214,231	2,612,038	–	2,826,269	2,286,457
		6,909,583	3,705,137	–	10,614,720	9,964,560

Notes:

(a) Bank borrowings with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 28 September 2011 and 28 September 2010, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$155,206,000 and HK$143,278,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid two to twenty years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$179,190,000 (2010: HK$155,215,000).

(b) The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Derivative financial liabilities

At 28 September 2011, the undiscounted contractual net cash outflows on foreign exchange forward contracts that settle on a net basis within 1 year and within 2 to 5 years from the end of the reporting date were HK$6,279,000 (2010: HK$21,130,000) and HK$1,874,000 (2010: nil) respectively. The carrying amount of financial derivatives in the consolidated statement of financial position has been determined by reference to the quoted forward rates and yield curves derived from quoted interest rates at the end of the reporting period.

5. Financial Instruments, Financial Risks and Capital Risks Management – continued

b. Financial risk management policies and objectives – continued

(v) Other risk management

The Group's listed equity investment in Tassal Group Limited (Note 20) is classified as an available-for-sale investment, and is measured at fair value at the end of the reporting period. It is denominated in Australian dollars, a currency other than the functional currency of one of the group entity who holds the investment. The management has performed an analysis of the nature of market risk associated with the equity securities and concluded that the quoted price risk and foreign currency risk are more prominent in evaluating the market risk of this kind of investments. The management manages this exposure in accordance with the limits set by the Group.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risk at the reporting date. A 20% increase or decrease is used as it represents management's assessment of the possible change in price of equity securities.

If the prices of the respective equity securities has been 20% higher/lower, the Group's other comprehensive income for the year ended 28 September 2011 would increase/decrease by HK$61,074,000.

The management considered that the Group's exposure to equity security price risk arising from equity investments which are stated at cost less impairment and the held-for-trading investments is minimal as the amount involved is insignificant.

(vi) Fair values of financial assets and financial liabilities

The Group has listed equity securities which are measured at fair value. Fair value of listed equity securities is determined based on the quoted market bid price available on the relevant stock exchange.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forwards contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair value of financial guarantee contracts at initial recognition is at the present value of the expected loss of the guarantee where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The fair value of the other financial assets and financial liabilities (i.e. excluding available-for-sale investments, held-for-trading investments and derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. Financial Instruments, Financial Risks and Capital Risks Management – continued

b. Financial risk management policies and objectives – continued

(vi) Fair values of financial assets and financial liabilities – continued

	2011		2010	
	Level 1	Level 2	Level 1	Level 2
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Held-for-trading investments	3,397	–	3,754	–
Available-for-sale investments	305,372	–	–	–
Liabilities				
Derivative financial instruments	–	8,153	–	21,130
Financial guarantees contracts	–	62,000	–	–

There were no transfers between Level 1 and Level 2 during the year.

The directors consider that the carrying amounts of financial assets and financial liabilities that are recorded at amortised cost in the consolidated financial statements approximate to their fair values.

c. Capital risk management policies and objectives

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

The capital structure of the Group consists of net debt, which comprises the obligations under finance leases, bank borrowings, bonds, convertible bonds and senior notes disclosed in notes 33, 34, 35, 36 and 37, net of cash and cash equivalents and shareholders' equity.

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

The Group's overall strategy remains unchanged from the last year.

6. 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 and reportable 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 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 expenses 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.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, prepayments, advances, inventories, prepayment to arrangers, certain investment properties, property, plant and equipment and intangible assets. Additions to non-current assets are the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year and comprises purchase of property, plant and equipment, investment properties, goodwill and intangible assets directly attributable to the segment. Segment liabilities consist principally of accounts payable and accrued expenses.

There are no inter-segment sales and expenses during the current and prior year.

Investments in associates: Income from associates is allocated as they are specifically attributable to operating segments, and correspondingly the investments in associates are included in segment assets of the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without the allocation of certain other income, administrative expenses, gains or losses on revaluation 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.

6. Revenue and Segment Information – continued

Information regarding the above segments is reported below.

2011

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishing and fishmeal HK$'000	Others HK$'000	Consolidated HK$'000
INCOME STATEMENT					
REVENUE					
External sales	4,369,427	4,491,169	5,346,512	38,303	14,245,411
RESULT					
Segment result	393,224	447,324	1,426,681	20,289	2,287,518
Unallocated corporate income					81,254
Unallocated corporate expenses					(699,994)
Finance costs					(680,376)
Profit before taxation					988,402
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	7,552,491	5,223,302	12,803,608	204,619	25,784,020
Unallocated corporate assets					584,894
Total assets					26,368,914
LIABILITIES					
Segment liabilities	218,362	1,806,305	215,033	15,487	2,255,187
Unallocated corporate liabilities					12,782,998
Total liabilities					15,038,185
OTHER SEGMENT INFORMATION					
Interests in associates	2,195	898	–	–	3,093
Additions to non-current assets*	50,790	260,276	1,151,127	25,832	1,488,025
Depreciation of property, plant and equipment	53,068	111,781	462,555	16,323	643,727
Amortisation of prepaid lease payments	–	976	–	–	976
Amortisation of prepayment to arrangers	–	–	172,640	–	172,640

* Non-current assets excluding available-for-sale investments

6. Revenue and Segment Information – continued

2010

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishing and fishmeal HK$'000	Others HK$'000	Consolidated HK$'000
INCOME STATEMENT					
REVENUE					
External sales	3,228,667	4,004,680	4,203,661	33,535	11,470,543
RESULT					
Segment result	369,788	330,498	1,328,767	17,991	2,047,044
Unallocated corporate income					74,149
Unallocated corporate expenses					(526,209)
Finance costs					(449,017)
Profit before taxation					1,145,967
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	4,738,387	4,466,918	11,356,371	126,099	20,687,775
Unallocated corporate assets					477,096
Total assets					21,164,871
LIABILITIES					
Segment liabilities	164,890	1,145,291	223,837	9,641	1,543,659
Unallocated corporate liabilities					9,193,137
Total liabilities					10,736,796
OTHER SEGMENT INFORMATION					
Interests in associates	2,437	898	11,700	–	15,035
Additions to non-current assets	161,074	300,902	2,395,091	11,470	2,868,537
Depreciation of property, plant and equipment	36,043	113,557	323,736	5,714	479,050
Amortisation of prepaid lease payments	–	942	–	–	942
Amortisation of prepayment to arrangers	–	–	172,640	–	172,640

6. Revenue and Segment Information – continued

Geographical information

The Group's operations are located in Hong Kong and other regions in the People's Republic of China ("PRC"), North America, South America, Europe, East Asia, Africa and other parts of the world. The Group does not have a single identifiable country of domicile.

The Group's revenue from external customers based on the locations of the customers and information about its segment assets (non-current assets excluding available-for-sale investments, interests in associates and other long term receivable) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong and other regions in the PRC	6,552,198	6,116,710	3,874,146	3,711,455
North America	2,197,256	1,813,832	29,713	32,496
South America	15,011	5,850	6,000,457	5,958,481
Europe	2,118,230	2,331,234	3,264,714	2,318,296
East Asia	1,072,396	967,962	174,034	158,168
Africa	2,229,058	186,668	–	–
Others	61,262	48,287	–	–
	14,245,411	11,470,543	13,343,064	12,178,896

Information about major customers

There is only one customer with revenue more than 10% of the Group's total revenue, namely a customer from fishing and fishmeal segment with revenue of HK$1,511,445,000 (2010: HK$1,286,753,000).

7. Other Income

	2011 HK$'000	2010 HK$'000
Other income comprises of:		
Agency income	9,082	13,672
Compensation received from suppliers of fish (note)	119,848	106,825
Exchange gain, net	5,683	10,942
Fair value change on held-for-trading investments	–	530
Fair value changes on investment properties	72,849	63,277
Gain on repurchase of convertible bonds	–	3,473
Rental income from properties	7,950	7,399
Rental income from vessels	20,355	–
Revaluation increase on leasehold land and buildings	347	–
Gain on disposal of property, plant and equipment	1,111	–
Interest income	4,456	2,161
Reversal of provision for staff costs upon termination	–	16,348
Settlement from litigation	–	33,540
Dividend income	3,070	–
Sundry income	16,581	14,964
	261,332	273,131

Note: This relates to compensation for non-delivery of fish from suppliers within stipulated timeframe.

8. Other Expenses

	2011 HK$'000	2010 HK$'000
Other expenses comprise of:		
Impairment loss on property, plant and equipment	–	9,776
Loss on disposal of property, plant and equipment	–	717
Premium paid on purchase of senior notes	–	1,232
Revaluation decrease on leasehold land and buildings	–	139
Fair value of financial guarantee contracts	62,000	–
Fair value change on held-for-trading investments	357	–
Severance payments	8,512	7,019
Others	48,802	22,427
	119,671	41,310

9. Finance Costs

	2011 HK$'000	2010 HK$'000
Interest on bank borrowings wholly repayable within five years	327,548	226,697
Interest on finance leases	9,536	12,989
Interest on convertible bonds wholly repayable within five years	52,934	52,376
Interest on bonds wholly repayable within five years	17,101	–
Interest on senior notes wholly repayable within five years	156,926	156,955
	564,045	449,017

10. Profit Before Taxation

	2011 HK$'000	2010 HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepayment to arrangers (included in cost of sales)	172,640	172,640
Auditor's remuneration	11,648	8,363
Depreciation of property, plant and equipment	643,727	479,050
Amortisation of prepaid lease payments (included in administrative expenses)	976	942
Cost of inventories included in cost of sales	7,712,663	6,013,143
Transportation, declaration and certificate expenses (included in selling and distribution expenses)	380,733	251,313
Directors' emoluments (note 11)	28,978	24,429
Staff costs	205,247	147,052
Crew wages	589,497	464,722
Retirement benefits scheme contributions	17,619	12,545
Total staff costs	812,363	624,319
and after crediting:		
Net rental income from properties after outgoings of HK$8,128,000 (2010: HK$7,333,000)	11,931	11,549

11. Directors' Emoluments

	Fees HK$'000	Salaries and other benefits-in-kind-cash HK$'000	Benefits in-kind HK$'000	Performance related incentive payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2011						
Executive Directors						
Teh Hong Eng	–	2,901	1,974	1,200	–	6,075
Ng Joo Siang	–	4,386	1,974	1,200	216	7,776
Ng Joo Kwee	–	3,369	901	1,200	216	5,686
Ng Joo Puay, Frank	–	2,379	829	960	173	4,341
Ng Puay Yee	–	2,659	659	900	162	4,380
Independent Non-Executive Directors						
Lew V Robert	240	–	–	–	–	240
Kwok Lam Kwong, Larry	240	–	–	–	–	240
Tao Kwok Lau, Clement	240	–	–	–	–	240
	720	15,694	6,337	5,460	767	28,978

	Fees HK$'000	Salaries and other benefits-in-kind-cash HK$'000	Benefits in-kind HK$'000	Performance related incentive payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2010						
Executive Directors						
Teh Hong Eng	–	2,665	1,650	600	–	4,915
Ng Joo Siang	–	3,754	1,662	600	198	6,214
Ng Joo Kwee	–	3,920	820	600	198	5,538
Ng Joo Puay, Frank	–	2,207	724	480	158	3,569
Ng Puay Yee	–	2,331	601	400	141	3,473
Independent Non-Executive Directors						
Lew V Robert	240	–	–	–	–	240
Kwok Lam Kwong, Larry	240	–	–	–	–	240
Tao Kwok Lau, Clement	240	–	–	–	–	240
	720	14,877	5,457	2,680	695	24,429

11. Directors' Emoluments – continued

None of the directors waived any emoluments during the year.

Performance related incentive payment is determined having regard to the performance of individuals and market trends.

Benefits-in-kind mainly represent the estimated monetary value with reference to the ratable value of accommodation provided to certain directors of the Company.

Benefits-in-kind-cash represent the tax benefit and children education benefits provided to certain directors of the Company.

The five highest paid individuals of the Group for the years ended 28 September 2011 and 2010 are all directors of the Company.

12. Taxation

	2011 HK$'000	2010 HK$'000
The charge comprises:		
On profit for the year		
– Hong Kong	1,530	1,953
– People's Republic of China	4,995	3,214
– other jurisdictions	88,460	20,779
	94,985	25,946
(Over) under provision in prior year		
– Hong Kong	(772)	3,227
– other jurisdictions	–	4,734
	(772)	7,961
Deferred taxation (note 38)	(29,224)	21,231
Tax charge for the year	64,989	55,138

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

In the opinion of the directors, substantially all of the Group's profits neither arises in, nor are derived from, Hong Kong and accordingly those profits are not subject to Hong Kong Profits Tax.

12. Taxation – continued

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 100% tax exemption from the tax bureau of the PRC during the year ended 28 September 2010 which will continue until further notice from the tax bureau. The deferred tax liability of HK$30,000,000 previously recognised on revaluation of properties held by PAF accumulated in equity was reversed in other comprehensive income in that year.

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2011 HK$'000	2010 HK$'000
Profit before taxation	988,402	1,145,967
Tax at average income tax rate of 28.8% (2010: 27.7%)	284,575	313,353
Tax effect of expenses not deductible for tax purpose	67,256	33,500
Tax effect of income not taxable for tax purpose	(277,037)	(316,151)
(Over) underprovision in respect of prior year	(772)	7,961
Tax effect of tax losses not recognised	9,235	21,402
Utilisation of tax losses previously not recognised	(18,497)	(3,114)
Tax effect of other deductible temporary differences not recognised	–	315
Utilisation of other deductible temporary differences previously not recognised	(519)	–
Tax effect of share of results of associates	40	(250)
Others	708	(1,878)
Tax charge for the year	64,989	55,138

Note: The average income tax rate represents the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of net profit before taxation and the relevant statutory rates.

13. Dividends

	2011 HK$'000	2010 HK$'000
Dividends:		
Proposed final dividend of HK3.6 cents (2010: HK4.6 cents) per share	113,323	140,911

The final dividend for the year ended 28 September 2011 of HK3.6 cents has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

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 18 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 dividends of HK$33,531,000 were paid.

13. Dividends – continued

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.

14. 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:

	2011 HK$'000	2010 HK$'000
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	357,434	493,025
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	3,094,284,433	3,028,627,417
Effect of dilutive potential ordinary shares in respect of share award	7,305,068	7,100,372
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	3,101,589,501	3,035,727,789

The computation of diluted earnings per share for both years does not assume the conversion of the Group's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

The computation of diluted earnings per share for both years does not assume the conversion of the Company's outstanding warrants as the exercise price of the Company's warrants was higher than the average market price per share for both years.

15. Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Freehold land outside Hong Kong HK$'000	Buildings on freehold land HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Vessels HK$'000	Fishing nets HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION												
At 29 September 2009	1,555,546	41,423	152,401	98,659	24,878	104,135	48,867	1,461,154	705,504	54,671	1,036,948	5,284,186
Additions	63,642	–	–	1,814	544	48,070	3,768	576,143	383,207	–	448,280	1,525,468
Acquisition of subsidiaries	–	4,864	4,637	–	668	74	–	50,778	85,340	10,439	–	156,800
Disposals	–	–	–	(5)	(72)	(1,605)	(1,986)	(7,225)	–	–	–	(10,893)
Reclassification	854	–	–	(632)	–	5,897	–	384,556	836,951	–	(1,227,626)	–
Adjustment on revaluation	77,459	–	–	–	–	–	–	–	–	–	–	77,459
Exchange realignment	26,843	–	–	964	73	1,369	546	4,021	–	–	1,940	35,756
At 28 September 2010	1,724,344	46,287	157,038	100,800	26,091	157,940	51,195	2,469,427	2,011,002	65,110	259,542	7,068,776
Additions	85,324	647	3,277	7,706	490	15,672	3,842	781,555	241,332	–	254,933	1,394,778
Acquisition of subsidiaries	–	–	12,046	–	–	–	–	–	–	–	–	12,046
Disposals	(4,240)	(1,066)	–	–	(82)	(2,043)	(5,321)	(3,965)	–	–	–	(16,717)
Reclassification	–	–	585	–	150	109	340	17,899	70,843	8,155	(98,081)	–
Reclassification to investment properties	(11,193)	–	–	–	–	–	–	–	–	–	–	(11,193)
Adjustment on revaluation	27,805	–	–	–	–	–	–	–	–	–	–	27,805
Exchange realignment	62,464	–	–	2,268	144	4,471	1,317	9,863	–	–	5,038	85,565
At 28 September 2011	1,884,504	45,868	172,946	110,774	26,793	176,149	51,373	3,274,779	2,323,177	73,265	421,432	8,561,060
Comprising:												
28 September 2011												
At cost	–	45,868	172,946	110,774	26,793	176,149	51,373	3,274,779	2,323,177	73,265	421,432	6,676,556
At valuation	1,884,504	–	–	–	–	–	–	–	–	–	–	1,884,504
	1,884,504	45,868	172,946	110,774	26,793	176,149	51,373	3,274,779	2,323,177	73,265	421,432	8,561,060
28 September 2010												
At cost	–	46,287	157,038	100,800	26,091	157,940	51,195	2,469,427	2,011,002	65,110	259,542	5,344,432
At valuation	1,724,344	–	–	–	–	–	–	–	–	–	–	1,724,344
	1,724,344	46,287	157,038	100,800	26,091	157,940	51,195	2,469,427	2,011,002	65,110	259,542	7,068,776
DEPRECIATION AND IMPAIRMENT												
At 29 September 2009	–	–	9,866	66,114	18,988	66,441	30,577	278,386	129,967	29,667	–	630,006
Provided for the year	67,225	–	3,365	13,216	2,208	17,147	5,756	258,824	98,441	12,868	–	479,050
Eliminated on disposals	–	–	–	(5)	(62)	(1,488)	(1,524)	(6,822)	–	–	–	(9,901)
Impairment loss recognised	–	–	–	–	–	–	–	9,776	–	–	–	9,776
Adjustment on revaluation	(67,225)	–	–	–	–	–	–	–	–	–	–	(67,225)
Exchange realignment	–	–	–	634	66	1,030	305	1,367	–	–	–	3,402
At 28 September 2010	–	–	13,231	79,959	21,200	83,130	35,114	541,531	228,408	42,535	–	1,045,108
Provided for the year	74,256	–	4,678	7,522	2,024	13,021	5,363	386,154	136,260	14,449	–	643,727
Eliminated on disposals	(57)	–	–	–	(76)	(1,807)	(4,666)	(3,756)	–	–	–	(10,362)
Adjustment on revaluation	(74,199)	–	–	–	–	–	–	–	–	–	–	(74,199)
Exchange realignment	–	–	–	1,661	132	2,431	677	3,573	–	–	–	8,474
At 28 September 2011	–	–	17,909	89,142	23,280	96,775	36,488	927,502	364,668	56,984	–	1,612,748
CARRYING VALUES												
At 28 September 2011	1,884,504	45,868	155,037	21,632	3,513	79,374	14,885	2,347,277	1,958,509	16,281	421,432	6,948,312
At 28 September 2010	1,724,344	46,287	143,807	20,841	4,891	74,810	16,081	1,927,896	1,782,594	22,575	259,542	6,023,668

15. Property, Plant and Equipment – continued

The carrying amount of the Group's plant and machinery include an amount of HK$77,563,000 (2010: HK$134,311,000) in respect of assets held under finance leases.

The net book values of leasehold land and buildings shown above comprises:

	2011 HK$'000	2010 HK$'000
Land and building in Hong Kong held under long leases	609,130	527,450
Land and buildings outside Hong Kong held under medium-term leases	1,275,374	1,196,894
	1,884,504	1,724,344

The Group's interests in leasehold land and buildings in Hong Kong, Singapore, Japan and Russia cannot be allocated reliably between the land and building elements and so the entire leases are classified as finance leases. The leasehold land and buildings of the Group in Hong Kong and the PRC, Singapore, Japan and Russia were revalued at 28 September 2011 on a basis of a valuation carried out on that date by BMI Appraisals Limited and LCC Apex Group, independent property valuers. 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 was based on the direct comparison method by reference to market transaction prices of similar properties or on income approach by taking into account the current rents passing and the reversionary income potential of tenancies. The valuation gave rise to a net revaluation increase of HK$102,004,000 (2010: HK$144,684,000) in which HK$101,657,000 (2010: HK$144,823,000) has been credited to the properties revaluation reserve and HK$347,000 has been credited to profit or loss (2010: HK$139,000 have been charged to profit or loss).

Certain land and buildings have been pledged to secure a mortgage loan of the Group (note 47).

If leasehold land and buildings of the Group had not been revalued, they would have been included on a historical cost basis at the following amounts:

	HK$'000
Cost	1,415,581
Accumulated depreciation	(234,866)
Carrying value	
At 28 September 2011	1,180,715
At 28 September 2010	1,163,196

16. Investment Properties

	2011 HK$'000	2010 HK$'000
FAIR VALUE		
At beginning of the year	506,515	292,229
Exchange realignment	3,540	2,842
Additions	59,148	148,167
Transferred from property, plant and equipment (note 15)	11,193	–
Increase in fair value recognised to profit or loss	72,849	63,277
At end of the year	653,245	506,515

(a) The Group's property interests of HK$532,577,000 (2010: HK$416,828,000) which are held to earn rentals or capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(b) The carrying amount of investment properties includes land and buildings situated in Hong Kong and outside of Hong Kong as follows:

	2011 HK$'000	2010 HK$'000
Land and buildings in Hong Kong held under long leases	105,160	87,490
Land and buildings in Hong Kong held under medium leases	206,180	147,830
Land and buildings outside Hong Kong held under medium-term leases	9,969	8,317
Land and buildings outside Hong Kong held under long leases	211,268	173,191
Freehold land outside Hong Kong	120,668	89,687
	653,245	506,515

(c) The investment properties of the Group were revalued at 28 September 2011 on a basis of a valuation carried out on that date by BMI Appraisals Limited and Bogeria Consulting Company, independent property valuers. BMI Appraisals Limited and Bogeria Consulting Company have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was based on the direct comparison method by reference to market transaction prices of similar properties or on income 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$72,849,000 (2010: HK$63,277,000) which has been recognised in the profit or loss.

17. Prepaid Lease Payments

	2011 HK$'000	2010 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Medium-term lease	45,278	46,907
Analysed for reporting purposes as:		
Non-current asset	43,941	45,622
Current asset (included in trade, bills, other receivables and prepayments in note 24)	1,337	1,285
	45,278	46,907

18. Goodwill

	HK$'000
GROSS AMOUNT	
At 29 September 2009	2,743,390
Arising on the acquisition subsidiaries (note 42)	177,589
At 28 September 2010	2,920,979
Adjustment to goodwill provisionally determined	16,625
Arising on the acquisition of a subsidiary (note 42)	3,333
At 28 September 2011	2,940,937
IMPAIRMENT	
At 29 September 2009, 28 September 2010 and 28 September 2011	(13,355)
CARRYING AMOUNTS	
At 28 September 2011	2,927,582
At 28 September 2010	2,907,624

During the current year, the Group completed the valuation of the net assets of Pesquera Alejandria S.A.C., a subsidiary 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.

18. Goodwill – continued

On 23 December 2010, the Group 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 became a wholly-owned subsidiary of the Group afterwards. This 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 is allocated to four groups of cash generating units (CGUs) before impairment. The carrying amounts of goodwill after impairment as at 28 September 2011 and 2010 allocated to the groups of units are as follows:

	2011 HK$'000	2010 HK$'000
Frozen Fish SCM operation – Pacific Andes Resources Development Limited ("PARD")	13,245	13,245
Fish Fillets processing and distribution – National Fish and Seafood Inc.	15,594	15,594
Pacific Ocean fishing operation – China Fisheries International Limited ("CFIL")	1,780,068	1,780,068
Peruvian fishing and fishmeal operations – CFG Investment S.A.C. ("CFGI")	1,118,675	1,098,717
	2,927,582	2,907,624

The recoverable amounts of these groups of CGUs have been determined based on a value in use calculations. These groups of CGUs operate in related and similar business environments. 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 these groups of CGU. 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.

Frozen Fish SCM operation and Fish Fillets processing and distribution

The management of the Group conducted impairment reviews on the goodwill using the cash flow forecast derived from the most recent financial budgets for the next five years for Frozen Fish SCM and Fish Fillets processing and distribution operations.

The 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 groups of CGU and 20% (2010: 20%) for the Frozen Fish groups of CGU 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 cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount.

18. Goodwill – continued

Pacific Ocean fishing and Peruvian fishing and fishmeal operations

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 and Peruvian fishing and fishmeal operations at 28 September 2011. Based on the report of the valuer dated 23 December 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 and Peruvian fishing and fishmeal operations include:

(i) forecasted projected cash flows up to 2021 (2010: 2020) and projection of terminal value using the perpetuity method;

(ii) growth rate of 3.3% to 5% per annum during the forecast period (2010: 3.3%); and

(iii) use of 7.72% (2010: 8.07%) for Pacific Ocean fishing operations and use of 17.26% (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.

19. Prepayment to Arrangers/Advances to Arrangers

	2011 HK$'000	2010 HK$'000
Prepayment to arrangers	2,224,560	2,224,560
Less: accumulated amortisation	(992,240)	(819,600)
	1,232,320	1,404,960
Included as current assets	(172,640)	(172,640)
Included as non-current assets	1,059,680	1,232,320
Cost:		
At beginning of year and at end of year	2,224,560	2,224,560
Accumulated amortisation:		
At beginning of year	819,600	646,960
Amortisation during the year	172,640	172,640
At end of year	992,240	819,600

19. Prepayment to Arrangers/Advances to Arrangers – continued

Amortised prepayment to arrangers is charged to cost of sales in the profit or loss.

A subsidiary, CFIL, entered into the vessel operating agreements ("VOA") with two companies, Perun Limited ("Perun") and Alatir Limited ("Alatir") (collectively known as "Arrangers") for 10 to 18 years (2010: 10 to 18 years) to charter hire 17 vessels (2010: 17 vessels) together with the allocated fish quotas in Pacific Ocean. Under the VOA, CFIL made prepayments of the fixed charter hire payments. Under the VOA, the Group is also required to pay variable rate charter hire fees for those 17 (2010: 17) vessels based on contracted percentages of the annual operating profit attributable to the vessels procured by counterparties. To secure the prepayments and to ensure that the counterparties comply with their obligations under the VOA, the counterparties executed the following documents (collectively referred to as "Security Documents") in favour of CFIL:

(i) a charge of all the issued shares of the counterparties (the "Charges");

(ii) a debenture over all the present and future assets of the counterparties (the "Debentures"); and

(iii) an entrusted management agreement to vest upon the nominee of CFIL, the management and control of the counterparties in respect of and limited to the performance and obligations of the vessel operating agreements.

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

(i) any default by the counterparties in the due performance of any undertaking, condition or obligation to be performed and observed in the VOA, the Charges, the Debentures or any other instruments or agreements entered for the benefit of CFIL; and

(ii) any failure of the counterparties to pay any sum payable from time to time to CFIL on the due date whether in connection with the VOA, the Charges, the Debentures or any other security granted in favour of CFIL by each of Perun and Alatir.

The advances to Arrangers as of 28 September 2011 are unsecured, interest-free and represent advances to the Arrangers for the acquisition and upgrade of two fishing vessels under the vessel operating agreements. The advanced amounts will be offset against future payments made by the Arrangers on behalf of the Group on the basis of arrangements amongst members of the Group, the vessel owners and the Arrangers. The management does not expect the future payments (which will be set off against the advances) to be made during the next 12 months.

20. Available-for-Sale Investments

	2011	2010
	HK$'000	HK$'000
Listed equity securities	305,372	–
Unlisted equity securities	7,802	7,800
Investment fund	6,000	–
	319,174	7,800

On 8 December 2010, the group 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$421 million). Tassal is principally engaged in the hatching, farming, processing, sales and marketing of Atlantic salmon in Australia and is listed on the Australia Securities Exchange. Such available-for-sale investments are measured at fair value using the quoted price on Australia Securities Exchange. In determining whether the available for sale investments have been impaired, the Group has taken into account the fact that market price as at 28 September 2011 is 23.5% lower than the cost and the duration of the decline in fair value is around 8 months. The determination that these do not constitute a significant or prolonged decline requires the application of judgement. The Group also made the following assessments in deferring that there was no objective evidence that these investments were impaired:

– the Group considered the market price is not a fair reflection of the intrinsic value of Tassal and the decline in market price is primarily related to overall market condition that is not related specifically to Tassal;

– the Group assessed the net assets per share of Tassal was further evidence of the intrinsic value of Tassal being higher than market price as at date of authorisation of the financial statements and the price as at year end of Tassal; and

– the investment in Tassal is a long term investment and is not expected to be disposed of in the near term. The group has the financial liability to hold on to the investment for the foreseeable future.

In accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", the Group also considers if there is other objective evidence that the investment is impaired such as observable data that comes to the attention of the Group on any loss events.

In addition, the Group considers if there is objective evidence of impairment based on information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates which indicates that the investment may not be recovered.

Based on the above assessments, the Group considered there was no impairment of the investment and hence the changes in fair value has been recognised in other comprehensive income.

The unlisted equity securities and the investment fund are carried at cost, less impairment as no fair value can be reliably determined. In the opinion of management, no impairment is considered necessary.

21. Interests in Associates

	2011 HK$'000	2010 HK$'000
Cost of investments – unlisted	1,920	13,620
Share of post-acquisition results	1,173	1,415
	3,093	15,035

Particulars of the Group's principal associates as at 28 September 2011 and 2010 are set out in note 50.

The summarised financial information in respect of the Group's associates is set out below:

	2011 HK$'000	2010 HK$'000
Total assets	145,054	144,596
Total liabilities	(162,300)	(168,725)
Net liabilities	(17,246)	(24,129)
Group's share of associates' net assets	3,093	15,035

	2011 HK$'000	2010 HK$'000
Revenue	847,967	869,119
(Loss)/profit for the year	(1,210)	7,938
Group's share of result of associates for the year	(242)	1,515

22. Other Intangible Assets

	Fishing permits HK$'000	Club memberships HK$'000	Total HK$'000
Cost:			
At 29 September 2009	578,671	23,963	602,634
From acquisition of subsidiaries (note 42)	860,513	–	860,513
At 28 September 2010	1,439,184	23,963	1,463,147
From acquisition of fishing vessels	18,720	–	18,720
At 28 September 2011	1,457,904	23,963	1,481,867

Fishing permits are granted by the authority in Peru. The fishing permits are attached to fishing vessels and are transferable to other fishing vessels.

During the year ended 28 September 2010, the cost of acquiring the subsidiary which owns the fishing vessels and fishing permits (note 42) is allocated to the respective component of assets acquired on the basis of valuation reports prepared by J. R. Z. Adjustadores y Peritos de Seguros S.A.C., independent third party valuer in Peru.

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

As stated in note 18, the Group has engaged an independent financial advisor located in Hong Kong 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 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 operators. Key assumptions for the estimation are disclosed in note 18. 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.

23. Inventories

	2011 HK$'000	2010 HK$'000
Inventories, at cost, consists of the following:		
Frozen fish and other seafood products	1,877,132	1,011,953
Fillets and portions	791,764	643,991
Fishmeal	84,816	68,125
Supplies	82,529	28,822
Fuel	34,952	8,349
Packing materials	47,701	25,055
	2,918,894	1,786,295

Certain inventories have been pledged as security for the financing facilities obtained from banks (note 47).

24. Trade, Bills, Other Receivables and Prepayments

	2011 HK$'000	2010 HK$'000
Trade receivables	2,037,018	1,316,245
Bills receivables	3,650	5,101
Current portion of prepaid lease payments (note 17)	1,337	1,285
Balances with Arrangers (note a)	842,205	518,003
Deferred expenditure (note b)	373,575	432,240
Loan receivable (note c)	152,046	–
Prepayments for fish	4,138,051	3,219,857
Other receivables and prepayments	425,549	375,713
	7,973,431	5,868,444

The Group maintains a defined credit policy. For sales of goods, the Group generally allows an credit period of 30 days to 180 days to its trade customers. The aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2011 HK$'000	2010 HK$'000
Less than 30 days	796,430	409,535
31-60 days	180,837	179,358
61-90 days	80,516	49,405
91-120 days	241,872	166,319
Over 120 days	741,013	516,729
	2,040,668	1,321,346

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

An allowance for estimated irrecoverable amount of trade receivables of HK$4,858,000 (2010: HK$5,914,000) has been determined by reference to management's estimation of irrecoverable amounts. The Group has provided fully for receivables over 180 days old based on historical experience.

There is no trade receivable which is past due but not impaired. The directors of the Company are of the opinion that the credit quality of the trade receivable balances that are neither past due nor impaired at the end of the reporting period is of good quality. Bills receivable are repayable on the pre-determined date and the counterparties are mainly banks with high credit rating, therefore, the directors of the Company consider these balances are not impaired.

24. Trade, Bills, Other Receivables and Prepayments – continued

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

	2011 HK$'000	2010 HK$'000
United States dollars	6,239	17,732
Peruvian Nuevo Soles	98,073	61,040
Chinese Renminbi	10,361	843
Hong Kong dollars	692	861
Euro	155,736	1,550
Singapore dollars	–	15
Norwegian Krone	–	226
Australian dollars	65	–

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	5,914	10,722
Written off against trade receivables during the year	(1,056)	(4,808)
Balance at end of the year	4,858	5,914

Notes:

a. The balances with Arrangers represent advances to the Arrangers for additional fishing tickets so as to be to able have additional quota for fishing in the Pacific Ocean, which are obtained after payment of a resources utilisation fee based on the planned catch volume. The balances also consist of working capital advances for the operation of the vessels under the vessel operating agreements as disclosed in note 19.

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

The amount is interest is interest-free and covered by the security arrangements set out in not 19.

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

c. As at 28 September 2011, the amount represents the loan receivable of HK$152,046,000 from Asarmona. The loan is interest free and is secured by (i) 81% unlisted equity shares of two investees of which the Group holds 19% interest each and (ii) 100% equity interest in Asarmona, a wholly-owned subsidiary of one of the investees. The purpose of making the loan is to finance the working capital of the underlying operating entities held by the two investees and Asarmona. The loan is denominated in Euro and Euro 20 million was first advanced on 1 September 2011 and Euro 5,650,000 has been repaid to the Group during September 2011.

25. 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 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 180 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:

	2011 HK$'000	2010 HK$'000
Less than 30 days	214,975	193,344
31-60 days	105,768	89,478
61-90 days	33,101	24,057
91-120 days	25,328	11,147
Over 120 days	3,180	1,888
	382,352	319,914

Trade receivables with insurance coverage are neither past due nor impaired.

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

	2011 HK$'000	2010 HK$'000
Hong Kong dollars	–	1,976
Euro	–	1,625

The bank advances drawn on discounted trade receivable with insurance and discounted bills carried an average effective interest rate of approximately 2.7% (2010: 2.6%) per annum and are repayable within one year.

26. Trade Receivables From Associates and Amounts Due From Associates

The amounts due from associates are unsecured, interest-free and are repayable on demand and the directors expect to recover these amounts within twelve months from the end of the reporting period.

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 and they are neither past due nor impaired. The directors of the Company are of the opinion that the credit quality of the trade receivables from associates is of good quality.

27. Amount Due From A Jointly-Controlled Entity

The amount due from a jointly-controlled entity is unsecured, interest-free and is repayable within one year.

The details of the jointly-controlled entity are as follows:

Name of jointly-controlled entity	Principal activity/ country of incorporation/place of business	Effective equity interest held by Group 2011	2010
Able Team Investments Limited ("Able Team")	Investment property holding/Hong Kong/Russia	33.3%	33.3%

Notes:

The Group's jointly-controlled entity represents the 33.3% equity interest in Able Team. The following amounts are included in the financial statements of the Group as a result of proportionate consolidation of the jointly-controlled entity, Able Team.

	2011 HK$'000	2010 HK$'000
Non-current assets	140,181	96,116
Current assets	14,187	5,726
Current liabilities	(23,344)	(11,850)
Non-current liabilities	(37,500)	(21,246)
Net assets	93,524	68,746

	2011 HK$'000	2010 HK$'000
Revenue	11,754	11,483
Cost of sales	(10,012)	(5,682)
Other income	38,873	17,693
Finance costs	(2,496)	(1,283)
Profit before taxation	38,119	22,211
Taxation	(8,316)	(4,928)
Profit for the year	29,803	17,283
Other comprehensive expense	(5,025)	(1,312)

28. Held-for-Trading Investments

Held-for-trading investments represents equity securities listed outside Hong Kong.

29. Other Financial Liabilities

	2011 HK$'000	2010 HK$'000
Derivative financial instruments (note)	8,153	21,130
Financial guarantee contracts (note 46)	62,000	–
	70,153	21,130

Note:

During the year, the Group has entered into foreign currency forward contracts with banks to reduce its exposure to currency fluctuation risk of contracted sales and payment of operating expenses which are denominated in foreign currencies. The derivatives are not accounted for under hedge accounting. At 28 September 2011, the fair value of the foreign currency forward contracts is HK$8,153,000 (2010: HK$21,130,000), which is settled on a net basis. The major terms of the foreign currency forward contracts are as follows:

Aggregate principal amounts	Maturity dates	Contracted exchange rates
At 28 September 2011		
Sell JPY 6,061,750,000	From March 2012 to August 2014	US$1 at JPY 70.90 to JPY 79.50
Buy US$20,000,000	From July 2012 to August 2012	US$1 at RMB6.2740 to RMB6.3700
Sell US$31,947,000	From October 2011 to August 2012	US$1 at RMB6.3090 to RMB6.4645
At 28 September 2010		
Sell JPY 6,000,000,000	From April 2011 to May 2011	US$1 at JPY 86.00 to JPY 87.00
Sell Euro 18,500,000	From December 2010 to January 2011	Euro 1 at US$1.25 to US$1.35
Buy Euro 23,500,000	From December 2010 to July 2011	Euro 1 at US$1.22 to US$1.33
Buy US$ 68,700,000	From November 2010 to April 2011	US$1 at RMB6.6300 to RMB6.6677
Sell US$ 68,700,000	From November 2010 to April 2011	US$1 at RMB6.7236 to RMB6.7435

30. Pledged Deposits

Deposits are pledged to the banks to secure an export invoice discounting facility and other short term loans granted to the Group. As at 28 September 2010, deposits were also pledged for a term loan granted to the Group. The interest rates on the deposits ranged from nil to 0.80% (2010: 0.23%) per annum.

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

	2011 HK$'000	2010 HK$'000
Chinese Renminbi	487,758	–

31. Bank Balances and Cash

Bank balances and cash comprises cash at bank and on hand held by the Group.

The interest rates on cash placed with financial institutions ranged from nil to 0.1% (2010: nil to 0.54%) per annum.

The Group's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	2011 HK$'000	2010 HK$'000
United States dollars	149,508	192,172
Peruvian Nuevo Soles	2,456	6,911
Chinese Renminbi	12,016	1,430
Hong Kong dollars	3,282	4,038
Euro	892	5,837
Singapore dollars	3,385	2,544
British pounds	17	–
Japanese Yen	632	193
Australian dollars	1	1,789

32. Trade, Bills and Other Payables

Included in trade, bills and other payables are trade payables of HK$1,962,821,000 (2010: HK$1,261,852,000). The average credit period on purchase of goods is 30 days (2010: 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:

	2011 HK$'000	2010 HK$'000
Less than 30 days	818,332	457,578
31-60 days	283,435	215,230
61-90 days	34,584	434,573
Over 90 days	826,470	154,471
	1,962,821	1,261,852

32. Trade, Bills and Other Payables – continued

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

	2011 HK$'000	2010 HK$'000
United States dollars	344,312	154,353
Peruvian Nuevo Soles	63,300	57,320
Chinese Renminbi	19,701	5,080
Hong Kong dollars	1,601	3,720
Euro	7,438	10,587
Singapore dollars	130	619
British pounds	204	364
Japanese Yen	111	85
Norwegian Krone	2,376	234
Danish Krone	966	–

33. Obligations Under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Amounts payable under finance leases:				
Within one year	45,250	48,275	31,745	31,116
In more than one year but not more than two years	39,798	45,634	29,555	31,746
In more than two years but not more than three years	37,541	40,135	30,151	29,555
In more than three years but not more than four years	4,375	37,859	3,666	30,151
In more than four years but not more than five years	–	4,412	–	3,666
	126,964	176,315	95,117	126,234
Less: future finance charges	(31,847)	(50,081)	–	–
Present value of lease obligations	95,117	126,234	95,117	126,234
Less: Amount due within one year shown under current liabilities			(31,745)	(31,116)
Amount due after one year			63,372	95,118

As at 28 September 2011, certain of its plant and machineries were held under finance leases and the effective borrowing rate is 8.88% (2010: 9.26%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All finance lease obligations are denominated in United States dollars, the functional currency of the relevant group entities.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (note 15).

34. Bank Borrowings

	2011 HK$'000	2010 HK$'000
Bank borrowings comprise:		
Trust receipt loans	3,810,500	2,184,878
Club loan	3,315,000	–
Syndicated loans	–	888,000
Mortgage loans	175,575	151,622
Other bank loans	2,958,630	2,594,988
Bank overdrafts	16,525	4,457
	10,276,230	5,823,945
Less: issuing costs	(104,179)	(13,214)
	10,172,051	5,810,731
Analysed as:		
Secured	2,046,149	1,852,593
Unsecured	8,125,902	3,958,138
	10,172,051	5,810,731
The maturity of bank borrowings is as follows:		
Within one year	6,680,088	4,708,630
In the second year	1,221,164	970,926
In the third year	1,229,473	355
In the fourth year	896,935	3,699
In the fifth year	4,687	3,579
	10,032,347	5,687,189
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain repayable on demand clause (shown under current liabilities)	139,704	123,542
	10,172,051	5,810,731
Less: Amount shown under current liabilities	(6,819,792)	(4,832,172)
	3,352,259	978,559

34. Bank Borrowings – continued

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2011 HK$000	2010 HK$000	2011	2010
Effective interest rate:				
Fixed-rate borrowings	103,173	54,302	3.20% to11.50%	7.93% to11.50%
Variable-rate borrowings	10,068,878	5,756,429	1.62% to 7.70%	0.80% to 5.60%

The mortgage loans bear interest at 2.25% below the Hong Kong dollars Prime lending rate in Hong Kong and are repriced on a monthly basis.

On 20 May 2008, the Group signed an agreement with a group of 11 international and Hong Kong banks for a syndicated loan of US$160 million (approximately HK$1.25 billion). The syndicated loans carries an annual interest margin of London Inter-Bank Offer Rate plus 1.25% per annum and were secured over the shares of certain subsidiaries of the Group. These syndicated loans were repaid during the year.

During the year ended 28 September 2011, the Group obtained the following major new loans :

a) A club loan, borrowed from a consortium of 5 international and Hong Kong banks, amounting to US$425,000,000 (approximately HK$3,315,000,000) bearing interest range from 2.63% to 2.73% per annum and repayable in 2014; and

b) A term loan amounting to US$100,000,000 (approximately HK$780,000,000) bearing interest range from 2.69% to 2.73% per annum which is repayable in 11 instalments by 2014 and are secured over the shares in a subsidiary of the Group.

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

	2011 HK$'000	2010 HK$'000
United States dollars	600,151	590,919
Hong Kong dollars	4,897	4,457
Euro	11,714	–
Japanese Yen	11,016	–

35. Bonds

The Chinese Renminbi denominated unsecured bonds were issued on 2 June 2011 and will be redeemed on 2 June 2014. Interest of 6.5% per annum will be paid semi-annually until the settlement date.

The interest expense charged is calculated by applying an effective interest rate of 7.5% per annum to the bonds outstanding.

Management estimates that the fair values of the bonds approximate their carrying amounts as the bonds' effective interest rates approximate the market rates available at the end of the reporting period.

36. 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 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.

In July 2010, a total principal amount of US$3,900,000 (approximately HK$30,420,000) was purchased from market at a consideration of US$3,941,000 (approximately HK$30,738,000) and extinguished by PARD resulting a gain on repurchase of convertible bonds of HK$3,473,000.

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:

	Equity conversion component HK$'000	Liability component HK$'000
Balance at 29 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	52,934	–
Interest paid	(22,000)	–
Balance at 28 September 2011	619,829	35,482

The interest charged for the year is calculated by applying an effective interest rate of 8.85% per annum to the liability component for the period.

The directors estimate the fair value of the liability component of the convertible bonds at 28 September 2011 to be approximately HK$612,562,000 (2010: HK$548,340,000). This fair value has been calculated by using effective interest rate of 14.64% (2010: 15.64%) per annum with reference to the US Treasury Zero Coupon Bond and credit risk margin.

37. Senior Notes

On 19 December 2006, the Group, through its subsidiary, CFGI, issued guaranteed senior fixed rate notes at par with an aggregate nominal value of US$225,000,000 (approximately HK$1,755,000,000) (the "Notes") which carried fixed interest of 9.25% per annum (interest payable semi-annually in arrear) and were fully repayable by 19 December 2013.

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

CFGI may redeem senior notes, in whole or in part, at various redemption prices of the principal amount of the Senior 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 was able to 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 did 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 was able to 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 interest, if any, as of the redemption date.

As the risk and characteristics of the early redemption option were not closely related to the host contract, it was separately accounted for as financial derivatives and measured at fair value with changes in fair value recognised in profit and loss. As at 28 September 2010, the fair value of the redemption option was calculated by assuming redemption on 19 December 2013, using effective interest rate of 6.72% per annum 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 was immaterial as at 28 September 2010.

The Notes contained certain covenants that limited 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 was stated net of issue expenses totalling US$8,957,000 (approximately HK$69,865,000).

During the year ended 28 September 2010, a total principal amount of US$3,600,000 (approximately HK$28,080,000) was purchased from market at a consideration of US$3,687,000 (approximately HK$28,759,000).

Management estimated the fair value of the Notes at 28 September 2010 to be approximately HK$1,864,508,000 based on the quoted asked price of the Notes.

The Notes were early redeemed by CFGI from the market in September 2011 and resulted in an additional cost of early redemption of HK$116,331,000.

38. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 29 September 2009	352,288	(16,032)	(19,998)	316,258
Acquisition of subsidiaries	285,585	–	–	285,585
Charge (credit) to profit or loss	21,292	(1,387)	1,326	21,231
Credit to other comprehensive income	(8,072)	–	–	(8,072)
Exchange realignment	(146)	–	–	(146)
At 28 September 2010	650,947	(17,419)	(18,672)	614,856
Acquisition of subsidiaries	3,555	–	–	3,555
(Credit) charge to profit or loss	(32,528)	466	2,838	(29,224)
Credit to other comprehensive income	14,143	–	–	14,143
Exchange realignment	(411)	–	–	(411)
At 28 September 2011	635,706	(16,953)	(15,834)	602,919

At the end of the reporting period, the Group has unutilised estimated tax losses of HK$277,866,000 (2010: HK$310,311,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$102,875,000 (2010: HK$105,079,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$174,991,000 (2010: HK$205,232,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$100,610,000 (2010: HK$146,483,000 gradually expire until 2017) that will gradually expire until 2016. During the year, no unutilised tax losses expired (2010: nil). Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$6,354,000 (2010: HK$8,613,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the New Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

39. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 29 September 2009	4,000,000,000	400,000
Increase on 22 March 2010	4,000,000,000	400,000
At 28 September 2010 and 28 September 2011	8,000,000,000	800,000
Issued and fully paid:		
At 29 September 2009	2,832,083,533	283,209
Issue of shares as scrip dividend	231,098,441	23,110
Exercise of warrants	704	–
At 28 September 2010	3,063,182,678	306,319
Exercise of warrants	116,219	11
Issue of shares as scrip dividend	84,551,136	8,455
At 28 September 2011	3,147,850,033	314,785

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 (see note 13).

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 was 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 was paid.

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. On 17 May 2011, scrip dividend of HK$107,380,000 was paid by issuing 84,551,136 shares of HK$0.10 each in the Company at HK$1.27 per share and cash dividend of HK$33,531,000 was paid.

40. Warrants

On 30 March 2010, bonus warrants of 606,635,742 warrants ("Warrants") were issued on the basis of one bonus warrant for every complete number of five existing shares held by the shareholders. Each bonus warrant entitled the holder to subscribe one share of the Company at an initial subscription price of HK$1.80, subject to adjustments in accordance with the terms of the bonus warrants. The Warrants were exercisable at any time from 1 April 2010 until 15 June 2011.

	Warrants with subscription price of HK$1.80	
	Number	HK$'000
Issue during the year	606,635,742	112,228
Exercised during the year	(704)	–
Balance at 28 September 2010	606,635,038	112,228
Exercised during the year	(116,219)	(21)
Lapsed during the year	(606,518,819)	(112,207)
Balance at 28 September 2011	–	–

The warrant reserve represents the fair value of Warrants at the issue date. The reserve has been transferred to share capital and share premium accounts upon the exercise and lapse of the warrants.

41. Share Option Scheme and Share Award Plan

Share option scheme

On 9 September 2004, the Company adopted a share option scheme (the "Scheme"). The Scheme is to provide incentives to any participant to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group. Under the terms of the Scheme, which was adopted on 9 September 2004 and will expire on 8 September 2014, the Board may grant options to any individual being an employee, officer, agent, consultant or representative of the Company or any other members of the Group (including any executive, non-executive and independent non-executive director of any member of the Group) based on his work experience, knowledge in the industry and other relevant factors to subscribe for the shares in the Company (the "Shares"). The subscription price for the Shares under the options to be granted under the Scheme will be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the option, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and (c) the nominal value of the Shares.

The exercisable period will be determined by the Board and in any event must not be more than 10 years from the date of the grant of the option. The total number of Shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted under the Scheme and any other share option scheme(s) of any member of the Group in any 12-month period immediately preceding any proposed date of the grant of options to each participant must not exceed 1% of shares in issue as at the proposed grant date.

No option has been granted since the adoption of the Scheme.

41. Share Option Scheme and Share Award Plan – continued

Share award plan

The Company adopted a share award plan ("Plan") on 28 October 2006 for the benefit of the directors and the employees of the Group.

The Plan is administered by the Remuneration Committee of the Company, currently comprising Lew V Robert, Kwok Lam Kwong, Larry, Tao Kwok Lau, Clement, Ng Joo Siang and Ng Joo Puay, Frank.

The Remuneration Committee may determine in its sole discretion to grant shares to participants of the Plan. The shares will be vested only after satisfactory completion of time based targets and/or time-and-performance-based targets and shall not be more than 10 years from the date of the grant of the shares. Upon vesting, at the discretion of the employer, the participant may receive any or a combination of the following:

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

The number of shares in respect of which share award had been granted on 16 January 2009 under the Plan, to the employees of the Group was 7,009,801 representing 0.4% of the shares of the Company in issue at that date. The number of shares forfeited as a result of termination of employees are 1,125,800 and 512,204 as at 28 September 2011 and 2010, respectively. The remaining outstanding was 5,884,001 and 6,497,597, representing 0.2% and 0.2% of the shares of the Company in issue at 28 September 2011 and 2010, respectively. The first vesting date is on 16 January 2012.

The number of shares in respect of which share award had been granted on 3 March 2010 under the Plan, to the employees of the Group was 1,087,998, representing 0.04% of the shares of the Company in issue at that date. The number of shares forfeited as a result of termination of employees are 168,849 and 35,305 at 28 September 2011 and 2010, respectively. The remaining outstanding was 919,149 and 1,052,693, representing 0.03% and 0.03% of the shares of the Company in issue at 28 September 2011and 2010, respectively. The first vesting date is on 31December 2012.

The number of shares in respect of which share award had been granted on 31 December 2010 under the Plan, to the employees of the Group was 262,895, representing 0.009% of the shares of the Company in issue at that date. During the year, the number of shares forfeited as result of termination of employees was 185,473. The remaining outstanding was 77,422, representing 0.002% of the shares of the Company in issue at 28 September 2011. The first vesting date is on 31 December 2013.

The total number of shares in respect of which award may be granted under the Scheme is not permitted to exceed 5% of the shares of the Company in issue at any point in time. The estimated fair value of the award granted on 16 January 2009, 3 March 2010 and 31 December 2010 is insignificant to the Group.

Expected volatility was determined by using the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

42. Acquisition of Subsidiaries

The Group acquired the following subsidiaries during the years ended 28 September 2011 and 2010 and accounted for these acquisitions using the purchase method of accounting:

28 September 2011

Subsidiary incorporated in Peru	Date of acquisition
Servicios Pesqueros Chimbote S.A.	23 December 2010

The Group acquired the subsidiary primarily to lower vessel operating costs of Peruvian operations.

28 September 2010

Subsidiaries incorporated in Peru	Date of acquisition
Deep Sea Fishing S.A.C.	6 May 2010
Pesquera Alejandria S.A.C.	18 May 2010

Subsidiaries incorporated in British Virgin Islands	Date of acquisition
Bluefield Overseas Corporación	18 May 2010

Subsidiaries incorporated in Panama	Date of acquisition
Sunset Holdings Group S.A.	18 May 2010
Dorbes Holding Corporation	18 May 2010

The Group acquired the subsidiaries primarily to increase its Peruvian anchovy fishing quota and increase the production volume of fishmeal, which will enhance the economies of scale and achieve higher operating efficiencies of the Peruvian operations.

(i) 28 September 2011

(a) Consideration transferred (at acquisition date fair values)

	HK$'000
Consideration	12,128

42. Acquisition of Subsidiaries – continued

(i) 28 September 2011 – continued

(b) Assets acquired and liabilities assumed at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment (note 15)	12,046
Other receivables and prepayments	688
Other payables and accrued expenses	(384)
Deferred tax liabilities (note 38)	(3,555)
	8,795
Goodwill arising on acquisitions (note 18)	3,333
Total consideration	12,128

(c) Total consideration

	HK$'000
Cash consideration	428
Fair value of existing interests previously classified as interests in associates	11,700
	12,128

The provisional goodwill arose in the acquisition of the subsidiary because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development of the Peruvian Waters operation. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

During the year, the acquisition of the subsidiaries resulted in inclusion of post-acquisition revenue of HK$Nil and loss of approximately HK$78,000 in the Group's financial statements.

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

42. Acquisition of Subsidiaries – continued

(ii) 28 September 2010

(a) Consideration transferred (at acquisition date fair values)

	Deep Sea Fishing S.A.C. HK$'000	Dorbes Holding Corporation HK$'000	Total HK$'000
Consideration	129,426	767,998	897,424

(b) Assets acquired and liabilities assumed at the date of acquisition are as follows:

	Deep Sea Fishing S.A.C. HK$'000	Dorbes Holding Corporation HK$'000	Total HK$'000
Property, plant and equipment	–	156,800	156,800
Fishing permits	167,677	692,836	860,513
Inventories	–	372	372
Trade, bills and other receivables and prepayments	–	45,683	45,683
Bank balances and cash	–	2,983	2,983
Trade, bills and other payables	(10,975)	(9,988)	(20,963)
Bank borrowings	–	(39,968)	(39,968)
Deferred taxation	(47,003)	(238,582)	(285,585)
	109,699	610,136	719,835

(c) Goodwill arising on acquisition

	Deep Sea Fishing S.A.C. HK$'000	Dorbes Holding Corporation HK$'000	Total HK$'000
Cash consideration	129,426	767,998	897,424
Less: fair value of identifiable net assets acquired	109,699	610,136	719,835
	19,727	157,862	177,589

Subsequent to their acquisitions, Deep Sea Fishing S.A.C. was disposed of, with assets transferred to the other core companies of the Group to streamline the structure.

The acquisition of these subsidiaries resulted in inclusion of post-acquisition revenue of approximately HK$5,404,000 and loss after income tax of HK$2,676,000 in the consolidated financial statements for the year ended 28 September 2010.

42. Acquisition of Subsidiaries – continued

(ii) 28 September 2010 – continued

It was not practicable to estimate the change in revenue and operating results for the Group had the above acquisitions been effected at the beginning of the financial year as the financial statements prior to the acquisitions have not been prepared under Hong Kong Financial Reporting Standards.

The goodwill arose in the acquisition of the subsidiaries because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of the Peruvian Waters operation. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

43. Retirement Benefits Scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those funds of the Group under the control of trustees. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

Employees of the subsidiaries in the PRC, the United States, Singapore and Peru are members of pension schemes operated by the respective governments and private sectors. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

44. Operating Lease Arrangements

The Group as lessee

	2011 HK$'000	2010 HK$'000
Minimum lease payments paid and expensed under operating leases during the year:		
Amortisation of prepayment to arrangers	172,640	172,640
Fixed charter hire	204,984	204,984
Rental of premises	15,813	7,287
	393,437	384,911
Contingent lease payments paid under operating leases during the year:		
Variable charter hire	203,329	273,069
	596,766	657,980

44. Operating Lease Arrangements – continued

The Group as lessee – continued

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and charter hires of vessels which fall due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	56,639	208,573
In the second to fifth years inclusive	9,523	63,606
After five years	3,419	4,709
	69,581	276,888

(a) Leases for premises are negotiated with lease terms between 2 to 10 years.

(b) At 28 September 2011, the Group has ongoing commitments to pay variable charter hire for 17 (2010: 17) fishing vessels under the first, second and third (2010: first, second and third) vessel operating agreements entered into with the Arrangers for a period of 10 to 18 years up to 31 December 2025 (2010: period of 10 to 18 years up to 31 December 2025). Variable charter hire is calculated at 20% of the net profit derived from operating the fishing vessels before deduction of amortisation of prepayment to arrangers which has been prepaid.

(c) As at 28 September 2011, the Group has ongoing commitments to pay fixed and variable charter hire for 6 (2010: 6) fishing vessels under the fourth vessel operating agreement entered into with Perun up to 31 December 2011. Variable charter hire is calculated at 20% of the net profit derived from operating the fishing vessels after deduction of fixed charter hire payable annually. Fixed charter hire is calculated at US$12,000 (HK$96,000) (2010: US$12,000 (HK$93,600)) for each vessel per day.

Fixed charter hire payables under the fourth vessel operating agreement are as follows:

	2011 HK$'000	2010 HK$'000
Within one year	52,790	204,984
In the second to fifth years inclusive	–	52,790
	52,790	257,774

44. Operating Lease Arrangements – continued

The Group as lessor

Rental income earned from properties and vessels during the year were HK$7,950,000 (2010: HK$7,399,000) and HK$20,355,000 (2010: nil) respectively. Certain of the Group's investment properties and a portion of its freehold building and equipment in Peru have committed tenants ranging from one to five years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties and a portion of its freehold building and equipment which fall due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	6,440	5,003
In the second to fifth years inclusive	2,309	11,133
After five years	–	516
	8,749	16,652

45. Capital Commitments

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	339,651	405,408

46. Contingent Liabilities

Certain subsidiaries of the Group are parties to legal processes in Peru with potential claims amounting to US$2,860,000 (approximately HK$22,311,000) (2010: US$3,032,000 (approximately HK$23,649,000)). These relate to environmental matters, employment disputes and miscellaneous claims. The Group's legal advisor has advised that US$1,943,000 (approximately HK$15,159,000) (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$917,000 (approximately HK$7,152,000) (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$1,943,000 (approximately HK$15,159,000) (2010: US$1,767,000 (approximately HK$13,779,000)) for these claims where the outcome is likely to be unfavourable to the Group.

At 28 September 2011, the Group provided guarantees of Euro 92,673,000 (approximately HK$981,404,000) to banks in respect of the bridge facility guarantee and operational guarantee in favour of the wholly owned operating entities held by Asarmona (see Note 5b(iii)). At 28 September 2011, an amount of HK$62,000,000 has been recognised in the consolidated statement of financial position as liabilities.

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.

47. Pledge of Assets

(a) At 28 September 2011, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$538,737,000 (2010: HK$469,007,000) and HK$337,235,000 (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$432,318,000 (2010: HK$199,161,000) were pledged as security for general banking facilities arranged for that subsidiary.

(b) At 28 September 2011, customers' deposits amounting to HK$255,000 (2010: HK$282,000) are pledged to a bank to secure an export invoice discounting facility granted to the Group.

(c) At 28 September 2011, inventories of fishmeal of HK$61,169,000 (2010: HK$12,843,000) and inventories of frozen fish and fillets amounting to HK$163,400,000 (2010: HK$248,102,000) were also pledged as security for the revolving inventory financing facilities obtained from banks.

(d) At 28 September 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$77,563,000 (2010: HK$134,311,000).

(e) At 28 September 2011 and 2010, shares and net assets of certain subsidiaries were also pledged as securities for revolving inventory financing and syndicated bank loan facilities.

(f) At 28 September 2011, certain bank advances were secured by bills receivables of HK$3,650,000 (2010: nil).

(g) 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.

48. Related Party Transactions

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

	2011	2010
	HK$'000	HK$'000
Sales of frozen seafood	**557,745**	534,350
Purchases of frozen seafood	**3,960**	11,647
Agency income	**9,082**	9,133

(b)

	2011	2010
	HK$'000	HK$'000
Bank advance drawn by the Group on discounted trade receivables with insurance coverage of:		
– associates of the Group	**84,147**	45,581
The above advances are secured by trade receivables of:		
– associates of the Group	**93,497**	50,646

49. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 28 September 2011 and 2010 are as follows:

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries 2011 %	2010 %	attributable to the Group 2011 %	2010 %	Principal activities
Aqua Foods (Qinqdao) Co., Ltd.	PRC (note a)	Registered RMB6,340,000	100	100	100	100	Seafood processing
Bonaire Developments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Property holding
CFG Investment S.A.C.	Peru	Registered US$5,000,300	71	70	38	38	Fishing and fishmeal processing
Champion Shipping Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	66	65	Vessel holding
Chasterton Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Property holding
China Fishery Group Limited (note c)	Cayman Islands	Ordinary 2011: US$51,113,107 2010: US$50,125,055	71	70	38	38	Investment holding
China Fisheries International Limited	Samoa/Worldwide	Ordinary US$1,000	71	70	38	38	Management and operation of fishing vessels and sales of fish and other marine catches
Clamford Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Investment holding
Europaco Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	100	100	Trading of processed seafood products
Europaco (AP) Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	100	100	Trading of processed seafood products
European (BP) Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	100	100	Trading of processed seafood products

49. Particulars of Principal Subsidiaries – continued

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries 2011 %	2010 %	attributable to the Group 2011 %	2010 %	Principal activities
Europaco (EP) Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	100	100	Trading of processed seafood products
Europaco (HP) Limited	Hong Kong/Worldwide	Ordinary HK$2	100	100	100	100	Trading of processed seafood products
Europaco (QP) Limited	Samoa/Worldwide	Ordinary US$1	100	100	100	100	Trading of processed seafood products
Fastact Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Property holding
Glorious Ocean Limited	Hong Kong/Hong Kong	Ordinary HK$2	100	100	100	100	Property holding, provision of treasury and administrative services
Grandluck Enterprises Limited	Hong Kong/Hong Kong	Ordinary US$1	100	100	100	100	Property holding
National Fish and Seafood Limited	Hong Kong/Worldwide	Ordinary HK$2	100	100	60	60	Trading of frozen seafood products
National Fish & Seafood Inc.	USA/Worldwide	Ordinary US$10,000	60	60	60	60	Trading and processing of frozen seafood products
Nouvelle Foods International Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	100	100	Trading of processed seafood products
Pacific Andes Enterprises (BVI) Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	66	65	Trading of frozen seafood products
Pacific Andes Enterprises (Hong Kong) Limited	Hong Kong/Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000 (note b)	100	100	100	100	Property holding, provision of treasury and administrative services and trading of frozen seafood products
Pacific Andes Food (Hong Kong) Company Limited	Hong Kong/Worldwide	Ordinary HK$10,000	100	100	66	65	Trading of frozen seafood products

49. Particulars of Principal Subsidiaries – continued

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries 2011 %	2010 %	attributable to the Group 2011 %	2010 %	Principal activities
Pacific Andes Food Limited	PRC (note a)	Registered 2011: US$117,000,000 2010: US$97,000,000	100	100	100	100	Seafood processing
Pacific Andes Food (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Investment holding
Pacific Andes Resources Development Limited (note c)	Bermuda/Singapore	Ordinary 2011: S$159,699,745 2010: S$142,009,551	66	65	66	65	Investment holding
Pacific Andes International Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Investment holding
Pacific Andes Treasury Management Limited	Hong Kong/Hong Kong	Ordinary HK$10,000,000	100	100	100	100	Provision of treasury services
Pacos Processing Limited	Cayman Island/ Worldwide	Ordinary US$1	100	100	100	100	Trading of processed seafood products
Paco Beta Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	66	65	Trading of marine fuel
Parkmond Group Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	66	65	Trading of frozen seafood products
Pelican Food Limited	British Virgin Islands/ Worldwide	Ordinary US$100	100	100	100	100	Investment holding
Qingdao Canning Foodstuff Co. Ltd.	PRC (note a)	Registered US$12,100,000	100	100	100	100	Seafood processing

49. Particulars of Principal Subsidiaries – continued

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries 2011 %	2010 %	attributable to the Group 2011 %	2010 %	Principal activities
Sevenseas Enterprises Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Property holding
Xinxing Foodstuffs (Qingdao) Company Limited	PRC (note a)	Registered US$910,000	100	100	100	100	Seafood processing
青島太平洋恩利國際貿易有限公司	PRC (note a)	Registered RMB30,000,000	100	100	100	100	Trading of seafood products

Notes:

a) The subsidiaries are wholly foreign owned enterprises registered in the PRC.

b) The non-voting deferred shares carry practically no rights to dividends nor receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

c) The subsidiaries are listed on the Singapore Exchange Securities Trading Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or constituted a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for PARD, which has issued bonds (note 35) and convertible bonds (note 36), none of the subsidiaries had any debt securities outstanding at the end of the reporting period.

50. Particulars of Principal Associates

Particulars of the Group's principal associates as at 28 September 2011 and 2010 are as follows:

Name	Forms of business structure	Place of incorporation	Attributable proportion of nominal value of issued/ registered capital held by the Company 2011 %	2010 %	Principal activities
Global Research Group Inc.	Incorporated	British Virgin Islands	50	50	Investment holding
Global Research Services Inc.	Incorporated	British Virgin Islands	50	50	Provision of interactive electronic data base
Pacos Processing Limited	Incorporated	Republic of Cyprus	20	20	Trading of processed seafood products
Paco-EP Limited	Incorporated	Republic of Cyprus	20	20	Trading of processed seafood products
Paco-GP Limited	Incorporated	Republic of Cyprus	20	20	Trading of processed seafood products
Paco-HP Limited	Incorporated	Republic of Cyprus	20	20	Trading of processed seafood products
Pacos (QP) Limited	Incorporated	Republic of Cyprus	20	20	Trading of processed seafood products

51. Events After the Reporting Period

(a) On 7 November 2011 (Peruvian Time), the Group acquired two Peruvian fishing companies for a total consideration of US$26.16 million (approximately HK$204.05 million). Assets of the two Peruvian fishing companies include two fishing vessels, fishing permits and one fishmeal processing plant.

(b) On 21 November 2011, an indirectly wholly-owned subsidiary of the Company further acquired 4,389,112 shares in Tassal at a consideration of A$6,934,829 (approximately HK$54.0 million). After this acquisition, the Group's subsidiary, PARD, becomes the largest shareholder of Tassal holding approximately 22.76% of the entire issued share capital of Tassal and has significant influence over Tassal.

(c) On 23 November 2011, the Group's subsidiary, PARD, announced the approval of withdrawal of the proposed offering and listing of Taiwan Depository Receipts from the Taiwan Stock Exchange Corporation.

FINANCIAL SUMMARY

	1.4.2007 to 31.3.2008 HK$'000	1.4.2008 to 31.3.2009 HK$'000	1.4.2009 to 28.9.2009 HK$'000	29.9.2009 to 28.9.2010 HK$'000	**29.9.2010 to 28.9.2011 HK$'000**
Results					
Revenue	10,017,372	11,167,773	5,556,761	11,470,543	**14,245,411**
Operating profit	920,985	1,027,457	393,031	1,144,452	**988,644**
Share of results of associates	361	(731)	724	1,515	**(242)**
	921,346	1,026,726	393,755	1,145,967	**988,402**
Taxation	(37,078)	(878)	(34,118)	(55,138)	**(64,989)**
Profit for the year	884,268	1,025,848	359,637	1,090,829	**923,413**
Non-controlling interests	(511,359)	(509,054)	(185,844)	(597,804)	**(565,979)**
	372,909	516,794	173,793	493,025	**357,434**

	31.3.2008 HK$'000	31.3.2009 HK$'000	28.9.2009 HK$'000	28.9.2010 HK$'000	**28.9.2011 HK$'000**
Assets and liabilities					
Total assets	14,196,864	15,664,904	17,136,760	21,164,871	**26,368,914**
Total liabilities	(8,385,759)	(9,016,311)	(9,224,776)	(10,736,796)	**(15,038,185)**
Total equity	5,811,105	6,648,593	7,911,984	10,428,075	**11,330,729**
Non-controlling interests					
Equity component of convertible bonds of a listed subsidiary	(42,226)	(39,710)	(37,445)	(35,482)	**(35,482)**
Share of net assets of subsidiaries	(2,275,412)	(2,658,023)	(3,223,144)	(4,583,702)	**(5,097,748)**
Equity attributable to owners of the Company	3,493,467	3,950,860	4,651,395	5,808,891	**6,197,499**

OUR GLOBAL PRESENCE

- Distribution Network
- Sourcing Network
- Distribution & Sourcing Network
- Subsidiary / Branch

* Please note, all locations are marked by major region / country only. For more information on cities & areas not shown on this map, please contact us directly.