PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

For the six-month period ended 28 March 2012

STOCK CODE : 1174

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of Pacific Andes International Holdings Limited ("Pacific Andes" or the "Company") are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six-month period ended 28 March 2012 ("1HFY2012") together with the unaudited comparative figures for the corresponding period of the immediately preceding year for the six-month period ended 28 March 2011 ("1HFY2011").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 28 March 2012

		Six-month period ended	
	Notes	**28.3.2012 HK$'000 (unaudited)**	28.3.2011 HK$'000 (unaudited)
Revenue	*3*	**8,401,135**	6,602,651
Cost of sales		**(6,918,085)**	(5,312,448)
Gross profit		**1,483,050**	1,290,203
Other income	*4*	**135,545**	138,044
Selling and distribution expenses		**(400,862)**	(241,123)
Administrative expenses		**(312,748)**	(318,824)
Other expenses		**(23,740)**	(45,455)
Finance costs		**(275,787)**	(246,815)
Share of results of associates		**31,475**	(2,437)
Profit before taxation	*5*	**636,933**	573,593
Taxation	*6*	**(43,292)**	14,080
Profit for the period		**593,641**	587,673
Attributable to:			
Owners of the Company		**190,303**	228,539
Non-controlling interests		**403,338**	359,134
		593,641	587,673
Earnings per share	*8*		
Basic		**HK5.8 cents**	HK7.1 cents
Diluted		**HK5.8 cents**	HK7.1 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 28 March 2012

	Six-month period ended	
	28.3.2012	28.3.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**593,641**	587,673
Other comprehensive income		
Surplus on revaluation of properties	**24,279**	82,064
Deferred tax liability arising on revaluation of properties	**(3,543)**	(12,616)
Fair value changes of available-for-sale investments	**47,234**	(17,539)
Reclassification adjustment transfer to profit or loss upon derecognition of available-for-sale investments	**62,006**	–
Exchange differences arising on translation of foreign operations	**23,781**	39,087
Other comprehensive income for the period	**153,757**	90,996
Total comprehensive income for the period, net of tax	**747,398**	678,669
Total comprehensive income attributable to:		
Owners of the Company	**310,473**	314,489
Non-controlling interests	**436,925**	364,180
	747,398	678,669

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 28 March 2012

	Notes	**28 March 2012 HK$'000 (unaudited)**	28 September 2011 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**7,280,028**	6,948,312
Investment properties	*9*	**661,847**	653,245
Prepaid lease payments		**43,273**	43,941
Goodwill	*10*	**2,976,668**	2,927,582
Prepayment to suppliers	*11*	**973,360**	1,059,680
Advances to suppliers	*11*	**315,900**	315,900
Available-for-sale investments	*12*	**21,286**	319,174
Interests in associates		**508,659**	3,093
Other intangible assets	*13*	**1,656,861**	1,481,867
Other long term receivable		**928**	928
		14,438,810	13,753,722
CURRENT ASSETS			
Inventories		**2,862,180**	2,918,894
Trade, bills, other receivables and prepayments	*14*	**8,976,101**	7,973,431
Trade receivables with insurance coverage	*15*	**498,046**	382,352
Trade receivables from associates	*16*	**120,543**	86,272
Prepayment to suppliers – current portion		**172,640**	172,640
Amounts due from associates		**12,480**	11,169
Amount due from a jointly-controlled entity		**17,336**	16,949
Held-for-trading investments		**4,763**	3,397
Tax recoverable		**8,314**	24,199
Pledged deposits		**1,065**	583,113
Bank balances and cash		**896,340**	442,776
		13,569,808	12,615,192
CURRENT LIABILITIES			
Trade, bills and other payables	*17*	**3,388,432**	2,255,187
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	*15*	**614,018**	357,739
Convertible bonds	*19*	**636,264**	619,829
Other financial liabilities		**94,697**	70,153
Dividend payable		**113,330**	–
Taxation		**118,080**	152,139
Obligations under finance leases – due within one year		**28,376**	31,745
Bank borrowings – due within one year	*18*	**6,832,932**	6,819,792
		11,826,129	10,306,584
NET CURRENT ASSETS		**1,743,679**	2,308,608
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,182,489**	16,062,330

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

– Continued

As at 28 March 2012

	Notes	**28 March 2012 HK$'000 (unaudited)**	28 September 2011 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		**48,896**	63,372
Bank borrowings – due after one year	*18*	**2,768,555**	3,352,259
Bonds	*20*	**723,739**	713,051
Deferred taxation		**676,365**	602,919
		4,217,555	4,731,601
NET ASSETS		**11,964,934**	11,330,729
CAPITAL AND RESERVES			
Share capital	*21*	**314,805**	314,785
Share premium and reserves		**6,076,754**	5,882,714
Equity attributable to owners of the Company		**6,391,559**	6,197,499
Non-controlling interests			
Equity component of convertible bonds of a listed subsidiary	*19*	**35,482**	35,482
Share of net assets of subsidiaries		**5,537,893**	5,097,748
TOTAL EQUITY		**11,964,934**	11,330,729

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 28 March 2012

	Attributable to owners of the Company											Non-controlling interests		
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Translation Reserve HK$'000	Other Reserve HK$'000	Investment revaluation Reserve HK$'000	Goodwill Reserve HK$'000	Warrants Reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000	Equity component of convertible bonds of a listed subsidiary HK$'000	Share of net assets of subsidiary HK$'000	Total HK$'000
At 28 September 2010 (audited)	306,319	2,358,956	469,120	92,481	309,822	–	(135,913)	112,228	9,800	2,286,078	5,808,891	35,482	4,583,702	10,428,075
Surplus on revaluation of properties	–	–	77,475	–	–	–	–	–	–	–	77,475	–	4,589	82,064
Deferred tax liability arising on revaluation of properties	–	–	(12,616)	–	–	–	–	–	–	–	(12,616)	–	–	(12,616)
Fair value changes of available-for-sale investments	–	–	–	–	–	(17,539)	–	–	–	–	(17,539)	–	–	(17,539)
Exchange difference arising translation of foreign operations	–	–	–	38,630	–	–	–	–	–	–	38,630	–	457	39,087
Other comprehensive income	–	–	64,859	38,630	–	(17,539)	–	–	–	–	85,950	–	5,046	90,996
Profit for the period	–	–	–	–	–	–	–	–	–	228,539	228,539	–	359,134	587,673
Total comprehensive income for the period	–	–	64,859	38,630	–	(17,539)	–	–	–	228,539	314,489	–	364,180	678,669
Issue of shares on exercise of warrants	8	171	–	–	–	–	–	(17)	–	–	162	–	–	162
Deemed acquisition of additional interest in subsidiaries	–	–	–	–	(11,359)	–	–	–	–	–	(11,359)	–	11,359	–
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	54,636	54,636
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	–	(170,493)	(170,493)
Dividend recognised as distribution *(note 7)*	–	–	–	–	–	–	–	–	–	(140,911)	(140,911)	–	–	(140,911)
At 28 March 2011 (unaudited)	306,327	2,359,127	533,979	131,111	298,463	(17,539)	(135,913)	112,211	9,800	2,373,706	5,971,272	35,482	4,843,384	10,850,138
At 28 September 2011 (audited)	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
Surplus on revaluation of properties	–	–	24,232	–	–	–	–	–	–	–	24,232	–	47	24,279
Deferred tax liability arising on revaluation of properties	–	–	(3,543)	–	–	–	–	–	–	–	(3,543)	–	–	(3,543)
Fair value changes of available-for-sale investments	–	–	–	–	–	31,387	–	–	–	–	31,387	–	15,847	47,234
Reclassification adjustment to profit or loss upon derecognition of available-for-sale investments	–	–	–	–	–	41,203	–	–	–	–	41,203	–	20,803	62,006
Exchange difference arising translation of foreign operations	–	–	–	26,891	–	–	–	–	–	–	26,891	–	(3,110)	23,781
Other comprehensive income	–	–	20,689	26,891	–	72,590	–	–	–	–	120,170	–	33,587	153,757
Profit for the period	–	–	–	–	–	–	–	–	–	190,303	190,303	–	403,338	593,641
Total comprehensive income for the period	–	–	20,689	26,891	–	72,590	–	–	–	190,303	310,473	–	436,925	747,398
Issue of shares	20	117	–	–	–	–	–	–	–	–	137	–	–	137
Deemed disposal of partial interests in subsidiaries	–	–	–	–	(3,220)	–	–	–	–	–	(3,220)	–	3,220	–
Dividend recognised as distribution *(note 7)*	–	–	–	–	–	–	–	–	–	(113,330)	(113,330)	–	–	(113,330)
At 28 March 2012 (unaudited)	314,805	2,570,413	566,340	188,042	297,098	–	(135,913)	–	9,800	2,580,974	6,391,559	35,482	5,537,893	11,964,934

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 28 March 2012

	Note	Six-month period ended 28.3.2012 HK$'000 (unaudited)	28.3.2011 HK$'000 (unaudited)
Operating activities			
Profit before taxation		**636,933**	573,593
Adjustments for non-cash items		**737,903**	574,537
Operating cash flows before movements in working capital		**1,374,836**	1,148,130
Decrease (increase) in inventories		**56,714**	(433,587)
Increase in trade, bills, other receivables and prepayments		**(976,500)**	(277,633)
Increase in trade and other payables		**1,045,354**	108,372
Others		**(412,392)**	(329,782)
Net cash from operating activities		**1,088,012**	215,500
Investing activities			
Addition to property, plant and equipment		**(586,353)**	(621,140)
Addition of available-for-sale investments		**(7,484)**	(410,720)
Investment in an associate		**(56,085)**	–
Net redemption of pledged deposits		**582,048**	38,090
Cash outflow arising on acquisition of subsidiaries	*23*	**(204,040)**	–
Others		**2,749**	(51,329)
Net cash used in investing activities		**(269,165)**	(1,045,099)
Financing activities			
Dividend paid to non-controlling shareholders		**–**	(77,425)
Club loan raised		**–**	1,560,000
Syndicated loans repaid		**–**	(888,000)
Net bank advances drawn on discounted trade receivables with insurance coverage and discounted bills raised		**256,279**	154,443
Net other bank borrowings (repaid) raised		**(612,755)**	45,704
Others		**712**	45,408
Net cash (used in) from financing activities		**(355,764)**	840,130
Net increase in cash and cash equivalents		**463,083**	10,531
Cash and cash equivalents at beginning of the period		**442,776**	635,066
Effect of foreign exchange rate changes		**(9,519)**	(12,480)
Cash and cash equivalents at end of the period		**896,340**	633,117
Representing:			
Bank balances and cash		**896,340**	633,117

Notes:

1. BASIC OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for year ended 28 September 2011.

Adoption of new accounting policy

During the current period, the Group obtained significant influence over Tassal (defined and details in note 12). The Group derecognised the available-for-sale investments with gains or losses reclassified from other comprehensive income to profit or loss. The fair value of the previously held interest at the date significant influence is obtained and the cost paid for the additional equity interest in Tassal became the deemed costs of the investment in the associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Application of Hong Kong Financial Reporting Standards

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1, HKAS 27 and HKAS 28
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement

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

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

Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised 2011)	Employee Benefits[1]
HKAS 27 (as revised 2011)	Separate Financial Statements[1]
HKAS 28 (as revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

Application of Hong Kong Financial Reporting Standards – *Continued*

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2015
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2014

Other than Amendments to HKFRS 1 "Government Loans", the potential impact of the above new and revised standards, amendments and interpretations had been disclosed in previous consolidated financial statements of the Group. The directors of the Company 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 and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

The Group's operating 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
Fishery and fish supply	–	sales of fish and other marine catches from fishery and fish supply activities and the production and sale of fishmeal and fish oil
Others	–	property leasing and laboratory testing service income

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies in the preparation of the Group's financial statements. Segment result represents the profit earned by each segment without the allocation of certain other income, administrative expenses, gains and losses on revaluation of properties, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

There is no material change in segment assets from the amount disclosed in the last annual financial statements of the Group.

Information regarding the above segments is reported below.

3. REVENUE AND SEGMENT INFORMATION– *Continued*

For the six-month period ended 28 March 2012

	Frozen fish SCM HK$'000 (unaudited)	Fish fillets processing and distribution HK$'000 (unaudited)	Fishery and fish supply HK$'000 (unaudited)	Others HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
REVENUE					
External sales to external customers	**3,077,284**	**2,609,563**	**2,694,550**	**19,738**	**8,401,135**
RESULT					
Segment result	**308,210**	**177,411**	**747,259**	**10,687**	**1,243,567**
Unallocated corporate income					**5,641**
Unallocated corporate expenses					**(336,488)**
Finance costs					**(275,787)**
Profit before taxation					**636,933**

For the six-month period ended 28 March 2011

	Frozen fish SCM HK$'000 (unaudited)	Fish fillets processing and distribution HK$'000 (unaudited)	Fishery and fish supply HK$'000 (unaudited)	Others HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
REVENUE					
External sales to external customers	1,983,729	2,261,627	2,340,173	17,122	6,602,651
RESULT					
Segment result	205,719	191,637	713,597	9,218	1,120,171
Unallocated corporate income					64,516
Unallocated corporate expenses					(364,279)
Finance costs					(246,815)
Profit before taxation					573,593

4. OTHER INCOME

	Six-month period ended 28.3.2012 HK$'000 (unaudited)	28.3.2011 HK$'000 (unaudited)
Gross rental income	**5,641**	6,328
Agency income	**6,374**	4,995
Fair value changes on investment properties	**–**	57,841
Reversal of revaluation decrease of land and buildings previously charged to profit or loss	**–**	347
Interest income	**2,397**	651
Compensation received from suppliers of fish	**44,806**	57,001
Gain on disposal of property, plant and equipment	**–**	247
Fair value change on held-for-trading investments	**1,366**	–
Exchange gain, net	**41,847**	–
Sundry income	**33,114**	10,634
	135,545	138,044

5. PROFIT BEFORE TAXATION

	Six-month period ended	
	28.3.2012	28.3.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepayment to suppliers (included in cost of sales)	**86,320**	86,320
Amortisation of prepaid lease payments	**488**	477
Depreciation of property, plant and equipment	**392,699**	289,073
Loss (gain) on disposal of property, plant and equipment	**97**	(247)

6. TAXATION

	Six-month period ended	
	28.3.2012	28.3.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge (credit) comprises:		
Current tax for the period		
– Hong Kong	**3,500**	1,700
– other jurisdictions	**19,975**	2,000
	23,475	3,700
Under(over)provision in prior period		
– Hong Kong	**41**	–
– other jurisdictions	**–**	(29,460)
	41	(29,460)
Deferred taxation	**19,776**	11,680
Tax charge (credit) for the period	**43,292**	(14,080)

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the period.

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

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

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six-month period ended 28 March 2012.

On 8 March 2012, the Company declared a final dividend of HK3.6 cents per share for the year ended 28 September 2011. Subsequent to 28 March 2012, cash dividend of HK$113,330,000 were 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. Subsequent to 28 March 2011, 84,551,136 shares of HK$0.10 each in the Company were issued at HK$1.27 per share as scrip dividend and cash dividend of HK$33,531,000 were paid.

8. EARNINGS PER SHARE

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

	Six-month period ended	
	28.3.2012	28.3.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings attributable to the owners of the Company for the purpose of calculation of basic and diluted earnings per share	**190,303**	228,539
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**3,302,490,714**	3,213,602,192
Effect of dilutive potential ordinary shares in respect of share award	**1,037,134**	3,960,505
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	**3,303,527,848**	3,217,562,697

The weighted average number of ordinary shares for both periods for the purpose of basic and diluted earnings per share has been adjusted to reflect the bonus element of the rights issue after the end of reporting period.

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

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

During the six-month period ended 28 March 2012, the Group incurred the following capital expenditures on property, plant and equipment:

	Six-month period ended	
	28.3.2012	28.3.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Leasehold land and buildings	**76,748**	14,042
Leasehold improvements	**6,082**	327
Furniture, fixtures and office equipment	**11,305**	7,652
Motor vehicles	**50**	1,719
Plant and machinery	**254,586**	268,019
Vessels	**67,860**	241,332
Construction in progress	**169,722**	88,049
Total	**586,353**	621,140

The Group's leasehold land and buildings classified as property, plant and equipment were revalued by BMI Appraisals Limited and LLC Apex Group, independent property valuers, at 28 March 2012. 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 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$24,279,000 (2011: HK$82,411,000) in which HK$24,279,000 (2011: HK$82,064,000) have been credited to the property revaluation reserve. HK$347,000 had been credited to profit or loss for the six-month period ended 28 March 2011 as a reversal of loss previously recognised on profit or loss.

During the six-month period ended 28 March 2012, the Group disposed of property, plant and equipment with a carrying amount of HK$449,000 (2011: HK$126,000) to independent third parties for HK$352,000 (2011: HK$373,000).

The Group's investment properties were revalued by BMI Appraisals Limited and Bogeria Consulting Company, independent property valuers, at 28 March 2012. The valuation was based on investment approach by taking into account the current rents passing and the reversionary income potential of tenancies. The revaluation gave rise to a fair value loss of HK$3,585,000 (2011: fair value gain of HK$57,841,000) which has been recognised in other expenses (2011: other income) in the condensed consolidated income statement.

10. GOODWILL

	28.3.2012	28.9.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Gross amount	**2,990,023**	2,940,937
Less: impairment	**(13,355)**	(13,355)
Carrying amount at end of period	**2,976,668**	2,927,582

10. GOODWILL – *Continued*

On 7 November 2011, the Group acquired 100% equity interest in Consorcio Vollmacht S.A.C. ("CV") and Negocios Rafmar S.A.C. ("NR") and goodwill of HK$49,086,000 was accounted for (see note 23) in the Peruvian fishmeal and fish oil division.

During the six-month period ended 28 March 2011, 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. In addition, 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, and goodwill of HK$3,333,000 was accounted for.

The acquisition costs incurred are minimal.

For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to four cash generating units ("CGUs") before impairment. The carrying amounts of goodwill after impairment as at 28 March 2012 allocated to the CGUs are as follows:

	28.3.2012	28.9.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Frozen fish SCM division – Pacific Andes Resources Development Limited ("PARD")	**13,245**	13,245
Fish fillets processing and distribution division – National Fish and Seafood Inc.	**15,594**	15,594
Fishery and fish supply division:		
Pacific supply division – China Fisheries International Limited	**1,780,068**	1,780,068
Peruvian fishmeal and fish oil division – CFG Investment S.A.C. ("CFGI")	**1,167,761**	1,118,675
	2,976,668	2,927,582

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

Frozen fish SCM division and fish fillets processing and distribution division

During the six-month period ended 28 March 2012, management of the Group conducted impairment review on the goodwill which is based on the cash flow forecast derived from the most recent financial budgets for the next five years for Frozen fish CGU segment and Fish fillets processing and distribution CGU.

That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rates of 20% (2011: 20%) for the Fish fillets processing and distribution CGU and 20% (2011: 20%) for the Frozen fish CGU. A key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount.

10. GOODWILL – *Continued*

Fishery and fish supply division

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 supply division and Peruvian fishmeal and fish oil division under the Fishery and Fish supply division at 28 March 2012. Based on the report of the valuer dated 21 May 2012 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 supply division and Peruvian fishmeal and fish oil division under the fishery and fish supply CGU include:

(i) forecast projected cash flows up to 2021 (28 September 2011: 2021) and projection of a terminal value using the perpetuity method;

(ii) growth rate 3.3% per annum during the forecast period (28 September 2011: 3.3% to 5%); and

(iii) use of 7.39% (28 September 2011: 7.72%) for Pacific supply division and use of 16.56% (28 September 2011: 17.26%) for Peruvian fishmeal and fish oil division to discount the projected cash flows to net present values.

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

11. PREPAYMENT TO SUPPLIERS/ADVANCES TO SUPPLIERS

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

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

12. AVAILABLE-FOR-SALE INVESTMENTS

	28.3.2012 **HK$'000** **(unaudited)**	28.9.2011 HK$'000 (audited)
Listed equity securities	**–**	305,372
Unlisted equity securities	**7,802**	7,802
Investment fund	**13,484**	6,000
	21,286	319,174

12. AVAILABLE-FOR-SALE INVESTMENTS – *Continued*

The Group has on 8 December 2010 entered into a sale and purchase agreement with Webster Limited (the "Vendor") under which the Group acquired a total of 28,910,367 shares, representing approximately 19.76% of the total number of issued shares of Tassal Group Limited ("Tassal") from the Vendor, for a consideration of A$51,749,556 (approximately HK$411 million). Tassal is principally engaged in the hatching, farming, processing, sales and marketing of Atlantic salmon in Australia and is listed on the Australian Securities Exchange. The acquisition of Tassal was completed on 7 January 2011.

On 21 November 2011, the Group further acquired 4,389,132 shares in Tassal at a consideration of A$6,934,829 (approximately HK$56 million). After this acquisition, the Group held 22.76% of the total number of issued shares of Tassal and HK$408,691,000 has been recognised as deemed cost of interest in an associate. A representative of the Company had been appointed in the board of Tassal, and Tassal became an associate of the Group on the same date.

13. OTHER INTANGIBLE ASSETS

Other intangible assets comprise fishing permits of HK$1,632,898,000 (28 September 2011: HK$1,457,904,000) granted by the authority in Peru with indefinite useful lives and club debentures of HK$23,963,000 (28 September 2011: HK$23,963,000).

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

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 10, the Group has engaged an independent financial advisor located in Hong Kong to determine the value in use of the CGUs in the Fishery and fish supply division. Based on that report and management's assessment of business prospects, management expects the carrying amount of fishing permits to be recoverable and there is no impairment in value of the fishing permits.

Since the cash inflows of the fishing permits are not largely independent of those from other group of assets in the Peruvian fishing and fishmeal division, the recoverable amounts of the fishing permits are included in the assessment of impairment of the Peruvian fishing and fishmeal division cash generating unit. Key assumptions for the estimation are disclosed in note 10. Based on these evaluations, management is of the view that the recoverable amounts of the fishing permits exceed their carrying amounts.

Club memberships have indefinite useful lives and are not amortised.

14. TRADE, BILLS, OTHER RECEIVABLES AND PREPAYMENTS

	28.3.2012	28.9.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade receivables	**2,257,566**	2,037,018
Bills receivables	**–**	3,650
Current portion of prepaid lease payments	**1,337**	1,337
Balance with suppliers *(note a)*	**750,005**	842,205
Deferred expenditure *(note b)*	**505,805**	373,575
Loan receivable *(note c)*	**262,874**	152,046
Prepayments for frozen fish inventories	**4,665,377**	4,138,051
Other receivables and prepayments	**533,137**	425,549
	8,976,101	7,973,431

a. The balance with suppliers represent advances to the suppliers for working capital advances for the operation of the vessels under the vessels operating agreements.

   The balances with suppliers 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 suppliers.

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

c. The loan receivable is due from a wholly-owned subsidiary of one of the investees which the Group hold 19% interest. The loan is interest free and is secured by (i) 81% unlisted equity shares of two investees of which the Group hold 19% interest each and (ii) 100% equity interest in a wholly-owned subsidiary of one of the investees. The Group has classified its investments in the two investees as available-for-sale investments. The purpose of making the loan is to finance the working capital of the underlying operating entities held by the two investees and the wholly-owned subsidiary of one of the investees.

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to 180 days to the external trade customers. The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	28.3.2012	28.9.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**1,181,571**	796,430
31 – 60 days	**435,852**	180,837
61 – 90 days	**207,214**	80,516
91 – 120 days	**173,785**	241,872
Over 120 days	**259,144**	741,013
	2,257,566	2,040,668

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

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

The trade receivables with insurance coverage have been discounted with recourse to certain banks under the receivable discounting facilities, where the Group continues to recognise the receivables 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:

	28.3.2012	28.9.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**313,772**	214,975
31 – 60 days	**116,147**	105,768
61 – 90 days	**57,993**	33,101
91 – 120 days	**10,083**	25,328
Over 120 days	**51**	3,180
	498,046	382,352

16. TRADE RECEIVABLES FROM ASSOCIATES

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

17. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade payables of HK$2,640,225,000 (28 September 2011: HK$1,962,821,000). The average credit period on purchase of goods is 30 days. The aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

	28.3.2012	28.9.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**2,475,026**	818,332
31 – 60 days	**103,518**	283,435
61 – 90 days	**32,353**	34,584
Over 90 days	**29,328**	826,470
	2,640,225	1,962,821

18. BANK BORROWINGS

	28.3.2012 HK$'000 (unaudited)	28.9.2011 HK$'000 (audited)
Bank borrowings comprise:		
Trust receipt and bank loans	**6,164,846**	6,769,130
Club loan	**3,315,000**	3,315,000
Mortgage loans	**167,104**	175,575
Bank overdrafts	**35,082**	16,525
	9,682,032	10,276,230
Less: issuing costs	**(80,545)**	(104,179)
	9,601,487	10,172,051

	28.3.2012 HK$'000 (unaudited)	28.9.2011 HK$'000 (audited)
The maturity of bank borrowings is as follows:		
Within one year	**6,699,662**	6,680,088
In the second year	**1,232,592**	1,221,164
In the third year	**1,522,706**	1,229,473
In the fourth year	**6,044**	896,935
In the fifth year	**7,213**	4,687
	9,468,217	10,032,347
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but with repayable on demand clause (shown under current liabilities)	**133,270**	139,704
	9,601,487	10,172,051
Amount due within one year shown under current liabilities	**(6,832,932)**	(6,819,792)
Amount due after one year	**2,768,555**	3,352,259

19. CONVERTIBLE BONDS

On 18 April 2007, PARD issued convertible bonds of the principal amount of US$93,000,000 (approximately HK$725,400,000) at par, which are listed on the Singapore Exchange Securities Trading Limited and bear coupon interest rate at 4% per annum payable semi-annually in arrears. Each holder of the notes has the option to convert the notes into shares at an initial conversion price of S$1.0813 per share, subject to adjustment, at any time on or after 29 May 2007 up to close of business on 18 April 2012. The conversion price was subsequently adjusted to S$0.6785 pursuant to the rights issue of PARD effective from 24 July 2009. The number of shares to be issued on conversion of a bond will be determined by dividing the principal amount of bond to be converted (using a fixed exchange rate of S$1.5265 = US$1.00) by the conversion price in effect at the conversion date. PARD has an early redemption option to redeem in whole and not in part of the notes at any time on or after 18 April 2009, at the pre-determined redemption amounts set out in the bond agreement.

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

The effective interest rate of the liability component is 8.85% per annum.

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

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

	Liability component HK$'000	Equity conversion component HK$'000
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
Interest expenses	27,373	–
Interest paid	(10,938)	–
Balance at 28 March 2012	636,264	35,482

Subsequent to 28 March 2012, the bonds with outstanding principal amount of US$70,500,000 (approximately HK$549,900,000) have been fully redeemed.

20. BONDS

The Chinese Renminbi denominated unsecured bonds with principal amount of RMB600,000,000 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 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.

21. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
At 28 September 2010	3,063,182,678	306,319
Exercise of warrants	89,430	8
At 28 March 2011	3,063,272,108	306,327
Issue of shares as scrip dividend *(note a)*	84,551,136	8,455
Exercise of warrants	26,789	3
At 28 September 2011	3,147,850,033	314,785
Issue of share awards *(note b)*	195,757	20
At 28 March 2012	3,148,045,790	314,805

Notes:

a. 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.

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

b. On 16 January 2012, the Company issued 195,757 new ordinary shares of HK$0.10 each at an issue price of HK$0.70 per share by way of the share awards vested during the six-month period ended 28 March 2012. During the current period, the number of shares forfeited as a result of termination of employees was 13,206.

22. CAPITAL COMMITMENTS

	28.3.2012	28.9.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**270,646**	339,651

23. ACQUISITION OF SUBSIDIARIES

During the six-month period ended 28 March 2012, the Group acquired the entire equity interest in CV and NR and accounted for these acquisitions using the acquisition method of accounting. The principal activities of CV and NR are operations of fishing vessels and fishmeal plant in Peru. The acquisition was completed on 7 November 2011.

The fair value of assets acquired and liabilities recognised at the date of acquisition and the goodwill arising on acquisition, are as follows:

	HK$'000
Property, plant and equipment	93,476
Other intangible assets	174,994
Other receivables	16,852
Other payables	(81,900)
Deferred taxation	(48,468)
Assets acquired and liabilities assumed	154,954
Goodwill arising on acquisition	49,086
Total consideration	204,040
Cash outflow arising on acquisitions:	
Cash consideration	204,040

The fair values are determined provisionally based on the information available up to the date of these condensed consolidated financial statements are authorised for issuance. The directors of the Company are still in the process of finalising the fair values of the assets acquired.

The goodwill arising on the acquisition of subsidiaries is attributable to the anticipated profitability of the business of the Group's fishery and fish supply division and the anticipated future operating synergies from the combination.

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 period as the financial statements prior to the acquistions have not been prepared under Hong Kong Financial Reporting Standards.

24. CONTINGENT LIABILITIES

At 28 March 2012, certain subsidiaries of the Group are parties to legal processes in Peru with potential claims amounting to US$3,243,000 (approximately HK$25,293,000) (28 September 2011: US$2,860,000 (approximately HK$22,311,000)). These relate to environmental matters, employment disputes and miscellaneous claims. The Group's legal advisor has advised that US$2,298,000 (approximately HK$17,922,000) (28 September 2011: US$1,943,000 (approximately HK$15,159,000)) of these claims is likely to have unfavourable outcome for the Group and the outcome for claims of US$945,000 (approximately HK$7,371,000) (28 September 2011: US$917,000 (approximately HK$7,152,000)) cannot be reasonably ascertained. Additionally, there are claims which the legal advisor has opined to have remote chances of resulting in unfavourable outcomes for the Group. At the end of the reporting period, the Group had made a provision of US$2,298,000 (approximately HK$17,922,000) (28 September 2011: US$1,943,000 (approximately HK$15,159,000)) for these claims where the outcome is likely to be unfavourable to the Group. There is no settlement for these claims during the period.

At 28 March 2012, the Group provided guarantees of approximately Euro 97.7 million (approximately HK$1,011.9 million) (28 September 2011:Euro 92.7 million (approximately HK$981.4 million)) to banks in respect of the bridge facility guarantee and operational guarantee in favour of the wholly owned operating entities held by Asarmona. At 28 March 2012, an amount of HK$62,000,000 (28 September 2011: HK$62,000,000) has been recognised in the condensed 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.

25. PLEDGE OF ASSETS

(a) At 28 March 2012, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$514,877,000 (28 September 2011: HK$538,737,000) and HK$340,071,000 (28 September 2011: HK$337,235,000) 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$411,206,000 (28 September 2011: HK$432,318,000) were pledged as security for general banking facilities arranged for that subsidiary.

(b) At 28 March 2012, deposits amounting to HK$1,065,000 (28 September 2011: HK$225,000) are pledged to a bank to secure an export invoice discounting facility granted to the Group.

(c) At 28 March 2012, inventories of fishmeal of HK$68,477,000 (28 September 2011: HK$61,169,000) and inventories of frozen fish and fillets and portions amounting to HK$112,440,000 (28 September 2011: HK$163,400,000) were also pledged as security for the revolving inventory financing facilities obtained from banks.

(d) At 28 March 2012, 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$29,970,000 (28 September 2011: HK$77,563,000).

(e) At 28 March 2012 and 28 September 2011, shares and net assets of certain subsidiaries were also pledged as securities for revolving inventory financing and term loan facilities.

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

26. RELATED PARTY TRANSACTIONS

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

	Six-month period ended	
	28.3.2012	28.3.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of frozen seafood	**363,900**	264,164
Purchase of frozen seafood	**18,839**	3,521
Agency income	**6,374**	4,310

(b)

	28.3.2012	28.9.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Bank advances drawn by the Group on discounted trade receivables with insurance coverage of:		
– associates of the Group	**91,506**	84,147
The above advances are secured by trade receivables of:		
– associates of the Group	**101,673**	93,497

(c) Compensation of key management personnel

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

	Six-month period ended	
	28.3.2012	28.3.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term benefits	**17,125**	16,951
Post-employment benefits	**383**	437
	17,508	17,388

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

27. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 6 March 2012, the Company announced a rights issue of 1,574,022,895 new shares at an issue price of HK$0.49 per share by way of rights on 1 new share for each 2 existing shares of the Company ("PAIH Rights Issue").

On the same date, a subsidiary, PARD, announced a rights issue of up to 1,676,303,452 new ordinary shares ("Rights Shares"), at an issue price of S$0.14 per share, on the basis of 1 Rights Share for every 2 existing shares of PARD ("PARD Rights Issue").

Subsequent to the period end date, gross proceeds of approximately of HK$771 million and S$220 million (approximately HK$1,364 million) are received from full subscription of shares under the PAIH Rights Issue and PARD Rights Issue respectively. The Company and PARD intend to utilise the net proceeds for general working capital purposes.

(b) On 30 April 2012, PARD announced the closing of a US$100 million (approximately HK$780 million) transferable term loan facilities with a consortium of 13 Taiwanese banks or financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

Market And Business Review

During the period under review, prices of certain fish species, mainly ocean wild caught species with limited supply, have been trending up, as overall global demand for frozen wild caught fish, especially lower-priced staple food species, remained strong and continued to rise.

Nevertheless, the positive price trend was not uniform, as international fish markets have been affected by growing global economic uncertainties. Importers, processors and retailers in large importing markets have turned more cautious and adopted a more conservative approach on their purchases with a lessened willingness to commit to longer term contracts. As a result, prices on many fish products have shown declines after hitting the highest level ever in early 2011.

Despite recent market difficulties, during 1HFY2012, Pacific Andes continued to sustain sales growth in all its products.

Fishery and Fish Supply Division

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

During the period, the division completed more acquisitions that resulted in an increase in its quota share of total allowable catch of Peruvian Anchovy in Peru. In addition, the Group acquired a fishmeal processing plant in Ilo, the most important port city in Southern Peru. With this additional fishmeal processing plant, the Group can enhance its geographical spread throughout Peru and expects improvement in the utilisation of its fishing quota in Southern Peru.

The division also commenced operations in Namibia, Africa since February 2012. Deployment a fishing vessel to this region enables the Group to diversify into new fishing grounds rich in target species such as horse mackerel, as well as enhances overall utilisation of the fishing fleet.

Frozen Fish Supply Chain Management ("SCM") Division

The Group's Frozen Fish SCM Division, which operates through its Singapore-listed subsidiary Pacific Andes Resources Development Limited ("PARD"), recorded strong growth with improving revenue and profit contributions.

In November 2011, the division further increased its stake from 19.76% to 22.76% in the Australian salmon farming company, Tassal Group Limited ("Tassal"). Maiden profit contribution from Tassal was recorded during the period under review.

Processing and Distribution Division

During the period under review, the Processing and Distributing Division focused on integrating the Group's previous investments/acquisitions in order to realise synergies and cost benefits and increase the scale and scope of its product offerings. This includes the integration of operating support systems, networks, marketing channels and product offerings. The Group believes that its competitive positioning with existing customers will be strengthened by the ability to continue to successfully integrate investments.

Financial Review

Revenue

Total revenue increased by 27.2% from HK$6,602.7 million (approximately US$846.5 million) to HK$8,401.1 million (approximately US$1,077.1 million), with revenue growth in all of the Group's business divisions.

The Fishery and Fish Supply Division accounted for 32.1% (1HFY2011: 35.4%) of total revenue; the frozen fish SCM division for 36.6% (1HFY2011: 30.0%) and the processing and distribution division for the remaining 31.3% (1HFY2011: 34.6%).

Fishery and Fish Supply Division

Revenue from the Fishery and Fish Supply Division increased by 15.1% from HK$2,340.2 million (approximately US$300.0 million) to HK$2,694.6 million (approximately US$345.5 million).

Revenue segmentation

	1HFY2012 HK$ million	**1HFY2011** HK$ million	**Change**
Pacific Supply	**1,906.0**	1,826.1	+4.4%
South Pacific Fleet	**303.3**	314.6	–3.6%
Peruivan Fishmeal and Fish Oil	**485.3**	199.5	+143.3%
Total	**2,694.6**	2,340.2	+15.1%

Revenue increase was mainly attributable to higher contributions from the Peruvian Fishmeal and Fish Oil Division as a result of higher sales volume from the fishmeal and fish oil inventory produced in 1QFY2012, as the fishing season in Peru ended in January 2012.

The increase in revenue contribution from the Pacific Supply Division was due primarily to higher sales volume. Revenue from the South Pacific Fleet amounted to HK$303.3 million, contributed primarily by sales of carry over inventory and the fishing activities in Namibia since February 2012.

Frozen Fish SCM Division

Revenue from the Frozen Fish SCM Division rose 55.1% from HK$1,983.7 million (approximately US$254.3 million) to HK$3,077.3 million (approximately US$394.5 million) on the back on higher sales volume in the PRC.

Processing and Distribution Division

Revenue from the Processing and Distribution Division increased by 15.4% from HK$2,261.6 million (approximately US$289.9 million) to HK$2,609.6 million (approximately US$334.6 million). The increase was primarily attributable to a 16.2% increase in revenue contribution from the Group's processing and distribution operations in the PRC, and as well as a 14.4% revenue growth in the Group's processing and distribution operations in the USA and Japan.

Revenue by Geographical Markets

The PRC remains the Group's key market. Sales to the PRC market increased by 34.7% to HK$4,086.2 million and accounted for 48.6% of total revenue, the increase was due primarily to higher sales volume of fishmeal and fish oil. Sales to North America increased by 31.6% to HK$1,369.9 million, accounting for 16.3% of total revenue. Sales to Europe increased by 125.0% to HK$1,081.9 million, accounting for 12.9% of total revenue. Sales to the African market decreased slightly by 5.6% to HK$1,067.5 million, due primarily to lower catch volume of species targeted to this market.

Gross profit

Gross profit for the 1HFY2012 was HK$1,483.1 million, an increase of 14.9% over the corresponding period last year. Gross profit margin decreased from 19.5% to 17.7% reflecting (i) lower margins from on-board processing activities of the South Pacific Fleet, (ii) higher vessel operating costs resulting from higher fuel costs, (iii) higher revenue contribution from the lower-margin Frozen Fish SCM Division and (iv) higher production costs in the Processing and Distribution Division.

Other income

Other income decreased by 1.8% to HK$135.5 million. The decrease was due mainly to the absence of the HK$57.8 million gain on revaluation of investment recorded during the same period last year.

Selling and distribution expenses

Selling and distribution expenses increased by 66.2% from HK$241.1 million to HK$400.9 million. This was mainly associated with higher sales volume and higher freight costs from all the three divisions.

Administrative expenses

Administrative expenses decreased slightly by 1.9% from HK$318.8 million to HK$312.7 million.

Other expenses

Other expenses decreased by 47.8% from HK$45.5 million to HK$23.7 million, primarily due to the absence of the one-off expenses incurred in the same period last year.

Finance costs

Finance costs increased by 11.7% from HK$246.8 million to HK$275.8 million during the period under review mainly due to the increase in average bank interest rate and the increase in short-term bank borrowings to finance working capital for the Frozen Fish SCM Division and the Processing and Distribution Division.

Profit for the period

Higher profit contributions from the Fishery and Fish Supply Division and the Frozen Fish SCM Division were partially offset by the lower profitability of the Processing and Distribution Division, thus, profit for the period increased slightly by 1.0% from HK$587.7 million to HK$593.6 million. Profit attributable to owners of the Company, which excludes profit attributable to non-controlling interest, decreased by 16.7% from HK$228.5 million to HK$190.3 million.

The Group recorded a revaluation gain on investment properties in 1HFY2011. Excluding the effect of revaluation of investment properties, core profit for the period would have been HK$597.2 million, up by 12.6% as compared to HK$529.8 million during the same period last year.

Financial position and liquidity

As of 28 March 2012, total assets of the Group amounted to HK$28,008.6 million (28 September 2011: HK$26,368.9 million).

Non-current assets increased by 5.0% from HK$13,753.7 million to HK$14,438.8 million. The increase was mainly due to PARD's increasing its stake in Tassal from 19.76% to 22.76% in November 2011 and share of its results. The acquisition of a fishmeal plant in Peru also contributed to the increase.

Current assets increased by 7.6% from HK$12,615.2 million to HK$13,569.8 million due mainly to higher trade receivables as a result of higher business activity towards the end of March 2012.

Total interest-bearing borrowings decreased by 2.6% from HK$11,957.8 million to HK$11,652.8 million. As at 28 March 2012, approximately 30.4% (as at 28 September 2011: approximately 34.5%) of the Group's total bank loans and other borrowings were repayable within a year and approximately 69.6% (as at 28 September 2011: approximately 65.5%) was repayable within the second to the fifth year.

Of the Group's total bank loans and other borrowings, 66.9% of short-term borrowings and 87.6% 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$6,391.6 million, 3.1% higher than the HK$6,197.5 million as at 28 September 2011.

As of 28 March 2012, the net-debt-to-equity ratio of the Group, defined as a percentage of net interest bearing borrowings of HK$10,755.4 million over total equity of HK$11,964.9 million, improved from 96.5% to 89.9%.

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 purposes. As at 28 March 2012, the Group held HK$896.3 million in cash and bank balances.

Subsequent Events

The Group further strengthened its balance sheet through the completion of a chain rights issue at the Company and PARD level, and PARD's signing of a US$100 million (approximately HK$780 million) transferable term loan facility in April 2012. With a solid financial foundation, the Group will have greater financial flexibility to grow its business.

On 10 April 2012, the Company completed an issue of 1,574 million new ordinary shares at HK$0.49 each by way of rights to raise net proceeds of approximately HK$751 million (approximately US$96 million). The proceeds were used for the pro rata subscription of rights shares of PARD. The net proceeds of PARD's rights issue of approximately HK$1,364 million (approximately US$175 million) have been used to settle part of its interest-bearing loans and for general working capital.

Dividend

In line with its past practice, the Board of Directors has not declared any interim dividend for the six-month period ended 28 March 2012.

Employees and Remuneration

As at 28 March 2012, the Group had a total of approximately 17,000 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 and PARD has an employee share option scheme for granting of share options and share awards to eligible employees based on their contribution to the Group.

Prospects

By divisions, the Group expects the Fishery and Fish Supply Division to further benefit from the previous acquisitions in Peru which would allow the Group to have a higher share of the total allowable catch of Peruvian Anchovy. In addition, the Group will look at measures to further improve operational efficiency of its fleet and will continue to identify new and sustainable fishing grounds with rich resources to maximise the utilisation of the fleet.

For the Frozen Fish SCM Division, sales are expected to increase with market expansion to better capture the growing demand in various markets. The division is also expected to further benefit from its increased stake in Tassal.

The Processing and Distribution Division will continue with its efforts in improving processing efficiency in the PRC and at the same time strive to realise the synergies from previous acquisitions or investments in Europe, USA and Japan. The division also plans to launch new value-added and ready meal products and to develop other new businesses to further future growth.

Most probably, the global market environment would remain challenging for the foreseeable future. Nevertheless, the Group has committed significant efforts and resources in the past years in setting a strong foundation for the business to continue to grow. The Group's focus in 2HFY2012 will be to further consolidate its businesses and strive to realise the synergies from all of its business divisions.

PURCHASE, SALE OR REDEMPTION

During the six-month period ended 28 March 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities of the Company during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors of the Company who have confirmed their compliance with the required standards set out in the Model Code during the six-month period ended 28 March 2012.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six-month period ended 28 March 2012.

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code of Corporate Governance (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. The Company has complied with all the applicable code provisions in the CG Code throughout the six-month period ended 28 March 2012, except for the following deviation:

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

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

As at 28 March 2012 and to the best knowledge of the Directors or chief executive of the Company, the interests and short positions of the Directors or chief executive of the Company in the shares, warrants, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

	Number of ordinary shares held* (long position)		**Percentage of the issued share capital of the Company***
Directors	**Personal Interest**	**Family Interest**	
Ng Joo Siang	–	4,828,171 *(Note)*	0.10%
Ng Puay Yee	1,304,245	–	0.03%

* after completion of right issue by the Company in April 2012.

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

Save as disclosed above, as at 28 March 2012, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, warrants, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) ; or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein ; or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

Save as disclosed below, as at 28 March 2012 or as otherwise notified to the Company and/or the Stock Exchange, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, no other person or companies (other than a Director or chief executive of the Company whose interests are disclosed above) had an interest or a short position in the shares, warrants or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Substantial 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 ("N. S. Hong")	Beneficial owner	2,593,278,434 *(Note)*	54.92

* after completion of right issue by the Company in April 2012.

Note: N.S. Hong directly holds such shares. These shares include the shares of the Company allotted and issued pursuant to the right issue by the Company in April 2012.

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

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

Hong Kong, 24 May 2012

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 1 to 24, which comprises the condensed consolidated statement of financial position of Pacific Andes International Holdings Limited and its subsidiaries as of 28 March 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 May 2012