PACIFIC ANDES
INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

INTERIM REPORT
For the six-month period ended 28 March 2014

STOCK CODE: 1174

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Pacific Andes International Holdings Limited ("**Pacific Andes**" or the "**Company**") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six-month period ended 28 March 2014 ("**1HFY2014**"), together with the unaudited comparative figures for the corresponding period from the immediate preceding year for the six-month period ended 28 March 2013 ("**1HFY2013**").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 28 March 2014

	Notes	**Six-month period ended 28.3.2014 HK$'000 (unaudited)**	Six-month period ended 28.3.2013 HK$'000 (unaudited and restated)
Revenue	*4*	**6,983,781**	7,230,571
Cost of sales		**(5,826,724)**	(6,206,077)
Gross profit		**1,157,057**	1,024,494
Other income	*5*	**286,246**	394,033
Selling and distribution expenses		**(237,936)**	(283,824)
Administrative expenses		**(345,834)**	(300,054)
Other expenses		**(60,875)**	(26,201)
Finance costs		**(505,111)**	(373,636)
Share of results of a joint venture		**(3,189)**	8,587
Share of results of associates		**35,206**	29,037
Profit before taxation	*6*	**325,564**	472,436
Taxation	*7*	**(34,961)**	98,408
Profit for the period		**290,603**	570,844
Profit for the period attributable to:			
Owners of the Company		**85,677**	221,867
Non-controlling interests		**204,926**	348,977
		290,603	570,844
Earnings per share	*9*		
Basic		**HK 1.8 cents**	HK 4.7 cents
Diluted		**HK 1.8 cents**	HK 4.7 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 28 March 2014

	Six-month period ended	
	28.3.2014	28.3.2013
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Profit for the period	**290,603**	570,844
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of properties	**47,781**	22,062
Deferred tax liability arising on revaluation of properties	**(16,695)**	(3,796)
Items that will be subsequently reclassified to profit or loss:		
Fair value changes of available-for-sale investments	**(3,282)**	15,226
Exchange differences arising on translation of foreign operations	**(42,427)**	(349)
Other comprehensive (expense) income for the period	**(14,623)**	33,143
Total comprehensive income for the period	**275,980**	603,987
Total comprehensive income attributable to:		
Owners of the Company	**77,760**	253,238
Non-controlling interests	**198,220**	350,749
	275,980	603,987

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 28 March 2014

	Notes	28.3.2014 HK$'000 (unaudited)	28.9.2013 HK$'000 (audited and restated)
Non-current assets			
Property, plant and equipment	*10*	**7,608,000**	7,859,186
Investment properties	*10*	**570,048**	578,707
Prepaid lease payments		**40,158**	40,848
Goodwill	*11*	**2,976,668**	2,976,668
Prepayment to suppliers	*12*	**557,896**	1,786,916
Available-for-sale investments		**39,871**	44,699
Interests in associates		**566,972**	543,513
Interest in a joint venture		**85,318**	98,797
Other intangible assets	*13*	**9,560,792**	9,560,792
Other long term receivables	*14*	**485,750**	390,109
		22,491,473	23,880,235
Current assets			
Inventories		**3,319,008**	2,467,509
Trade, bills, other receivables and prepayments	*14*	**9,334,859**	9,788,115
Trade receivables with insurance coverage	*15*	**620,844**	546,197
Trade receivables from associates	*16*	**101,975**	95,065
Prepayment to suppliers – current portion	*12*	**1,326,000**	205,123
Advance to a supplier	*12*	**315,900**	315,900
Amounts due from associates		**19,075**	3,424
Amount due from a joint venture		**28,028**	27,731
Held-for-trading investments		**8,845**	8,668
Tax recoverable		**54,075**	102,349
Pledged deposits		**95**	111
Bank balances and cash		**712,074**	921,335
		15,840,778	14,481,527

	Notes	**28.3.2014 HK$'000 (unaudited)**	28.9.2013 HK$'000 (audited and restated)
Current liabilities			
Trade, bills and other payables	*17*	**1,878,620**	1,448,356
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	*15*	**630,830**	609,446
Bonds	*19*	**714,648**	721,476
Other financial liabilities		**176,763**	159,218
Dividend payable		**51,942**	–
Taxation		**148,467**	126,470
Obligation under finance leases – due within one year		**18,110**	30,151
Bank borrowings – due within one year	*18*	**7,880,822**	10,717,775
		11,500,202	13,812,892
Net current assets		**4,340,576**	668,635
Total assets less current liabilities		**26,832,049**	24,548,870
Non-current liabilities			
Obligation under finance leases – due after one year		**–**	3,666
Bank borrowings – due after one year	*18*	**3,840,881**	1,557,981
Long term payables		**1,360,118**	1,407,011
Senior notes	*20*	**4,086,576**	4,080,896
Deferred tax liabilities		**2,547,285**	2,596,304
		11,834,860	9,645,858
Net assets		**14,997,189**	14,903,012
Capital and reserves			
Share capital	*21*	**472,207**	472,207
Share premium and reserves		**7,348,113**	7,322,295
Equity attributable to owners of the Company		**7,820,320**	7,794,502
Non-controlling interests			
Share of net assets of subsidiaries		**7,176,869**	7,108,510
Total equity		**14,997,189**	14,903,012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 28 March 2014

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Investment revaluation reserve HK$'000	Goodwill reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 28 September 2012 (audited)	472,207	3,163,790	603,597	177,229	297,098	–	(135,913)	9,800	2,704,335	7,292,143	5,916,238	13,208,381
Surplus on revaluation of properties	–	–	21,571	–	–	–	–	–	–	21,571	491	22,062
Deferred tax liability arising on revaluation of properties	–	–	(3,796)	–	–	–	–	–	–	(3,796)	–	(3,796)
Fair value changes of available-for-sale investments	–	–	–	–	–	5,860	–	–	–	5,860	9,366	15,226
Exchange difference arising translation of foreign operations	–	–	–	7,736	–	–	–	–	–	7,736	(8,085)	(349)
Other comprehensive income	–	–	17,775	7,736	–	5,860	–	–	–	31,371	1,772	33,143
Profit for the period	–	–	–	–	–	–	–	–	221,867	221,867	348,977	570,844
Total comprehensive income for the period	–	–	17,775	7,736	–	5,860	–	–	221,867	253,238	350,749	603,987
Dividend paid *(note 8)*	–	–	–	–	–	–	–	–	(51,942)	(51,942)	(67,159)	(119,101)
At 28 March 2013 (unaudited)	472,207	3,163,790	621,372	184,965	297,098	5,860	(135,913)	9,800	2,874,260	7,493,439	6,199,828	13,693,267

	Attributable to owners of the Company											
	Share capital HK$'000	**Share premium HK$'000**	**Property revaluation reserve HK$'000**	**Translation reserve HK$'000**	**Other reserve HK$'000**	**Investment revaluation reserve HK$'000**	**Goodwill reserve HK$'000**	**Special reserve HK$'000**	**Retained profits HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total HK$'000**
At 28 September 2013 (audited)	**472,207**	**3,163,790**	**732,567**	**205,697**	**297,098**	**2,181**	**(135,913)**	**9,800**	**3,047,075**	**7,794,502**	**7,108,510**	**14,903,012**
Surplus on revaluation of properties	**–**	**–**	**46,027**	**–**	**–**	**–**	**–**	**–**	**–**	**46,027**	**1,754**	**47,781**
Deferred tax liability arising on revaluation of properties	**–**	**–**	**(16,695)**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,695)**	**–**	**(16,695)**
Fair value changes of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**(2,181)**	**–**	**–**	**–**	**(2,181)**	**(1,101)**	**(3,282)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**(35,068)**	**–**	**–**	**–**	**–**	**–**	**(35,068)**	**(7,359)**	**(42,427)**
Other comprehensive income (expense)	**–**	**–**	**29,332**	**(35,068)**	**–**	**(2,181)**	**–**	**–**	**–**	**(7,917)**	**(6,706)**	**(14,623)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**85,677**	**85,677**	**204,926**	**290,603**
Total comprehensive income (expense) for the period	**–**	**–**	**29,332**	**(35,068)**	**–**	**(2,181)**	**–**	**–**	**85,677**	**77,760**	**198,220**	**275,980**
Acquisition of additional interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(62,272)**	**(62,272)**
Dividend paid *(note 8)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51,942)**	**(51,942)**	**(67,589)**	**(119,531)**
At 28 March 2014 (unaudited)	**472,207**	**3,163,790**	**761,899**	**170,629**	**297,098**	**–**	**(135,913)**	**9,800**	**3,080,810**	**7,820,320**	**7,176,869**	**14,997,189**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 28 March 2014

	Six-month period ended	
	28.3.2014	28.3.2013
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Operating activities		
Profit before taxation	**325,564**	472,436
Adjustments for non-cash items	**1,066,762**	915,454
Operating cash flows before movements in working capital	**1,392,326**	1,387,890
(Increase) decrease in inventories	**(851,499)**	343,013
Decrease in trade, bills, other receivables and prepayments and trade receivables with insurance coverage	**378,609**	2,668,746
Increase in trade, bills and other payables	**390,644**	164,202
Others	**(554,033)**	(683,635)
Net cash from operating activities	**756,047**	3,880,216
Investing activities		
Addition to property, plant and equipment	**(224,898)**	(161,273)
Addition of available-for-sale investments	**(7,325)**	(534,456)
Addition of prepayment to suppliers	**–**	(1,170,000)
(Advance) repayment of other long term receivables	**(95,641)**	187,286
Others	**29,119**	31,904
Net cash used in investing activities	**(298,745)**	(1,646,539)
Financing activities		
Dividend paid	**–**	(51,942)
Dividend paid to non-controlling shareholders	**(67,589)**	(67,159)
Net bank advances drawn on discounted trade receivables with insurance coverage and discounted bills raised	**21,384**	153,889
Bank borrowings raised	**5,111,311**	663,000
Repayment of bank borrowings	**(5,054,435)**	(624,000)
Repayment of working capital loans, net	**(610,929)**	(640,028)
Cash outflow arising on acquisition of additional interests in subsidiaries	**(55,603)**	–
Others	**(15,707)**	(14,476)
Net cash used in financing activities	**(671,568)**	(580,716)
Net (decrease) increase in cash and cash equivalents	**(214,266)**	1,652,961
Cash and cash equivalents at beginning of the period	**921,335**	690,969
Effect of foreign exchange rate changes	**5,005**	(29,485)
Cash and cash equivalents at end of the period	**712,074**	2,314,445
Representing:		
Bank balances and cash	**712,074**	2,314,445

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 28 March 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described in note 3 below, 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 the year ended 28 September 2013.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current period.

Amendments to HKRFSs	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments to HKAS 1
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interest in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

3. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS** – *Continued*

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, guidance in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group. In assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its investees at 29 September 2013.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) – Int 13 "Jointly Controlled Entities – Non-Monetary Contribution by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties of joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – *Continued*

Impact of the application of HKFRS 11 – *Continued*

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises it assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in a joint arrangement in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in a jointly controlled entity, Able Team Investments Limited, which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under HKFRS 11 and accounted for using equity method. The change in accounting of the Group's investment in jointly controlled entity has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investment as at 29 September 2013 for the purpose of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated. Also, the directors performed an impairment assessment on the initial investment as at 29 September 2013 and concluded that no impairment loss is required. Comparative amounts of 2013 have been restated to reflect change in accounting for the Group's investment in joint arrangement.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces that requirement previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require of permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements. The Group has applied the new fair value measurement and disclosure requirements prospectively and there is no significant change in fair value measurement of the Group. Disclosures of fair value information are set out in note 23.

3. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS** – *Continued*

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 "Interim Financial Reporting" as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the condensed consolidated financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Disclosures of segment information are set out in note 4.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures sets out in these condensed consolidated financial statements.

Summary of the effect of the above changes in accounting policy

The effect of the changes in the Group's accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated income statement and condensed consolidated statement of comprehensive income is as follows:

	Six-month period ended	
	28.3.2014	28.3.2013
	HK$'000	HK$'000
Impact on profit for the interim period:		
Decrease in turnover	**(8,407)**	(8,338)
Decrease in cost of sales	**2,817**	3,150
Decrease in other income	**(4,296)**	(14,208)
Decrease in administrative expenses	**10,532**	6,775
Decrease in finance costs	**1,672**	407
(Decrease) increase in share of results of a joint venture	**(3,189)**	8,587
Decrease in taxation	**871**	3,627
Net impact on profit for the period	**–**	–

3. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS** – *Continued*

Summary of the effect of the above changes in accounting policy – *Continued*

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 28 September 2013 is disclosed as follows:

	At 28 September 2013 HK$'000 (originally stated)	Application of HKFRS 11 HK$'000	At 28 September 2013 HK$'000 (restated)
Property, plant and equipment	7,874,208	(15,022)	7,859,186
Investment properties	728,041	(149,334)	578,707
Interest in a joint venture	–	98,797	98,797
Trade, bills, other receivables and prepayments	9,795,621	(7,506)	9,788,115
Amount due from a joint venture	18,486	9,245	27,731
Bank balances and cash	924,452	(3,117)	921,335
Trade, bills and other payables	1,465,579	(17,223)	1,448,356
Bank borrowings – due within one year	10,719,971	(2,196)	10,717,775
Bank borrowings – due after one year	1,579,565	(21,584)	1,557,981
Deferred taxation	2,622,238	(25,934)	2,596,304
Total effect on net assets		–	

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

Amendments to HKRFSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
Amendments to HKRFSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective date of HKFRS 9 and Transition Disclosures[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instrument[5]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Deferred Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 January 2014, with limited exceptions.
4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
5 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized.

The directors of the Company are in the process of ascertaining the financial effect of the application of these new and revised HKFRSs on the Group's consolidated financial statements.

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

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, fair value changes in certain investment properties, fair value change in derivative financial instruments, administrative expenses, other expenses, finance costs and taxation. Upon application of HKFRS 11 in the current period, the Group's interest in a joint venture is accounted for using equity method. As such, the Group's share of results of a joint venture and interests thereon are included in the measure of segment result and segment assets, respectively, in respect of the Fish fillets processing and distribution operating and reportable segments. Previously, the joint venture's income, certain expenses, assets and liabilities were included in the measure of segment revenue, segment results, segment assets and segment liabilities, respectively, in respect of Others operating and reportable segment. Certain comparative figures of segment information have been restated. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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 suppliers, certain investment properties, certain property, plant and equipment and intangible assets. Segment liabilities consist principally of trade payable, accrued expenses, and long term payables.

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

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

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.

Information regarding the above segments is reported below.

For the six-month period ended 28 March 2014

Segment revenue and results

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishery and Fish supply HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE					
External sales to external customers	2,124,262	2,300,153	2,535,715	23,651	6,983,781
RESULTS					
Segment result	223,337	205,679	769,834	11,166	1,210,016
Unallocated corporate income					146,955
Unallocated corporate expenses					(526,296)
Finance costs					(505,111)
Profit before taxation					325,564

As at 28 March 2014

Segment assets and liabilities

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishery and Fish supply HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	7,134,587	6,377,410	24,066,994	82,034	37,661,025
Unallocated corporate assets					671,226
Total assets					38,332,251
LIABILITIES					
Segment liabilities	56,204	2,741,835	489,215	3,426	3,290,680
Unallocated corporate liabilities					20,044,382
Total liabilities					23,335,062

4. REVENUE AND SEGMENT INFORMATION – *Continued*

For the six-month period ended 28 March 2013

Segment revenue and results

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000 (restated)	Fishery and Fish supply HK$'000	Others HK$'000 (restated)	Consolidated HK$'000 (restated)
REVENUE					
External sales to external customers	2,756,974	2,344,619	2,112,107	16,871	7,230,571
RESULTS					
Segment result	252,772	124,118	566,071	6,534	949,495
Unallocated corporate income					222,833
Unallocated corporate expenses					(326,256)
Finance costs					(373,636)
Profit before taxation					472,436

As at 28 September 2013

Segment assets and liabilities

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000 (restated)	Fishery and Fish supply HK$'000	Others HK$'000 (restated)	Consolidated HK$'000 (restated)
ASSETS					
Segment assets	8,247,319	5,620,719	23,688,398	93,115	37,649,551
Unallocated corporate assets					712,211
Total assets					38,361,762
LIABILITIES					
Segment liabilities	50,676	2,302,377	494,416	7,898	2,855,367
Unallocated corporate liabilities					20,603,383
Total liabilities					23,458,750

5. OTHER INCOME

	Six-month period ended	
	28.3.2014	28.3.2013
	HK$'000	HK$'000
		(restated)
Gross rental income	**9,159**	7,189
Agency income	**5,187**	4,402
Fair value changes on investment properties	**–**	777
Interest income	**6,545**	2,847
Compensation received from suppliers of fish	**82,124**	52,516
Fair value change on held-for-trading investments	**177**	–
Exchange gain, net	**143,818**	308,290
Sundry income	**39,236**	18,012
	286,246	394,033

Note: Exchange gains, net included the realised gain of HK$131,128,000 (2013: HK$238,975,000) and unrealised loss of HK$119,763,000 (2013: HK$24,108,000) on structured foreign currency forward contracts and cross-currency interest rate swap contract with banks for the six-month period ended 28 March 2014.

6. PROFIT BEFORE TAXATION

	Six-month period ended	
	28.3.2014	28.3.2013
	HK$'000	HK$'000
		(restated)
Profit before taxation has been arrived at after charging:		
Amortisation of prepayment to suppliers – fixed costs (included in cost of sales)	**108,143**	118,820
Amortisation of prepaid lease payments	**502**	491
Cost of inventories included in cost of sales	**4,626,365**	5,410,981
Depreciation of property, plant and equipment	**433,804**	424,905
Impairment loss on property, plant and equipment	**31,192**	–
Loss on disposal of property, plant and equipment	**1,377**	463
Loss from financial guarantee contracts, net	**3,000**	10,000

7. TAXATION

	Six-month period ended	
	28.3.2014	28.3.2013
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
The charge (credit) comprises:		
Current tax for period		
– Hong Kong	**–**	–
– Other jurisdictions	**87,908**	10,689
	87,908	10,689
Under (over) provision in prior period		
– Hong Kong	**6**	(13)
– Other jurisdictions	**–**	(28,581)
	6	(28,594)
Deferred taxation	**(52,953)**	(80,503)
Tax charge (credit) for the period	**34,961**	(98,408)

Hong Kong Profit Tax is calculated at 16.5% (2013: 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.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six-month period ended 28 March 2013 and 28 March 2014.

On 7 March 2014, the Company declared a final dividend of HK1.1 cents per share for the year ended 28 September 2013. Cash dividend of HK$51,942,000 were paid subsequent to 28 March 2014.

On 8 March 2013, the Company declared a final dividend of HK1.1 cents per share for the year ended 28 September 2012. Subsequently, cash dividend of HK$51,942,000 were paid.

9. EARNINGS PER SHARE

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

	Six-month period ended	
	28.3.2014	28.3.2013
	HK$'000	HK$'000
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	**85,677**	221,867
Weighted average number of ordinary shares for the purpose of calculation of basic and diluted earnings per share	**4,722,068,685**	4,722,068,685

For the period ended 28 March 2014, the outstanding warrants issued by the Company's listed subsidiary, China Fishery Group Limited ("**China Fishery**"), are not included in the calculation of diluted earnings per share as the exercise price was higher than the average market price of the shares of China Fishery during the outstanding period.

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

During the period, the Group incurred the following capital expenditures on property, plant and equipment:

	Six-month period ended	
	28.3.2014	28.3.2013
	HK$'000	HK$'000
		(restated)
Leasehold land and buildings	**10,068**	22,221
Freehold land and buildings	**3,480**	–
Leasehold improvements	**837**	12,544
Furniture, fixtures and office equipment	**2,624**	964
Motor vehicles	**653**	9
Plant and machinery	**111,991**	77,010
Vessels	**28,034**	–
Fishing nets	**84**	–
Construction in progress	**67,127**	48,525
Total	**224,898**	161,273

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 2014 and 28 September 2013. 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$47,781,000 (2013: HK$22,062,000) which credited to the property revaluation reserve.

During the six-month period ended 28 March 2014, the Group disposed of property, plant and equipment with a carrying amount of HK$12,267,000 (2013: HK$11,666,000) to independent third parties for HK$10,890,000 (2013: HK$11,203,000).

The Group's investment properties were revalued by BMI Appraisals Limited, independent property valuers, at 28 March 2014 and 28 September 2013. The valuation was based 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 loss of HK$5,546,000 (2013: restated fair value gain of HK$777,000) which has been recognised in other expense (2013: other income) in the condensed consolidated income statement.

11. GOODWILL

	28.3.2014	28.9.2013
	HK$'000	HK$'000
Gross amount	**2,990,023**	2,990,023
Less: impairment	**(13,355)**	(13,355)
Carrying amount at end of period	**2,976,688**	2,976,688

For the purposes of impairment testing, goodwill is allocated to four groups cash generating units ("**CGUs**"). The carrying amounts of goodwill after impairment as at 28 March 2014 allocated to the CGUs are as follows:

	28.3.2014	28.9.2013
	HK$'000	HK$'000
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:		
Contract supply business – China Fisheries International Limited ("**CFIL**")	**1,780,068**	1,780,068
Peruvian fishmeal division – CFG Investment S.A.C. ("**CFGI**")	**1,167,761**	1,167,761
	2,976,668	2,976,668

During the six-month period ended 28 March 2014, management of the Group determined that there is no indication of impairment of any of its groups of CGUs containing goodwill or intangible assets with indefinite useful lives.

12. PREPAYMENT TO SUPPLIERS/ADVANCE TO A SUPPLIER

Prepayment to suppliers

Prepayment to suppliers is made to secure the fish supply under the long term supply agreements ("**LSAs**") for the purpose of simplifying the fish supply arrangements between CFIL and the counterparties and further clarifying the rights and obligations of the counterparties. Summary of these LSAs is set out in the Company's announcement dated 16 July 2012. The Group has entered into a new LSA ("**New LSA**") with a supplier, Perun Limited ("**Perun**"), in November 2012 to replace the fourth LSA. The New LSA took retrospective effect from 1 October 2012 and shall terminate on 30 September 2030. A fixed fees payable under the new LSA for the entire duration of the LSA, amounting to US$150 million (approximately HK$1,170 million) in aggregate, was prepaid by the Group to Perun. This is different from the previous fourth LSA which provided for a fixed price of US$12,000 (approximately HK$93,600) per vessel per calendar day. Other than this, all other terms and conditions in the New LSA are similar to the fourth LSA.

12. **PREPAYMENT TO SUPPLIERS/ADVANCE TO A SUPPLIER** – *Continued*

Prepayment to suppliers – *Continued*

Under the LSAs, the Group also pays variable price for the supply of fish based on contracted percentages of the revenue derived from the sales of fish before deduction of amortisation of fixed prepayment to suppliers.

On 24 March 2014, the Company announced termination of the LSAs and the New LSA with effect from 1 April 2014. Under the termination agreements, the Group will be entitled to refund in cash or in the form of fish supply of HK$1,326,000,000 in the next 12 months, and the remaining balance of HK$557,896,000 by 28 March 2016.

Advance to a supplier

Advance to a supplier is unsecured, interest free and represents advances for working capital. The advance amount will be refunded in cash or in the form of fish supply. Management expects the advances to suppliers to be settled in the next 12 months.

13. **OTHER INTANGIBLE ASSETS**

Other intangible assets comprise fishing and plant permits of HK$9,536,829,000 (28.9.2013: HK$9,536,829,000) granted by the authority in Peru with indefinite useful lives and club debentures of HK$23,963,000 (28.9.2013: 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.

14. **OTHER LONG TERM RECEIVABLES/TRADE, BILLS, OTHER RECEIVABLES AND PREPAYMENTS**

	28.3.2014	28.9.2013
	HK$'000	HK$'000
		(restated)
Trade and bills receivables	**2,189,880**	1,839,515
Current portion of prepaid lease payments	**1,380**	1,380
Balance with suppliers *(note a)*	**1,252,946**	801,487
Deferred expenditure *(note b)*	**267,940**	372,629
Prepayments for fish and other seafood products	**4,655,148**	5,815,115
Other receivables and prepayments	**652,222**	484,415
Loan receivables *(note c)*	**315,343**	473,574
	9,334,859	9,788,115

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

Notes:

a. The balances with suppliers represent advances to the suppliers to finance the working capital for the supply of fish to the Group under the LSAs.

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.

The amount is interest-free and covered by the corresponding security arrangements.

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

c. As at 28 March 2014, the Group has loan receivables of HK$800,165,000 (28.9.2013: HK$862,755,000) due from Asarmona Holdings Limited ("**Asarmona**"). The loan of HK$484,822,000 (28.9.2013: HK$389,181,000) which is classified as non-current, is interest free and 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 Group has classified its investments in the two investees as available-for-sale investments. The loan of HK$315,343,000 (28.9.2013: HK$473,574,000), which is classified as current, is unsecured, carries interest at 3% per annum above Euro Interbank Offered Rate and repayable within 10 business days after service of a written demand by the Group.

The Group maintains a defined credit policy. For sales of goods, the Group allows 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:

	28.3.2014	28.9.2013
	HK$'000	HK$'000
Less than 30 days	**1,257,158**	615,825
31 – 60 days	**353,297**	265,130
61 – 90 days	**236,872**	226,555
91 – 120 days	**337,903**	683,314
Over 120 days	**4,650**	48,691
	2,189,880	1,839,515

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, whereby 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:

	28.3.2014	28.9.2013
	HK$'000	HK$'000
Less than 30 days	**213,785**	203,696
31 – 60 days	**188,360**	148,327
61 – 90 days	**72,328**	49,593
91 – 120 days	**47,732**	38,222
Over 120 days	**98,639**	106,359
	620,844	546,197

16. TRADE RECEIVABLES FROM ASSOCIATES

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

17. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade payables of HK$1,502,781,000 (28.9.2013: HK$1,126,503,000). 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:

	28.3.2014	28.9.2013
	HK$'000	HK$'000
Less than 30 days	**382,440**	302,070
31 – 60 days	**87,296**	159,646
61 – 90 days	**22,618**	21,420
Over 90 days	**1,010,427**	643,367
	1,502,781	1,126,503

18. BANK BORROWINGS

	28.3.2014 HK$'000	28.9.2013 HK$'000 (restated)
Bank borrowings comprise:		
Trust receipt loans	**4,090,943**	5,044,337
Club loans	**–**	1,868,455
Mortgage loans	**123,595**	127,436
Other bank loans	**7,547,846**	5,242,694
Bank overdrafts	**11,141**	26,753
	11,773,525	12,309,675
Less: issuing costs	**(51,822)**	(33,919)
	11,721,703	12,275,756
The maturity of bank borrowings is as follows:		
Within one year	**7,765,867**	10,599,111
In the second year	**1,646,953**	1,557,981
In the third year	**1,297,600**	–
In the fourth year	**896,328**	–
	11,606,748	12,157,092
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)	**114,955**	118,664
	11,721,703	12,275,756
Amount due within one year shown under current liabilities	**(7,880,822)**	(10,717,775)
Amount due after one year	**3,840,881**	1,557,981

During the six-month period ended 28 March 2014, the Group obtained a term loan facility amounting to US$650,000,000 (approximately HK$5,070,000,000) of which US$550,000,000 (approximately HK$4,290,000,000) has been drawn down, bearing interest from 3.125% to 4.25% per annum and repayable in the next four years by instalment.

19. 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.

At 28 March 2014, the outstanding principal amounted to RMB570,000,000 (approximately HK$716,148,000) (28.9.2013: RMB570,000,000 (approximately HK$726,539,000)).

20. SENIOR NOTES

On 24 July 2012, the Group, through its subsidiary, CFGI issued guaranteed senior fixed rate notes with aggregate nominal value of US$300,000,000 (approximately HK$2,340,000,000) (the "**Notes**") which carry fixed interest of 9.75% per annum (interest payable semi-annually in arrear) and will be fully repayable by 30 July 2019.

The net carrying amount of the Notes was stated net of issue expenses totalling US$17,045,000 (approximately HK$132,951,000). Such expenses were amortised over the life of the Notes by charging the expenses to the profit or loss using effective interest rate of 10.92% per annum and increasing the net carrying amount of the Notes with the corresponding amount. As of 28 March 2014, accumulated amortisation amounted to US$2,384,000 (approximately HK$18,595,000 (28.9.2013: US$1,668,000 (approximately HK$13,012,000)).

At 28 March 2014, the outstanding principal of the Notes amounted to US$288,000,000 (approximately HK$2,246,400,000 (28.9.2013: US$288,000,000 (approximately HK$2,246,400,000)).

Corporacion Pesquera Inca S.A.C., a subsidiary of Copeinca AS ("**Copeinca**") which was acquired by the Group during the year ended 28 September 2013 issued guaranteed senior fixed rate notes with nominal value of US$250,000,000 (approximately HK$1,950,000,000) ("**CPI Notes**"), which carry fixed interest rate of 9% per annum (interest payable semi-annually in arrear) and will be due in 2017. The CPI Notes are unsecured but guaranteed by Copeinca. In addition, certain covenants set out in the CPI Notes need to be compiled with.

The net carrying amount of the CPI Notes was stated net of issue expenses totaling US$948,000 (approximately HK$7,394,000). Such expenses were amortised over the life of the CPI Notes by charging the expenses to the profit or loss using effective interest rate of 9.59% per annum and increasing the net carrying amount of the CPI Notes with the corresponding amount. As at 28 March 2014, accumulated amortisation amounted to US$125,000 (approximately HK$975,000) (28.9.2013: US$112,000 (approximately HK$874,000)).

21. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
At 29 September 2012, 28 March 2013, 28 September 2013 and 28 March 2014	4,722,068,685	472,207

22. COMMITMENTS

	28.3.2014	28.9.2013
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**80,647**	111,115

With effect from 16 July 2012, the Group has ongoing commitments to pay variable price for the supply of fish under the first, second and third LSAs entered into with the suppliers for a period of 10 to 18 years up to 31 December 2025. Variable price was calculated at 20% of the revenue derived from the sales of fish before deduction of amortisation of fixed prepayment to suppliers.

22. COMMITMENTS – *Continued*

In addition, the Group had ongoing commitment to pay fixed price for the supply of fish of US$12,000 (approximately HK$93,600) per vessel per calender day for 6 fishing vessels under the fourth LSA entered into with Perun up to 31 December 2012. The fourth LSA has been replaced by the New LSA in November 2013. The LSAs and the New LSA have been terminated with effect from 1 April 2014. Details are set out in note 12.

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market 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); and

- 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).

Financial liabilities	**Fair value as at 28.3.2014** HK$'000	**Fair value hierarchy**	**Valuation techniques and key inputs**
Listed equity securities classified as held-for-trading investments in the condensed consolidated statement of financial position	8,845	Level 1	Quoted bid prices in an active market
Listed equity securities classified as available-for-sale investments in the condensed consolidated statement of financial position	8,060	Level 1	Quoted bid prices in an active market
Structured foreign currency forward contracts treated as derivative financial instruments classified as other financial liabilities in the condensed consolidated statement of financial position	119,763	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and contracted exchange rates, discounted at a rate that reflects the credit risk of the Group or the counterparties, as appropriate.

There were no transfers between Levels 1 and 2 in the current and prior years.

24. CONTINGENT LIABILITIES

At 28 March 2014, certain subsidiaries of the Group are parties to legal proceedings in Peru with potential claims amounting to US$28,217,000 (approximately HK$220,092,000) (28.9.2013: US$29,925,000 (approximately HK$233,415,000)). These relate to environmental matters, employment disputes and miscellaneous claims. The Group's legal advisor has advised that US$12,024,000 (approximately HK$93,787,000) (28.9.2013: US$10,639,000 (approximately HK$82,984,000)) of these claims is likely to have unfavourable outcome for the Group and the outcome for claims of US$16,193,000 (approximately HK$126,305,000) (28.9.2013: US$19,286,000 (approximately HK$150,431,000)) 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$12,024,000 (approximately HK$93,787,000) (28.9.2013: US$10,639,000 (approximately HK$82,984,000)) for these claims where the outcome is likely to be unfavourable to the Group.

At 28 March 2014, the Group provided guarantees of Euro110,000,000 (approximately HK$1,194,798,000) (28.9.2013: Euro110,000,000 (approximately HK$1,148,000,000)) with an option to increase by a maximum amount of Euro30,000,000 (approximately HK$325,854,000) (28.9.2013: Euro30,000,000 (approximately HK$313,000,000)) to banks in respect of the facility guarantee and operational guarantee in favour of the wholly-owned operating entities held by Asarmona (note 14(c)). Details of the arrangements are set out in the Company's circular dated 22 June 2012. At 28 March 2014, an amount of HK$57,000,000 (28.9.2013: HK$54,000,000) has been recognised in the condensed consolidated statement of financial position as liabilities.

Save 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 and threatened against any members of the Group.

25. PLEDGE OF ASSETS

(a) At 28 March 2014, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$53,730,000 (28.9.2013: HK$321,930,000) and HK$192,450,000 (28.9.2013: restated HK$286,740,000) 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$565,837,000 (28.9.2013: HK$297,834,000) were pledged as security for general banking facilities arranged for that subsidiary.

(b) At 28 March 2014, deposits amounting to HK$95,000 (28.9.2013: HK$111,000) were pledged to a bank to secure an export invoice discounting facility granted to the Group.

(c) At 28 March 2014, inventories of fishmeal of HK$94,055,000 (28.9.2013: HK$63,885,000) and inventories of frozen fish and fillets and portions amounting to HK$nil (28.9.2013: HK$205,341,000) were also pledged as security for the revolving inventory financing facilities obtained from banks.

(d) At 28 March 2014, 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$25,033,000 (28.9.2013: HK$26,463,000).

(e) At 28 March 2014 and 28 September 2013, shares and net assets of certain subsidiaries were also pledged as securities for revolving inventory financing and syndicated bank loan facilities.

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	
	28.3.2014	28.3.2013
	HK$'000	HK$'000
Sales of frozen seafood	**347,554**	274,734
Purchase of frozen seafood	**24,748**	13,662
Agency income	**5,187**	4,402

(b)

	28.3.2014	28.9.2013
	HK$'000	HK$'000
Bank advance drawn by the Group on discounted trade receivables with insurance coverage of associates of the Group	**34,764**	61,749
The above advances are secured by trade receivables of:		
– associates of the Group	**38,627**	68,610

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

	Six-month period ended	
	28.3.2014	28.3.2013
	HK$'000	HK$'000
Short-term benefits	**17,290**	17,500
Post-employment benefits	**383**	383
	17,673	17,883

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

During the six-month period ended 28 March 2014, the underlying global demand for fish and fishery products remained strong. Traditional markets such as the USA and the EU showed firm signs of recovery, as demonstrated by increased levels of imports. Emerging markets continued to show strong growth providing opportunities for both domestic and international producers.

Thanks to the robust aquaculture sector, demand for fishmeal and fish oil continued to grow. The 2013 second fishing season of Peruvian Anchovy began on 12 November 2013 and ended on 31 January 2014. As a result of the healthy biomass and good weather conditions, the Group's enlarged Peruvian operations were successful in catching over 99% of their quota for the 2013 second fishing season. However, prices of fishmeal and fish oil softened year on year, driven by a significant increase in supply.

The strategic acquisition of Copeinca AS ("**Copeinca**") has contributed strongly to revenue during the period under review. The privatization of Copeinca was completed on 1 April 2014, and this is expected to provide greater flexibility for the Group to realise synergies as the Group continues to progress the integration of its enlarged Peruvian Fishmeal Operations.

The Group continued on its path to improve its capital structure and successfully completed a series of transactions with the aim of enhancing its credit profile and deployment of capital. The Group's subsidiary, China Fishery Group Limited ("**China Fishery**"), has completed the refinancing of its bridge loan into a 4-year term loan. The non-renewal and termination of the Long Term Supply Agreements (the "**LSAs**") will also allow China Fishery to redeploy the significant capital tied up in pre-payments under the LSA's towards reduction in gearing.

In addition, the Group entered into a 3.5 years term loan facility in the amount of US$100 million (approximately HK$780 million) with Malayan Banking Berhad, Hong Kong Branch. Besides being used to refinance existing debt, the funds are also available for general corporate purposes.

Deemed Disposal of Interest in an Indirect Non-Wholly Owned Subsidiary

On 5 December 2013, China Fishery, an indirect non-wholly owned subsidiary of the Company, entered into an agreement (the "**CFGL Warrant Issuance Agreement**") with its substantial shareholder, CAP III-A Limited (the "**Investor**"), for the issuance of 96,153,846 warrants and/or (as the case may be) such further warrants as may be required to be issued by China Fishery (the "**CFGL Warrants**") at an exercise price of S$0.52 (approximately HK$3.24), subject to adjustments in accordance with the terms and conditions of the CFGL Warrants (the "**CFGL Warrant Terms and Conditions**").

The indirect equity interest of the Company in China Fishery will be diluted upon exercise of CFGL Warrants in accordance with the CFGL Warrant Terms and Conditions, and as one of the applicable percentage ratios is more than 5% but less than 25%, the entering into of the CFGL Warrant Issuance Agreement and the transactions contemplated thereunder constituted a deemed disposal of indirect equity interest of the Company in China Fishery within the meaning of Rule 14.29 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and also a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

In addition, the Investor is a substantial shareholder of China Fishery which is an indirect non-wholly owned subsidiary of the Company and as a result, the Investor is a connected person of the Company (as defined in the Listing Rules). As such, the entering into of the CFGL Warrant Issuance Agreement and the transaction contemplated thereunder also constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the CFGL Warrant Issuance Agreement were disclosed in the Company's announcement dated 5 December 2013 and the Company's circular dated 6 January 2014.

Compulsory Acquisition of Remaining Shares in Copeinca ASA (now known as "Copeinca AS" after completion of the privatization on 1 April 2014)

On 17 March 2014, effective from close of trading on Oslo Børs (the Oslo Stock Exchange of Norway), the board of directors of Grand Success Investment (Singapore) Private Limited ("**GSI**"), an indirect wholly-owned subsidiary of China Fishery, resolved to carry out a compulsory acquisition of all remaining shares in Copeinca not owned by GSI pursuant to section 4–25 of the Norwegian Public Limited Liability Companies Act (the "**Compulsory Acquisition**"). As a consequence, GSI has assumed ownership of all the shares in Copeinca.

As a consequence of the Compulsory Acquisition, GSI will pursue a delisting of the shares in Copeinca from Oslo Børs and from Bolsa de Valores de Lima (the Peruvian Stock Exchange in Lima, Peru). As at the date of this report, the shares in Copeinca were delisted from both Oslo Børs and Bolsa de Valores de Lima.

Details of the Compulsory Acquisition were disclosed in the Company's announcement dated 18 March 2014.

Loan Agreements with Covenants Relating to Specific Performance of the Controlling Shareholders

(1) On 20 March 2014, China Fishery (as one of the guarantors), and certain of its subsidiaries (as borrowers) (the "**Borrowers**") entered into a facility agreement with an international bank consortium comprising China CITIC Bank International Limited, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (also known as Rabobank International), Hong Kong Branch, DBS Bank (Hong Kong) Limited, Standard Chartered Bank (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited (in alphabetical order) (as lenders) (the "**Lenders**") in respect of the provision of the US$650,000,000 (approximately HK$5,070,000,000) 4-year term and revolving credit facilities by the Lenders to the Borrowers (the "**Facility Agreement**"). The Facility Agreement contains specific performance obligations on the controlling shareholders of the Company.

    Details of the Facility Agreement were disclosed in the Company's announcement dated 24 March 2014.

(2) On 21 March 2014, Pacific Andes Treasury Management Limited, a non-wholly owned subsidiary of the Company, as borrower and the Company as guarantor entered into a facility agreement (the "**MBB Facility Agreement**") with Malayan Banking Berhad, Hong Kong Branch for a term loan facility in the principal amount of up to US$100,000,000 (approximately HK$780,000,000). The MBB Facility Agreement contains specific performance obligations on the controlling shareholders of the Company.

    Details of the MBB Facility Agreement were disclosed in the Company's announcement dated 24 March 2014.

Termination of Long Term Supply Agreements

On 21 March 2014, China Fishery entered into addenda with Alatir Limited and Perun Limited to terminate the long term supply agreements (the "**LSAs**") previously signed (the "**Termination**"). The rationale for the termination of the LSAs is that it will enable China Fishery to re-deploy significant capital which is currently tied up in prepayments under the LSAs towards reduction of the gearing of China Fishery, strengthen the capital structure to take advantage of any future opportunities.

Details of the Termination were disclosed in the Company's announcement dated 24 March 2014.

Group Internal Transfer of All Shares in Copeinca

Following completion of the Compulsory Acquisition on 21 March 2014, GSI transferred all its shares in Copeinca at NOK68.17 per share to CFG Investment S.A.C. ("**CFGIS**"), an indirect wholly-owned subsidiary of China Fishery (the "**Transfer**"). Following the Transfer, GSI holds no shares or rights to shares in Copeinca and CFGIS owns 100% of the shares and voting rights in Copeinca. Both of GSI and CFGIS are indirect wholly-owned subsidiaries of China Fishery and therefore the ultimate control over the shares in Copeinca has not changed.

Details of the Transfer was disclosed in the Company's announcement dated 25 March 2014.

Financial Review

Total Revenue

Total revenue decreased by 3.4% from HK$7,230.6 million (approximately US$927.0 million) to HK$6,983.8 million (approximately US$895.4 million). The Fishery and Fish Supply Division (the "**FFS Division**") accounted for 36.3% (1HFY2013: 29.2%) of total revenue; the Frozen Fish Supply Chain Management Division (the "**Frozen Fish SCM Division**") for 30.4% (1HFY2013: 38.1%) and the Processing and Distribution Division for the remaining 32.9% (1HFY2013: 32.4%).

FFS Division

The Group's FFS Division, which operates through its Singapore-listed subsidiary China Fishery, recorded a 20.1% increase in revenue from HK$2,112.1 million to HK$2,535.7 million. This was mainly attributed to contribution from the enlarged Peruvian Fishmeal Operations and a significant increase in the total allowable catch ("**TAC**") of Peruvian Anchovy for the 2013 second fishing season. However, the higher contribution from the Peruvian Fishmeal Operations was partially offset by the drop in sales from the Contract Supply Business.

The drop in the revenue from the Contract Supply Business was due mainly to the lower sales volume following the termination and non-renewal of the LSAs. Although following the termination of the LSAs, the Group participated in the spot market, the Group did not trade on occasions when the spot prices of certain products were unfavourable.

The increase in revenue from the China Fishery Fleet was due primarily to contributions from fishing operations in Namibia established since the second quarter of financial year 2013.

Revenue segmentation

HK$ million	**1HFY2014**	1HFY2013	Change
Peruvian Fishmeal Operations	**1,587**	248	+540%
Contract Supply Business	**821**	1,765	-53%
CF Fleet	**128**	99	+29%
Total	**2,536**	2,112	+20%

Frozen Fish SCM Division

The Group's Frozen Fish SCM Division, which operates through its Singapore-listed subsidiary Pacific Andes Resources Development Limited ("**PARD**"), recorded a 22.9% drop in revenue from HK$2,757.0 million to HK$2,124.3 million due to lower sales volume of products.

Processing and Distribution Division

The marketplace conditions for processing and distribution were difficult across the industry in 1HFY2014. However, the Processing and Distribution Division was able to navigate the challenges through integration of production lines, improving efficiency, reducing costs and selectively increasing capacity and downstream capability. During the period under review, revenue generated from this Division decreased slightly by 1.9% from HK$2,344.6 million to HK$2,300.2 million (approximately US$294.9 million).

Revenue by geographical markets

The People's Republic of China (the "**PRC**") remained the Group's most important market. Sales to the PRC market accounted for 53.7% of total revenue. Sales to North America increased by 26.0% to HK$1,489.9 million, accounting for 21.3% of total revenue. Sales to Europe increased by 4.1% to HK$1,009.4 million, accounting for 14.5% of total revenue. Following the acquisition of Copeinca, sales to South America increased by 743.3% to HK$300.1 million, accounting for 4.3% of total revenue.

Gross profit

Gross profit increased by 12.9% from HK$1,024.5 million to HK$1,157.1 million, primarily due to higher contribution from the enlarged Peruvian Fishmeal Operations.

Other income

Other income decreased by 27.4% from HK$394.0 million to HK$286.2 million. The decrease was primarily the result of reduced gain in fair value changes from derivative financial instruments.

Selling and distribution expenses

Selling and distribution expenses decreased by 16.2% from HK$283.8 million to HK$237.9 million, in line with lower overall sales volume.

Finance costs

Finance costs increased by 35.2% from HK$373.6 million to HK$505.1 million, due mainly to consolidation of senior notes issued by Copeinca and the additional bank loan drawn to finance the acquisition of Copeinca.

Profit for the period

Profit for the period decreased by 49.1% from HK$570.8 million to HK$290.6 million. Profit attributable to owners of the Company decreased by 61.4% from HK$221.9 million to HK$85.7 million.

Financial position and liquidity

As of 28 March 2014, total assets of the Group amounted to HK$38,332.3 million (28 September 2013: HK$38,361.8 million).

Non-current assets decreased by 5.8% from HK$23,880.2 million to HK$22,491.5 million, due primarily to the reclassification of prepayments made to suppliers to current assets after the termination of the LSAs under the Fishery and Fish Supply Division.

Current assets increased by 9.4% from HK$14,481.5 million to HK$15,840.8 million. The increase was due mainly to the reclassification of prepayments made to suppliers to current assets after the termination of the LSAs. Inventories increased by 34.5% from HK$2,467.5 million to HK$3,319.0 million, primarily due to higher fishmeal and fish oil inventories after the end of the 2013 second fishing season.

Total interest-bearing borrowings decreased by 3.1% from HK$17,721.4 million to HK$17,171.9 million. Of the Group's total bank loans and other borrowings, 73.2% of short-term borrowings and 90.4% of long-term borrowings were made by the Group's subsidiaries China Fishery and PARD. These loans were not guaranteed by the Company.

As of 28 March 2014, the net-debt-to-equity ratio of the Group, defined as a percentage of net of cash interest bearing borrowings of HK$16,459.7 million over total equity of HK$14,997.2 million, improved slightly from 112.7% to 109.8%.

As of 28 March 2014, the long term debt to total debt ratio is 46.2%.

The Group's borrowings are mainly denominated in US Dollars and carry LIBOR plus rates. Revenues are denominated in US Dollars, Euro and Japanese Yen, and major expenses are made either in US Dollars or HK Dollars. The Group manages its foreign exchange risks through the use of foreign currency forward contracts. Pursuant to the Group's policies currently in place, foreign currency forward contracts are entered into by the Group for hedging purposes.

Details of the contingent liabilities and pledged of assets of the Group, please refer to notes 24 and 25 to the condensed consolidated financial statements respectively.

Dividend

In line with the Company's past practice, the Board of Directors has not declared any interim dividend for the six-month period ended 28 March 2014.

Employees and Remuneration

As at 28 March 2014, the Group had a total of approximately 9,600 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 awards and share options to eligible employees based on their contribution to the Group.

Prospects

For the immediate future, the Group is focused on extracting value for shareholders through consolidation and increasing the efficiency and effectiveness of its expanded operations. The Group will consider disposal of its non-core assets/operations to facilitate tighter focus on the priorities of the core business and reduce the Group's gearing and finance cost.

The Peruvian Government has set the TAC for its 2014 first anchovy season at 2.53 million tons, a 23.4% increase from the 2.05 million tons for the same fishing season last year. The first fishing season started on 23 April 2014 and will run until the end of July 2014.

Experts on climate have raised the possibility of an El Niño effect impacting the South Pacific Ocean later in 2014. Expert opinions vary as to the predicted likelihood or severity of El Niño if it occurs. If it were to develop, there would be an impact on the Peruvian anchovy catch in the Peruvian waters which would vary in line with the strength of the El Niño. There are indications that the current catch in Peru is lower than anticipated, which may or may not indicate the early signs of El Niño. The Group will continue to monitor this situation and make any appropriate operational adjustments, if required.

Looking ahead, the Group is committed to consolidation of its operations, focus on core business, reduction in its gearing and continued profitable growth. In particular, the Processing and Distribution Division will continue with its efforts in realising the shareholders' value through maintaining its strong customer relationships, improving productivity and consolidating its production lines. The Group will also provide hands-on support to local operational management in rationalizing production capacity within the processing operations in Europe.

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

As at 28 March 2014 and to the best knowledge of the Directors or chief executives of the Company, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which were recorded in the register required to be kept under section 352 of the SFO; or were notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**"), were as follows:

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

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

Save as disclosed above, as at 28 March 2014, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO; or were notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 28 March 2014 and so far as was known to the Directors or chief executives of the Company, the interests and short positions of the persons or corporations (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	**Capacity**	**Number of ordinary shares held (long position)**	**Approximate 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%

Note: N.S. Hong is the registered holder of such shares.

Save as disclosed above, as at 28 March 2014, the Company has not been notified of any persons or corporations whom had interests or short positions in the shares or underlying shares of the Company, which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there is no other person who has an interest or short position in the shares and underlying shares that is required to be disclosed under section 336 of the SFO.

SHARE OPTION SCHEME

On 9 September 2004, the Company adopted a share option scheme (the "**Scheme**") which provides 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.

No share options were grated since the adoption of the Scheme.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B (1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's annual report 2013 are set out below:

1. Mr. Ng Joo Siang and Ms. Ng Puay Yee, both are Executive Directors, are holding various positions in Copeinca which was a company listed in Oslo Børs (the Oslo Stock Exchange of Norway) with a secondary listing in Bolsa de Valores de Lima (the Peruvian Stock Exchange in Lima, Peru). The privatization of Copeinca was completed on 1 April 2014. Thereafter, Copeinca is no longer a listed company.

2. Mr. Kwok Lam Kwong Larry, an Independent Non-executive Director, resigned as chairman of Traffic Accident Victims Assistance Advisory Committee with effect from 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 28 March 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the Directors' securities transactions. Specific enquiry has been made with all of the Directors and all of them have complied with the required standard set out in the Model Code during the six-month period ended 28 March 2014.

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 consolidated interim financial statements for the six-month period ended 28 March 2014 and this interim report.

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.

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 Listing Rules. The Company has complied with all the applicable code provisions in the CG Code throughout the six-month period ended 28 March 2014, 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 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.

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

Hong Kong, 26 May 2014

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.

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TO THE BOARD OF DIRECTORS OF
PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 1 to 26, which comprises the condensed consolidated statement of financial position of Pacific Andes International Holdings Limited and its subsidiaries as of 28 March 2014 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 condensed consolidated financial statements 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 May 2014