Annual Report 2012

TRACEABILITY SYSTEM

PACIFIC ANDES
INTERNATIONAL HOLDINGS LIMITED

STOCK CODE: 1174

FSC
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FSC™ C010883

INFORMATION FOR INVESTORS

Listing Information

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

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

Key Dates

Payment of FY2011 Final Dividend	18 May 2012
Announcement of FY2012 Interim Results	24 May 2012
Announcement of FY2012 Final Results	24 December 2012
Financial year end	28 September

Share Information (as at 28 September 2012)

Board lot size: 2,000 shares
Nominal value per share: HK$0.1
Shares outstanding: 4,722,068,685 shares
Market capitalisation: HK$1,841,606,787
Earnings per share for FY2012: HK6.7 cents
Dividend per share for FY2012: HK1.1 cents

Share Registrar & Share Transfer Offices

Principal

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

Hong Kong Branch

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

Investor Relations Contact

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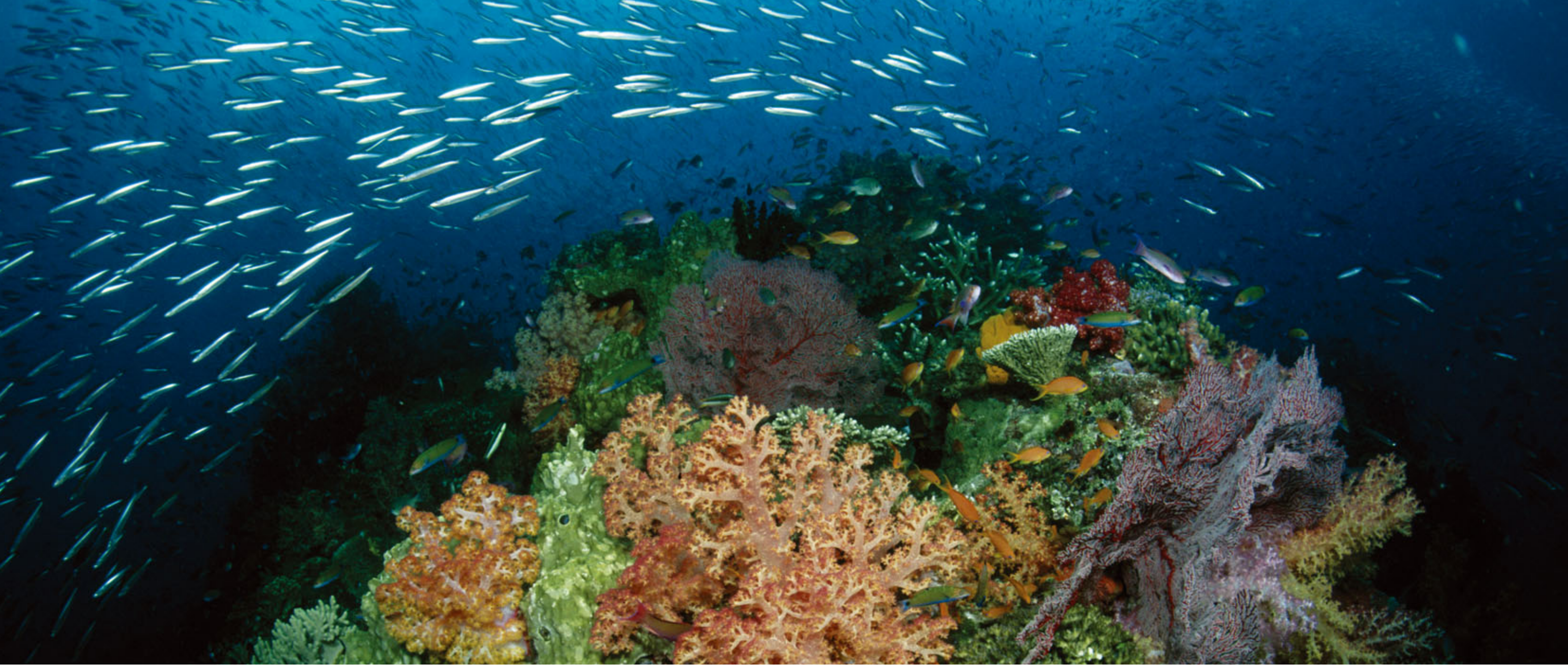


CONTENTS

LOCAD* PRODUCT TRACEABILITY

On the high seas

Fishing, packaging, storage, transportation

Headed and gutted ("H&G") frozen fish blocks are labeled with our barcoding system on board supplier vessels. The barcoding system on each block of H&G fish enables us to accurately and clearly identify:

- Vessel name
- Catch area
- Catch date

This information is then carried through and accurately recorded in each and every process that the H&G fish blocks subsequently undergo to become a finished product.


Fishing and packaging


Barcoding system

Port

Discharging and transportation

Upon arrival at a destination port, goods are discharged from the transport vessel in the shortest and quickest way possible. These goods are then immediately transported to our central cold store for sorting and segregation.


Discharging goods


Central cold store

Central cold store

Sorting and segregation

An automated sorting process located on supplier vessels records catch dates and fish sizes. All sorting is conducted in a temperature controlled environment to ensure the integrity of products.

H&G fish blocks are sorted with the aid of barcodes to ensure smooth and accurate production, minimising product handling and human errors.

Any bar code that is not readable will be segregated for manual sorting if necessary.


Sorting and segregation

Storage and dispatch

Sorted H&G fish blocks are then clearly labeled and stored in our cold store equipped with a full tracking system. Stock is tracked and stored in our computerised ERP system.

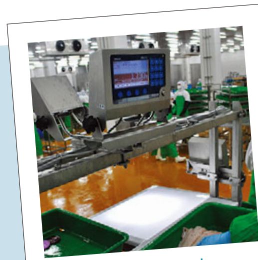
H&G raw material fish are then dispatched to various pre-designated LOCAD workshops and factories based on the batch codes assigned.


Labelling and storage


Full tracking system

Processing

LOCAD raw material is dispatched to workshops for processing based on catch date batches. This information is meticulously recorded and reflected on a barcode on the finished product.


Dispatched to workshops


Processing

Storage and shipment

Finished products are prepared for shipment to customers.

A detailed loading plan with various production and catch date information is provided with each shipment.


Finished products


Prepared for shipment

* *The Group pioneered a fully computerised inventory control system within its supply chain and named it LOCAD ("Labeling of Catch Dates"), backed by a sophisticated barcode model and enterprise resource planning ("ERP") system along the supply chain. It begins at the vessel and tracks products at every step of the production process.*

CORPORATE INFORMATION

Board of Directors

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

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

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

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

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

Company Secretary
Chan Tak Hei

Solicitors
Baker & McKenzie

Auditors
Deloitte Touche Tohmatsu

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

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

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

Stock Code
1174

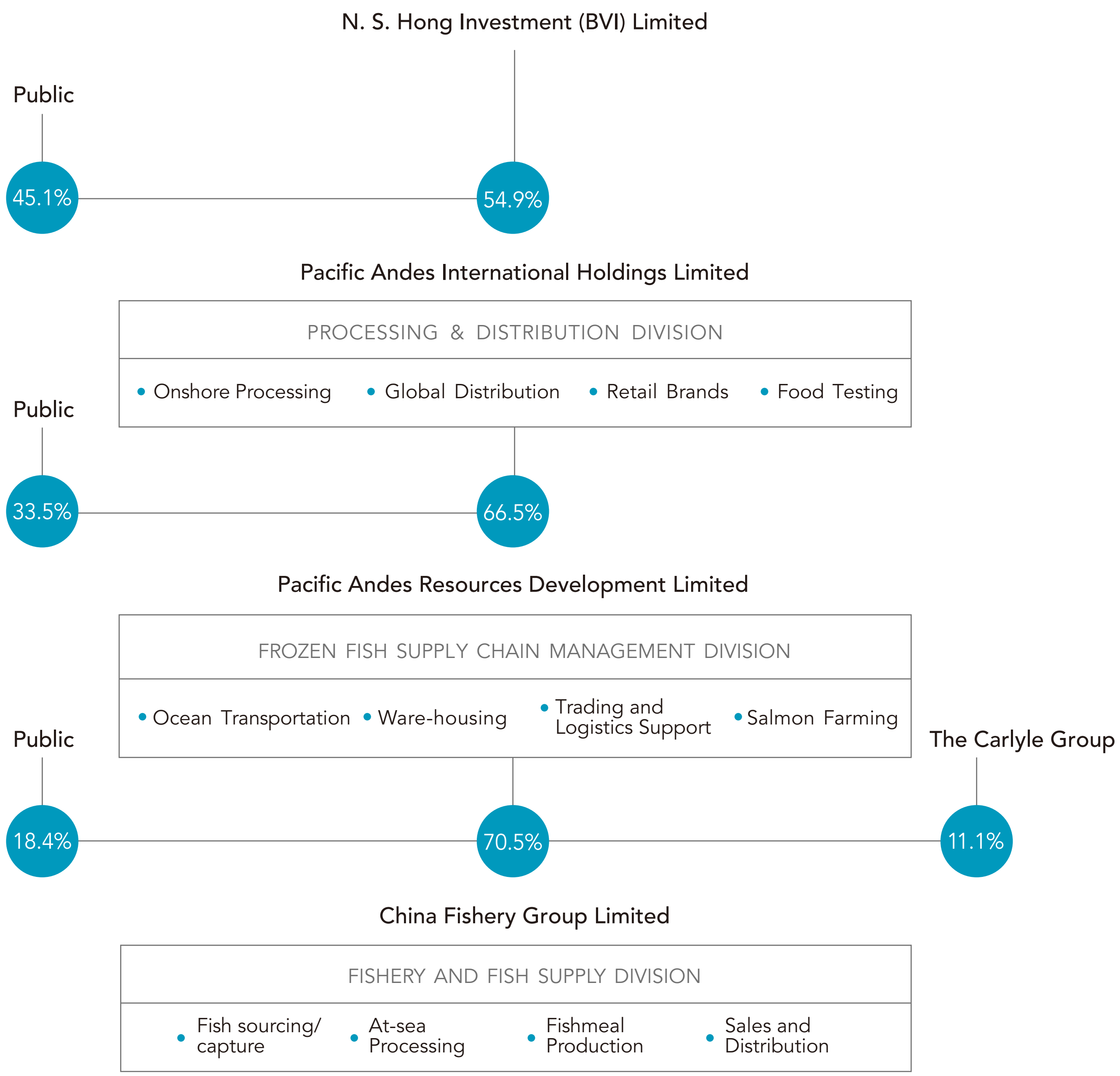
Website
http://www.pacificandes.com

CORPORATE PROFILE

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

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

CORPORATE & BUSINESS STRUCTURE



Note: Shareholdings as at 28 September 2012

PROCESSING & DISTRIBUTION DIVISION

The Processing and Distribution Division produces a wide range of frozen fish fillets, portions and other value-added seafood products for its own labels, as well as customers' brands in its processing facilities located in the PRC, Japan and North America. Its distribution network spans across the world, selling its products to leading food processors and retailers on a global basis.

FROZEN FISH SUPPLY CHAIN MANAGEMENT DIVISION

The Frozen Fish Supply Chain Management Division ("Frozen Fish SCM Division") focuses on the development, marketing and distribution of a wide selection of frozen fish and related products. It offers a full range of logistical services to fishing vessels, markets and distributes frozen ocean-caught fish to wholesalers or re-processors around the world.

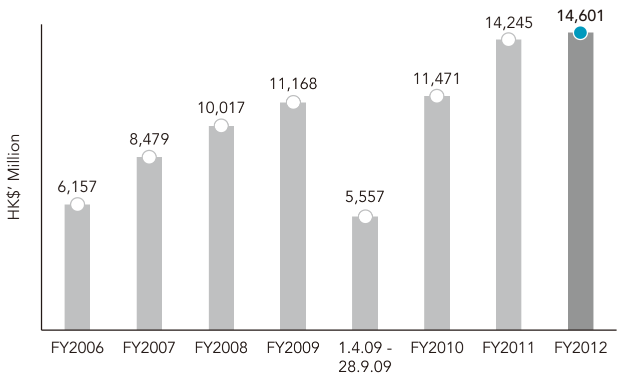
FISHERY AND FISH SUPPLY DIVISION

The Fishery and Fish Supply Division ("FFS Division") sources, harvests, onboard-processes and delivers high quality fish supplies to consumers around the world. It also engages in fishing and fishmeal processing business in Peru for worldwide distribution.

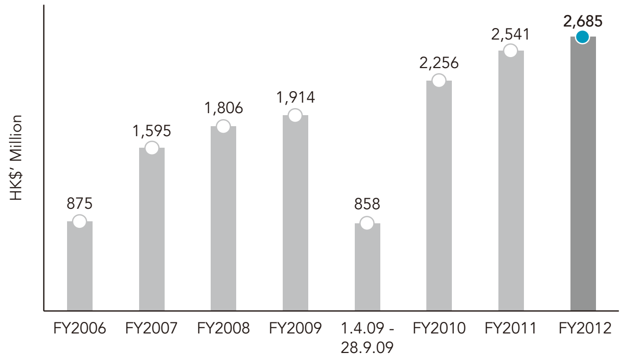
FINANCIAL HIGHLIGHTS

As a result of the change in financial year end date from 31 March to 28 September since 2009, FY2006 to FY2009 cover twelve-month period ended 31 March, while FY2010, FY2011 and FY2012 cover the twelve-month period ended 28 September.

Revenue

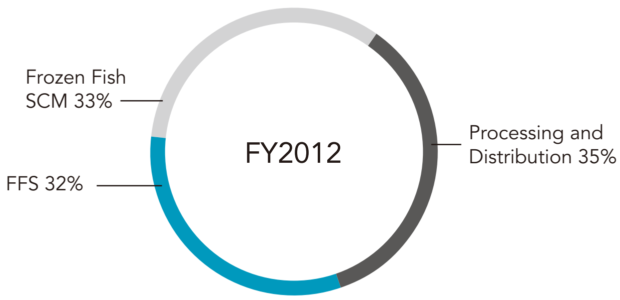


EBITDA*

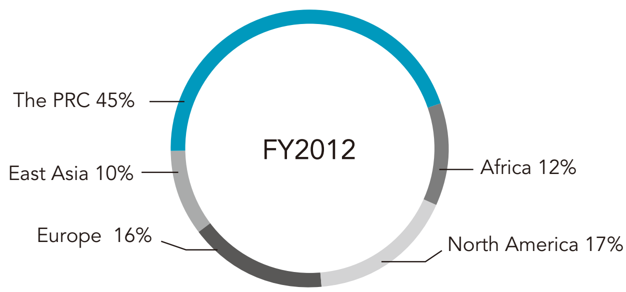


* Earnings before interest, tax, depreciation and amortisation ("EBITDA")

Revenue by Business Division

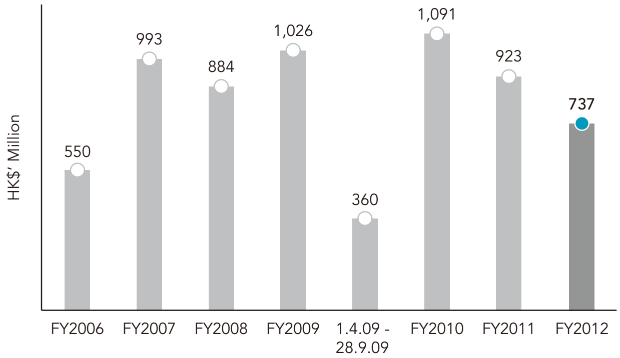


Revenue by Market

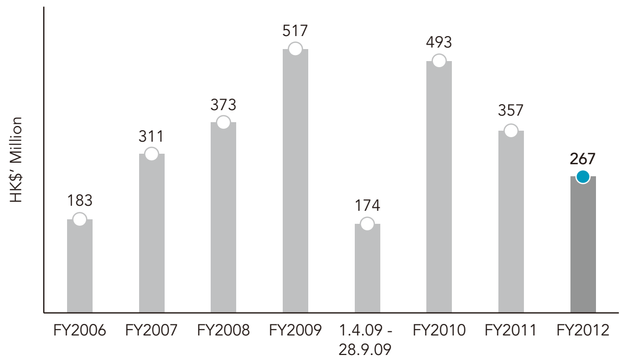


FINANCIAL HIGHLIGHTS

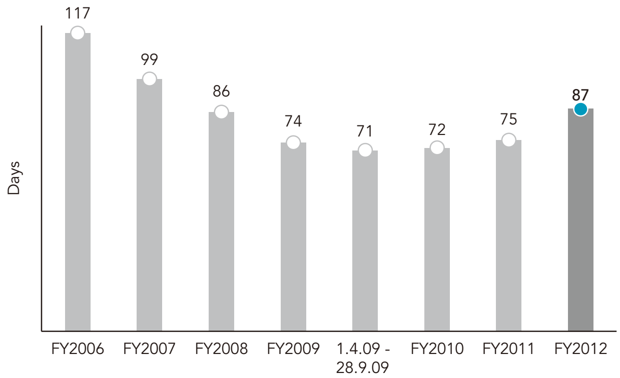
Profit



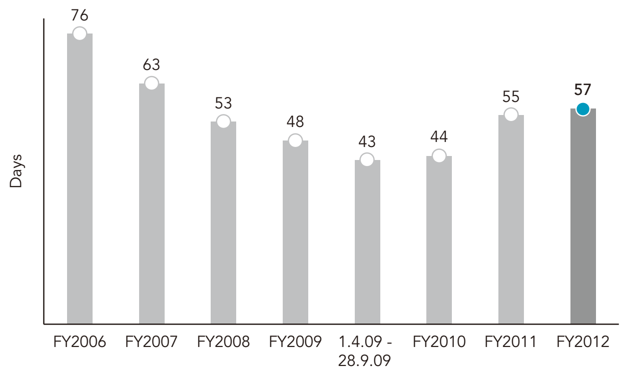
Profit Attributable to Owners of the Company



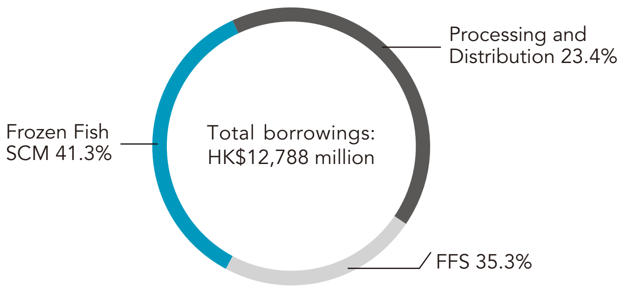
Inventory Turnover Days



Net Debtor Turnover Days



Debt by Business Division for FY2012



MANAGING DIRECTOR'S REPORT

On behalf of the Board, I am pleased to present the annual results of Pacific Andes for the year ended 28 September 2012 ("FY2012").

External Environment

The global economy has seen a bumpy ride during FY2012, with European debt crisis further deteriorated and affected major European economies, while recovery of the US economy remained slow. The overall slow-down in the world economy has also impacted the global fish trade. In particular, the consequences of weaker demand growth for fish in the Western markets and reduced activity in the processing sector have slowed China's demand for fish. This has resulted in lower prices for some species. Nevertheless, the Group maintains a positive outlook on the long-term demand for ocean wild caught fish with sustainable supply, especially for species used as lower-priced staple food.

Though challenges remain, the Group continues with its efforts in pursuing active developments in its core businesses. I am pleased to see that the Group has become one of the very few global seafood companies with geographic diversity and depth of expertise as critical components driving our continuing success in the future.

Corporate Development

In FY2012, we followed through with our priorities in reinforcing our core competitive strengths and long-term leadership position by executing our ongoing business strategy of maximising the Group's operating efficiencies and asset utilisation. During the year, the Group acquired two Peruvian fishing companies to further increase our quota share of Peruvian Anchovy. We expect these acquisitions to extend our geographical reach across Peru and to improve the utilisation of our total fishing quota.

As always, the Group strictly adheres to a prudent financial management policy and has consistently upgraded its internal controls system. In order to reduce the cost of debt and maintain an efficient capital profile, the Company completed a rights issue during the year, raising HK$751 million (approximately US$96 million) net of costs. The proceeds were used to subscribe the Group pro-rata entitlement under the rights issue of PARD. PARD raised S$220 million (approximately HK$1,357 million) net of costs. The net proceeds from the rights issue improved the Group's equity capital base and strengthened its financial structure. Moreover, the Group's subsidiary China Fishery has successfully completed an issue of senior notes during FY2012. These capital issuances helped broaden our range of financing channels and access to new pools of investors, as well as diversify our capital base for the long-term and further optimise the Group's overall capital structure.

Results Highlights

In FY2012, total revenue increased by 2.5% to HK$14,601 million (approximately US$1,872 million). EBITDA increased by 5.7% to HK$2,685 million (approximately US$344 million). Net profit was down by 20.1% to HK$737 million (approximately US$94 million) due to a lower than expected contribution from the China Fishery Fleet ("CF Fleet", formerly the South Pacific Operations) under the FFS Division and the challenging market conditions in the processing and distribution business.

The Board has proposed a final cash dividend of HK1.1 cents (FY2011: HK3.6 cents) per share for the financial year ended 28 September 2012 to the shareholders of the Group subject to approval in the forthcoming Annual General Meeting.

Corporate Social Responsibilities

In FY2012, we continued to focus on building a strong foundation for sustainability, within our own operations and our supply chain. Since 2010, we have been developing our sustainability strategy, which engages all the stakeholders in our business, including our employees, customers, suppliers, industry partners and communities, to address our common environmental and social challenges. The Group published its inaugural Sustainability Report in August 2012, highlighting its sustainability approach and commitments, including an overview of the stock status and fisheries management systems for the major fisheries in which the Group operates and sources. Highlights of our sustainability initiatives and achievements can be found on page 28 of this report.

MANAGING DIRECTOR'S REPORT

Prospects

The Group expects the world economic outlook to remain uncertain due to ongoing volatility in the financial markets and general slowdown in the growth of the global economy. The Group is dedicated to strengthening and expanding its core competencies in key business areas, as well as to exploring related business opportunities.

For the FFS Division, the Group expects to realise additional cost savings from FY2013 onwards, following the completion of the Fourth Long Term Supply Agreement under the Contract Supply Business. The long term stable supply of fish places the Group in a position to benefit from the increasing market demand for fish.

Although fishmeal and fish oil prices have remained on an upward trend, the reduction in the total allowable catch of Peruvian Anchovy for the November 2012 to January 2013 fishing season to 0.81 million tonnes, due to a high level of juvenile fish in the water, is expected to have an impact on the contribution of the Peruvian Fishmeal Operations in 1HFY2013.

In addition to deploying its CF Fleet to the North Atlantic for the processing of fish catch supplied by the local fishing companies, the Group will continue to seek improvement in overall fleet utilisation.

The Group expects the Frozen Fish SCM Division to continue its growth momentum with increasing market demand for its products.

The Processing and Distribution Division will continue with its efforts in improving processing efficiency in the PRC and at the same time deriving synergies from previous acquisitions and investments in Europe, the USA and Japan.

The sustained focus and core expertise of the Group, enhanced by strategic expansion and diversification of operations, give the Group increased confidence in our long-term business prospects. The Group is striving to restore profit growth and to leverage on available opportunities to maximise returns for its shareholders.

Acknowledgements

Last but not least, I would like to take this opportunity to thank our Directors, management team and staff members for their contributions and dedication to Pacific Andes Group. My sincere gratitude also goes to our shareholders for their continued trust and support.

Ng Joo Siang
Managing Director and Vice-Chairman
24 December 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

FFS Division

The Group's FFS Division, which operates through its Singapore-listed subsidiary China Fishery, continued with its operating strategy of enhancing the operational efficiencies and fleet utilisation.

During the year, the FFS Division acquired two Peruvian fishing companies which own one fishmeal plant and two fishing vessels with additional fishing quota in Peru, further increasing FFS Division's quota share of Peruvian Anchovy by 0.155% in northern Peru and 0.806% in southern Peru. The acquired fishmeal processing plant is located in Ilo, the most important port city in Southern Peru. The Group expects these acquisitions to extend the Division's geographical reach across Peru and to improve the utilisation of the total fishing quota.

In February 2012, the FFS Division has also commenced operations in Namibia in West Africa to expand into new fishing grounds rich in target species such as horse mackerel.

The FFS Division has experienced an unexpected drop in fleet utilisation of its CF Fleet due to two factors. One was lower processing activities in the North Atlantic Ocean, as the suppliers were unable to deliver a significant volume of catch for processing on-board its processing vessel and the other was lower than expected catch volumes in the South Pacific Ocean.

Frozen Fish SCM Division

The Group's Frozen Fish SCM Division, which operates through its Singapore-listed subsidiary PARD, recorded strong growth with improving revenue and profit contributions.

In November 2011, the Frozen Fish SCM Division further increased its stake in Australia's largest salmon farming company, Tassal Group Limited ("Tassal"), from 19.76% to 22.76%. Maiden profit contribution from Tassal was recorded during the year under review.

Processing and Distribution Division

During the year under review, the Processing and Distributing Division continued to focus 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.

Operating environment continued to be challenging for fish processing industry in China with increasing wages and hiring costs, coupled with higher turnover rate of skilled workers, resulting in decreased productivity and efficiency of the processing operations.

In addition, the weak economy in Europe and the US, further heightened by competition in this market, has put more pressure on the prices of the Group's products. During the year, the Group has implemented various measures to improve sales, including sales in customers' local currencies.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue increased by 2.5% from HK$14,245.4 million (approximately US$1,826.3 million) to HK$14,601.4 million (approximately US$1,872.0 million).

The FFS Division accounted for 32.3% (FY2011: 37.5%) of revenue; the Frozen Fish SCM Division for 33.4% (FY2011: 30.7%) and the Processing and Distribution Division for the remaining 34.1% (FY2011: 31.5%).

FFS Division

Revenue from the FFS Division dropped by 11.9% from HK$5,346.5 million (approximately US$685.4 million) to HK$4,711.2 million (approximately US$604.0 million). The decrease was due to lower revenue generated from the CF Fleet. This was primarily attributable to (i) lower processing activity in the North Atlantic Ocean as the suppliers were unable to deliver significant volume of catch for processing on-board the processing vessel, and (ii) lower than expected catch volumes in the South Pacific Ocean.

Revenue from the Contract Supply Business remained level at HK$2,924.9 million.

Revenue from the Peruvian Fishmeal Operations increased by 5.3% from HK$1,327.0 million (approximately US$170.1 million) to HK$1,396.9 million (approximately US$179.1 million), due mainly to higher sales volume of fishmeal and fish oil products.

Revenue segmentation

HK$ million	FY2012	FY2011	Change
Contract Supply Business	2,925	3,070	-4.7%
CF Fleet	389	950	-59.0%
Peruvian Fishmeal Operations	1,397	1,327	+5.3%
Total	4,711	5,347	-11.9%

Frozen Fish SCM Division

Revenue from the Frozen Fish SCM Division rose 11.4% from HK$4,369.4 million (approximately US$560.2 million) to HK$4,869.6 million (approximately US$624.3 million) on the back on higher sales volume.

Processing and Distribution Division

Revenue from the Processing and Distribution Division increased by 10.8% from HK$4,491.2 million (approximately US$575.8 million) to HK$4,976.5 million (approximately US$638.0 million). The increase was primarily attributable to a 8.9% increase in revenue contribution from the Group's processing and distribution operations in China, as well as a 13.5% 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 remained stable at HK$6,571.7 million and accounted for 45.0% of total revenue. Sales to North America increased by 14.9% to HK$2,525.3 million, accounting for 17.3% of total revenue. Sales to Europe increased by 13.0% to HK$2,394.4 million, accounting for 16.4% of total revenue. Sales to the African market decreased by 25.2% to HK$1,666.8 million, due primarily to lower catch and processing volumes of species targeted for this market.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

Gross profit decreased by 5.6% from HK$2,745.8 million to HK$2,590.9 million, this was primarily due to a gross loss of HK$151.3 million in the CF Fleet operations as a result of poor catch and processing volume. Overall gross profit margin decreased from 19.3% to 17.7% reflecting (i) lower catch and processing volumes from the CF 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.

Selling and distribution expenses

Selling and distribution expenses increased by 15.5% from HK$638.1 million to HK$737.0 million. This was mainly associated with higher sales volume and higher freight costs from the Frozen Fish SCM Division and Processing and Distribution Division.

Administrative expenses

Administrative expenses increased by 21.2% from HK$580.3 million to HK$703.2 million, primarily due to higher payroll cost, ERP maintenance cost and higher employee profit share.

Other expenses

Other expenses increased by 178.8% from HK$119.7 million to HK$333.6 million, primarily due to fair value adjustment on foreign exchange contracts which the Group used to hedge our Euro and Yen receivables.

Finance costs

Finance costs increased by 2.9% from HK$564.0 million to HK$580.6 million. Savings from the early redemption of China Fishery's senior notes issued in 2006 partially offset 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 year

Higher profit contributions from the Frozen Fish SCM Division were offset by the lower profitability from the FFS Division and the Processing and Distribution Division. Profit for the year decreased by 20.1% from HK$923.4 million to HK$737.4 million. Profit attributable to owners of the Company, decreased by 25.4% from HK$357.4 million to HK$266.8 million.

Financial position and liquidity

As of 28 September 2012, total assets of the Group amounted to HK$29,470.0 million (28 September 2011: HK$26,368.9 million).

Non-current assets increased by 7.2% from HK$13,780.0 million to HK$14,778.1 million. The increase was mainly due to the increase of its stake in Tassal from 19.76% to 22.76% in November 2011 and share of its results, the acquisition of a fishmeal plant and fishing quota in Peru and the increase in investment to support our European distribution business.

Current assets increased by 16.7% from HK$12,588.9 million to HK$14,691.9 million due mainly to higher trade receivables under the FFS Division as the sales activity of the Group's products was concentrated in September 2012. The increase in trade, bills, other receivables and prepayments was primarily attributed to (i) prepayment for fish supply for the Group's on-board processing activity, and (ii) higher working capital requirements for the Contract Supply Business where the supply of fish was scheduled in October to December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Total interest-bearing borrowings increased by 6.9% from HK$11,957.8 million to HK$12,788.5 million. During the year, the Group issued a senior note of US$300 million (approximately HK$2,340 million) and entered a 3-year syndicated loan of US$100 million (approximately HK$780 million) to fund future development and refinance part of its existing debts. Of the Group's total bank loans and other borrowings, 65.7% of short-term borrowings and 93.9% of long-term borrowings were made by the Group's subsidiaries China Fishery and PARD. These loans were not guaranteed by the Company.

The Group further strengthened its balance sheet through the completion of a chained rights issue at the Company and PARD level during the year. 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$1,357 million (approximately US$174 million) have been used to settle part of its interest-bearing loans and for general working capital.

Equity attributable to the equity holders of the Company was HK$7,282.2 million, 17.5% higher than HK$6,197.5 million as at 28 September 2011.

As of 28 September 2012, the net-debt-to-equity ratio of the Group, defined as a percentage of net of cash interest bearing borrowings of HK$12,094.8 million over total equity of HK$13,198.4 million, improved from 96.5% to 91.6%.

As of 28 September 2012, the long term debt to total debt ratio is 38.7%.

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. As at 28 September 2012, the Group held HK$693.5 million in cash and bank balances.

Details of the contingent liabilities and pledged of assets of the Group, please refer to notes 47 and 48 to the consolidated financial statements respectively.

Employees and Remuneration

As at 28 September 2012, the Group had a total of approximately 9,700 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.

DIRECTORS' PROFILE

Executive Directors

Teh Hong Eng 77, is the Chairperson and Executive Director of the Company responsible for general administration and strategic planning. She joined the Group in 1986 and has over 30 years of experience in administration and financial investments. She is also an Executive Director of the Company's indirect non-wholly owned Singapore listed subsidiary, PARD.

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

Ng Joo Siang 53, is the Managing Director, Vice-Chairman and Executive Director of the Company. He is responsible for overall corporate policy making, strategic planning, development, investment and management of the Group. He is also the Executive Chairman of PARD and an Executive Director of China Fishery, both companies being indirect non-wholly owned subsidiaries of the Company listed in Singapore. Mr. Ng graduated from Louisiana State University, Baton Rouge, Louisiana in the USA, majoring in International Trade and Finance, and has over 30 years' experience in the trading of seafood products. Prior to joining the Company in 1986, Mr. Ng was in the ship agency business, overseeing the chartering and operation of ocean-going vessels calling at various Asian ports.

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

Ng Joo Kwee 52, is the Executive Director of the Company responsible for all production of frozen seafood in the PRC. He is also an Executive Director of PARD and the Executive Chairman of China Fishery, both companies being indirect non-wholly owned subsidiaries of the Company listed in Singapore. Mr. Ng studied in the USA at Southeastern Louisiana University in Hammond, Louisiana. From 1983 to 1989, Mr. Ng was president of a fish trading company in Taiwan. In 1989, Mr. Ng joined the Group as general manager of its PRC operations, responsible for daily operations, trading activities and the sourcing of frozen seafood products from South America, India, the PRC and Russia. In 1994, Mr. Ng resigned from the Company, but rejoined in March 1996.

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

Ng Joo Puay, Frank 50, is the Executive Director of the Company. He is responsible for international sales and marketing of the Group's frozen seafood products outside the PRC. He is also the Managing Director of the Company's indirect non-wholly owned Singapore listed subsidiary, PARD. Mr. Ng studied in Loyola University in New Orleans, Louisiana, in the USA, majoring in business administration. He has over 20 years of experience in the seafood trading business. Prior to joining the Company in 1987, Mr. Ng was the trading manager of a fish trading company in Taiwan for three years.

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

Ng Puay Yee 40, is the Executive Director of the Company. She is also an Alternate Director of the Company's indirect non-wholly owned Singapore listed subsidiary, PARD. She is responsible for global sales and marketing of the Group's frozen fish and seafood products. In addition, she also oversees the Group's global raw material sourcing. She graduated from the Indiana University of Bloomington, USA majoring in Mass Communication. Ms. Ng joined the Group in 1995. She is an active board member of various fish trade organisations around the world such as the Groundfish Forum Council, Whitefish CEO Sustainability Committee, and the National Fishery Institute Executive Committee. She is also a member of the Young Presidents' Organisation Hong Kong Chapter, and is an active member of the young business leaders' community in Hong Kong, having chaired the Entrepreneurs' Organisation Hong Kong Chapter in 2008/9.

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

DIRECTORS' PROFILE

Independent Non-Executive Directors

Lew V Robert 56, is currently Independent Chairman of Pak Tak International Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lew is also currently director of a corporation of certified public accountants in Hong Kong. He has over 30 years of experience in corporate assurance advisory, taxation and business consultation. Mr. Lew graduated from the University of British Columbia in Canada in 1979. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Alberta Institute of Chartered Accountants.

Kwok Lam Kwong, Larry, B.B.S. J.P. 56, is a solicitor practising in Hong Kong, and is currently the Managing Partner, Asia Strategy & Markets of King & Wood Mallesons. Mr. Kwok is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia respectively. He is also a member of The Institute of Chartered Accountants in England & Wales. Mr. Kwok graduated from the University of Sydney, Australia, with a Bachelor's Degree in economics and laws respectively, and a Master's Degree in laws. He has also completed the Advanced Management Program at the Harvard Business School. Mr. Kwok is currently a Non-Executive Director of First Shanghai Investments Limited and an Independent Non-Executive Director of Cafe' de Coral Holdings Limited, Shenyin Wanguo (H.K.) Limited and Starlite Holdings Limited (all listed on the Main Board of The Stock Exchange of Hong Kong Limited). Mr. Kwok serves as Chairman of the Transport Advisory Committee, Chairman of the Traffic Accident Victims Assistance Advisory Committee, Chairman of the Finance Committee of Kwai Chung Hospital/Princess Margaret Hospital and a member of the Hong Kong Tourism Board, Land and Development Advisory Committee, Social Workers Registration Board, Mandatory Provident Fund Schemes Advisory Committee and Securities and Futures Appeals Tribunal. He is also a member of the Political Consultative Committee of Guangxi in the PRC.

Tao Kwok Lau, Clement, B.B.S. J.P. 64, is currently the Managing Director of Associated Advisers Limited, a Licensed Corporation of the Securities and Futures Commission and a member of the Hong Kong Confederation of Insurance Brokers. He has been with Associated Advisers Limited since 1988. Mr. Tao is a Fellow of The Hong Kong Institute of Directors, a Responsible Officer licensed by the Securities and Futures Commission and a Chartered Financial Consultant. Mr. Tao is at present the Chairman of the Investment Committee of The Life Underwriters Association of Hong Kong Limited. He is a member of the Independent Police Complaints Council as well as a member of the School Management Committee of the Kowloon Technical School. Mr. Tao received a Bachelor of Social Science with major in Economics from the University of Hong Kong in 1971. Mr. Tao was awarded with a Badge of Honour in 1983 and Bronze Bauhinia Star in 1999 respectively by the Hong Kong Government and the Government of the HKSAR. He was appointed Justice of Peace in 1995.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 28 September 2012.

Principal Activities

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

Details of the Company's principal subsidiaries, associates and jointly-controlled entity at 28 September 2012 are set out in notes 51, 52 and 28 respectively to the consolidated financial statements.

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

Customers and Suppliers

For the year ended 28 September 2012, the five largest customers of the Group together accounted for less than 30% (2011: approximately 35%) of the Group's turnover. For the year ended 28 September 2011, the largest customer accounted for 11% of the Group's turnover. The five largest suppliers of the Group together accounted for approximately 44% (2011: 49%) of the Group's total purchases, with the largest supplier accounting for 17% (2011: 21%).

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

Results and Appropriations

The results of the Group for the year ended 28 September 2012 are set out in the consolidated income statement on page 30.

The directors recommend the payment of a final dividend of HK1.1 cents (2011: HK3.6 cents) per share to the shareholders for the year ended 28 September 2012, amounting to HK$51,943,000 (2011: HK$113,330,000) and the retention of the remaining profit for the year of HK$214,819,000 (2011: HK$244,104,000).

Emolument Policy

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

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

The Company has adopted a share award scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 42 to the consolidated financial statements.

Property, Plant and Equipment

During the year, the Group spent approximately HK$890,564,000 (2011: approximately HK$1,394,778,000) on the acquisition of property, plant and equipment.

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

DIRECTORS' REPORT

Investment Properties

The Group has revalued its investment properties at 28 September 2012.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 28 September 2012.

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

Details of movements in the convertible bonds, share capital, warrants, share options and share awards are set out in notes 37, 40, 41 and 42 to the consolidated financial statements respectively.

Pre-Emptive Rights

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

Obligations Under Finance Leases and Borrowings

Details of obligations under finance leases and bank borrowings of the Group are set out in notes 34 and 35 to the consolidated financial statements respectively.

Bonds and Senior Notes

Details of the bonds and senior notes are set out in notes 36 and 38 to the consolidated financial statements.

Directors

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

Executive Directors:

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

Independent Non-Executive Directors:

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

In accordance with the provisions of the Company's Bye-Laws, Ng Puay Yee and Tao Kwok Lau, Clement retire and, being eligible, offer themselves for re-election. All remaining directors continue in office.

The term of office for each Non-Executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

Directors' Service Contracts

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

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

Directors' and Chief Executive's Interests

(i) Shares

At 28 September 2012, the interests of the directors or chief executive or their associates in the shares of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

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

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

(ii) Share option schemes

Particulars of the share option schemes are set out in note 42 to the consolidated financial statements.

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

Other than as disclosed above, no director or chief executive or their respective associate had any personal, family, corporate or other interests or short positions in any securities of the Company or any of its associated corporations as defined in the SFO as at 28 September 2012.

(iii) Share award plan

Particulars of the share award plan are set out in note 42 to the consolidated financial statements.

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

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

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

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

(iv) 880,757 share awards and 77,422 share awards remained outstanding as at 28 September 2012, but no share awards will vest until 31 December 2012 and 31 December 2013 respectively. The shares awards granted on 16 January 2009 has been vested on 16 January 2012.

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

Other than as disclosed above, none of the directors or chief executives or their respective associates had any personal, family, corporate or other interests or short positions in any securities of the Company or any of its associated corporations as defined in the SFO as at 28 September 2012.

DIRECTORS' REPORT

Arrangements to Purchase Shares or Debentures

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

Directors' Interest in Contracts of Significance

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

Substantial Shareholders

As at 28 September 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholder had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
N. S. Hong Investment (BVI) Limited	Beneficial owner	2,593,278,434 (Note)	54.92%

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

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 28 September 2012.

Transactions with Non-Wholly Owned Subsidiaries

The Group had also entered into the following transactions with National Fish & Seafood Inc. ("NFS") and its subsidiary, and Kyoshoku Co., Ltd. ("Kyoshoku") and its subsidiary, in which the Group has a 60% attributable interest, respectively, and Pacific Andes Resources Development Limited ("PARD") and its subsidiaries in which the Group has a 66% attributable interest as at 28 September 2012:

	HK$'000
Sales to Kyoshoku and its subsidiary	83,954
Interest income received from Kyoshoku and its subsidiary	3,355
Interest expense paid to NFS and its subsidiary	5,992
Administrative income received from PARD and its subsidiaries	33,419
Interest income received from PARD and its subsidiaries	105

The interest income was calculated at interest rates ranging from 2.21% to 2.30% per annum on the outstanding amounts due from PARD and its subsidiaries and the outstanding amounts due from Kyoshoku and its subsidiaries respectively. The interest expense was calculated at interest rate of 4% per annum or the outstanding amounts due to NFS and its subsidiary respectively. The administrative income received from PARD and its subsidiaries was calculated in accordance with the management agreement signed on 3 September 1996 upon the listing of the shares of PARD on The Singapore Exchange Securities Trading Limited and a supplemental agreement dated 22 July 2003. Sales and purchases of frozen seafood were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up. These transactions were in the ordinary and usual course of business.

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

None of these related party transactions constitutes a connected transaction or a continuing connected transaction of the Group as defined in and required to be disclosed under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' REPORT

Public Float
As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

Model Code for Securities Transactions
The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to regulate the directors' securities transactions. Specific enquiry has been made with all directors and the directors have complied with the required standard set out in the Model Code for the year ended 28 September 2012.

Events After the Reporting Period
Details of significant events occurring after the reporting period are set out in note 53 to the consolidated financial statements.

Audit Committee
The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited consolidated financial statements for the year ended 28 September 2012.

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.

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

Changes in Information of Directors
Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors of the Company subsequent to the latest publication of the Company are set out below:

Name of director	Details of changes
Lew V Robert	Ceased to be the Independent Non-Executive Director of Sincere Watch (Hong Kong) Limited with effect from 19 June 2012
	Director's fee increased to HK$30,000 per month as compared to FY2011
Kwok Lam Kwong, Larry	Appointed as Chairman of the Transport Advisory Committee with effect from 1 October 2012
	Director's fee increased to HK$30,000 per month as compared to FY2011
Tao Kwok Lau, Clement	Appointed as a member of the Independent Police Complaints Council in October 2012
	Ceased to act as Chairman of the Appeal Panel (The Estate Agents Ordinance) with effect from 31 December 2012
	Ceased to be a member of the Standing Committee on Young Offenders in 2012
	Director's fee increased to HK$30,000 per month as compared to FY2011

Note: Sincere Watch (Hong Kong) Limited is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

On behalf of the Board

Ng Joo Siang
Managing Director and Vice-Chairman

24 December 2012

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

The Company has adopted the code provisions set out in the Code of Corporate Governance (the "CG Code") contained in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all the applicable code provisions in the CG Code throughout the financial year ended 28 September 2012 ("FY2012"), except for the following deviations:

CG Code Provision A.4.1 provides that Non-Executive Directors should be appointed for a specific term, subject to re-election. The Independent Non-Executive Directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's Bye-Laws. The CG Code Provision A.1.1 also provides that board meetings should be held at least four times a year at approximately quarterly intervals. Although the Board only held its meetings twice in FY2012, it had been informed of all notifiable transactions and development of the Group by email and telephone. The Board acknowledging the effective and efficient way of communication, discussion and exchange of ideas through physical Board meetings committed to hold at least four times a year at approximately quarterly intervals going forward. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Board of Directors

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

The Board currently comprises five Executive Directors and three Independent Non-Executive Directors. Accordingly, the Independent Non-Executive Directors represented more than one-third of the Board members. The Executive Directors have extensive experience in the frozen seafood and shipping industry and the Independent Non-Executive Directors possess appropriate legal, accounting and professional qualifications and financial management expertise.

The Independent Non-Executive Directors also serve the important function of ensuring and monitoring the basis of an effective corporate governance framework. The Board considers that each Independent Non-Executive Directors is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. On 20 December 2012, the Nomination Committee of the Board has conducted an annual review of the independence of all Independent Non-Executive Directors of the Company. Taking into account the independence criteria as set out in Rule 3.13 of the Listing Rules in assessing the independence of Independent Non-Executive Directors, the Nomination Committee concluded that all the Independent Non-Executive Directors satisfied the Listing Rule requirement of independence.

The biographies of the Board members are set out in Directors' Profile on pages 16 and 17 of this annual report. Save for the relationships as detailed in the biographies, there is no other relationship among the Board to the best knowledge of the Board members. The Company has also maintained on its website and that of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") an updated list of its directors identifying their roles and functions and whether they are Independent Non-Executive Directors. The Independent Non-Executive Directors are explicitly identified in all of the Company's corporate communications.

Board meetings are scheduled to be held at regular interval. The Board would meet more frequently as and when required. An annual general meeting at which the external auditors attended was convened on 8 March 2012 for FY2011.

CORPORATE GOVERNANCE REPORT

The attendance of the directors at the Board meetings and general meeting for FY2012 is as follows:

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

The Board carries out its functions according to the powers conferred upon it by the Bye-Laws of the Company (which is uploaded onto the websites of the Company and the Stock Exchange and since then, has no significant changes been made).

Pursuant to the Bye-Laws of the Company, all directors are subject to retirement by rotation. At each annual general meeting, one-third or the number nearest to one-third of the directors for the time being shall retire from office. The retiring directors shall be eligible for re-election. New appointments either to fill a casual vacancy or as an addition to the Board are subject to re-election by shareholders of the Company at the next following annual general meeting of the Company. The terms of all Independent Non-Executive Directors of the Company shall be subject to retirement from office by rotation and re-election at the annual general meeting in accordance with the Bye-Laws. Each of the Independent Non-Executive Directors shall retire by rotation in not more than three years based on the current Board structure.

The Board members are updated and apprised of any laws and regulations applicable to the Company and its directors as well as any amendments thereto. On a continuing basis, directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars as appropriate.

Chairperson and Managing Director

The roles of Chairperson and Managing Director are segregate and discharged by different individuals. The Chairperson of the Company is Teh Hong Eng while Ng Joo Siang acts as the Managing Director of the Company.

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

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the directors. Specific enquiry has been made with all directors and the directors have complied with the required standard set out in the Model Code for FY2012.

Auditors' Remuneration

The external auditors of the Company received approximately HK$11,451,000 and HK$10,340,000 for audit services and non-audit services rendered to the Group respectively during FY2012.

CORPORATE GOVERNANCE REPORT

Board Committees

The Company currently maintains three board committees (namely Audit Committee, Remuneration Committee and Nomination Committee) with defined terms of reference which are posted on the websites of the Company and the Stock Exchange. The Board is responsible for performing the corporate governance duties set out in the CG Code. During the year, the Board has formulated policies regarding Procedures for Nomination of Director (which policy is posted on the Company's website), Shareholders' Communication and Code of Conduct, based on which the Board conducts periodic reviews to ensure compliance.

Audit Committee

The Audit Committee currently comprises three Independent Non-Executive Directors, Lew V Robert (Chairman), Kwok Lam Kwong, Larry and Tao Kwok Lau, Clement. The attendance of the directors at the Audit Committee Meeting for FY2012 is as follows:

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

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

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

– reviewed the interim results for the period ended 28 March 2012 and annual results for the year ended 28 September 2012 of the Group

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

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

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

– reviewed, recommended and approved the remuneration of external auditors

Remuneration Committee

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

The Remuneration Committee is responsible for reviewing and recommending the remuneration of the Executive Directors and senior management. The fees of the Non-Executive Directors are recommended by the Committee to the Board for approval at the annual general meeting of the Company (with the relevant committee members abstained from voting on the resolution concerning his own remuneration).

CORPORATE GOVERNANCE REPORT

During the year and up to the date of this report, the works performed by the Remuneration Committee are principally as follows:

– reviewed the Group's remuneration policy and reviewed the remuneration package of the Executive Directors and senior management for FY2012

– recommendation of directors' fees for the Independent Non-Executive Directors

– administration of the vesting of share awards

– approval of bonus payment to Executive Directors

The attendance of the directors at the Remuneration Committee Meeting for FY2012 is as follows:

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

Nomination Committee

The Nomination Committee has been established by the Company in the Board meeting held on 23 December 2011 in compliance with the requirement of the CG Code. The Nomination Committee currently comprises four members, being three Independent Non-Executive Directors including Tao Kwok Lau, Clement (Chairman), Lew V Robert and Kwok Lam Kwong, Larry, and one Executive Director being Ng Joo Siang.

The principal responsibilities of the Nomination Committee are regular review of the Board composition, identifying and nominating suitable candidates as Board members, assessment of the independence of the Independent Non-Executive Directors and Board evaluation.

The first ever meeting of the Nomination Committee was convened in December 2012 to discharge its duties (including evaluation of independence of the Independent Non-Executive Directors) and no meeting was held for FY2012.

Accountability

The directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cashflow of the Group. The directors ensure that the financial statements for FY2012 were prepared in accordance with statutory requirements and applicable accounting standards, and have been prepared on a going concern basis.

Internal Controls

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

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

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

The Company is committed to pursue active dialogue with shareholders as well as to provide disclosure of information concerning the Group's material developments to shareholders, investors and other stakeholders.

Annual general meeting ("AGM") of the Company serves as an effective forum for communication between shareholders and the Board. Notice of the AGM together with the meeting materials are despatched to all shareholders not less than 20 clear business days prior to the AGM. The Chairpersons of the Board and of Audit Committee, Remuneration Committee and Nomination Committee, or in their absence, other members of the respective Committees, are invited to the AGM to answer questions from shareholders. External auditors are also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

Vote of shareholders at general meeting will be taken by poll in accordance with the Listing Rules, unless otherwise required and permitted. Detailed procedures for conducting a poll will be explained to the shareholders at the inception of general meeting to ensure that shareholders are familiar with such voting procedures. Separate resolution will be proposed by the chairman of general meeting in respect of each substantial issue. The poll results will be posted on the websites of the Company and the Stock Exchange on the same business day of the general meeting.

Pursuant to the Bye-Laws of the Company, a special general meeting can be convened on the written requisition of any two or more members holding in aggregate not less than one-tenth of such of the paid up capital of the Company as the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the office of the Company.

Enquiries directed to the Board or the Company are facilitated by email to ir@pacificandes.com or through the online messaging system on the Company's website. All the Company's announcements, press releases and conducive corporate information are made available on the Company's website to enhance the transparency of the Company. To further promote effective communication, stakeholders may subscribe to the email alerts on the Company's website at http://www.pacificandes.com/html/ir_content_email.php.

Investor Relations and Communication

The Company has a proactive policy for promoting investor relations and communications by maintaining regular dialogue and fair disclosure with institutional shareholders, fund managers, analysts and the media. To ensure our investors have a better understanding of the Group, our Management attends investor meetings on a regular basis and has participated in a number of investor conferences in the region and communicates with research analysts and institutional investors in an on-going manner.

The Group recognises the importance of timely and non-selective disclosure of information. The Company's corporate website www.pacificandes.com, which features a dedicated Investor Relations section, facilitates effective communication with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and in a timely manner. Latest information of the Company includes annual reports, interim reports, announcements and press releases and constitutional documents.

Details of the last shareholders' meeting, key calendar events for shareholders' attention as well as share information, including market capitalisation as of 28 September 2012, are set out in the "Information for Investors" section and on the Company's corporate website.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome, and they can be addressed to the Investor Relations Department by mail or by email to the Group at ir@pacificandes.com.

CORPORATE SOCIAL RESPONSIBILITY

Pacific Andes and its subsidiaries are committed to offering a responsibly-derived range of quality seafood products.

A Board-level CSR Committee ("CSRC") was established in 2010 by its fishery and fish supply arm, China Fishery. In 2011 the Committee appointed a marine ecologist, Dr. Keith Sainsbury, as an adviser. Dr. Sainsbury brings to the Committee a wealth of expertise and research on the assessment, ecology, exploitation and conservation of marine resources and ecosystems. He is a Commissioner for the Australian Fisheries Management Authority and board member of the Marine Stewardship Council ("MSC").

The CSRC took a number of important steps this year:

Inaugural Sustainability Report

The Group published its inaugural Sustainability Report in August 2012 highlighting its sustainability approach and commitments, including an overview of the stock status and fisheries management systems for the major fisheries in which the Group operates and sources. The Group reports against 17 environmental and 26 social indicators, in accordance with the internationally recognised Global Reporting Initiative ("GRI")'s Level B requirements. The Report also goes beyond the GRI indicators to include other environmental, social and governance issues specific to the fishing industry. The Report titled "In for the long term" illustrates performance across environmental management, occupational health and safety, employee well-being and community engagement and can be downloaded online: http://www.pacificandes.com/html/environment.php.

Support for sustainable fisheries management

The CSRC continued to support and follow closely the MSC certification processes and dialogue for Russian pollock and Peruvian anchovy, with the Sea of Okhotsk pollock entering the final stages of the certification process at the end of FY2012.

The Group also became a signatory to the Prince of Wales' International Sustainability Unit's joint declaration on action for wild marine fisheries. The declaration expresses our support for improved fisheries management.

Sustainability audits on fisheries

Under the guidance of the CSRC, the Group established a list of criteria to review the environmental and social risk profiles of the major fisheries associated to its business. It completed sustainability audits of two fisheries in which the company operated in FY2011, including Faroe Islands and Mauritania. A third audit on the Namibian horse mackerel fishery is currently underway.

Enhancing medical support for crew on high sea vessels

Operating in high seas can pose additional health and safety risks to our crew and the harsh weather conditions makes the working environment an even greater challenge. In FY2012 we introduced a special remote medical system to be used on board our largest processing vessel and its catcher vessels. The Medical Advisory Systems ("MAS") service run by MedAire, part of the International SOS group of companies, will enable vessel and crew to have 24/7 immediate access to a dedicated lifeline. This system compliments other measures already in place, including two doctors on board our largest processing vessel, on duty at alternating times.

Supporting scientific research

The Group supported the establishment of a working group of experts in ecology and fisheries management to provide a scientific basis for policies on trawling. Whilst the Company does not engage in bottom trawling or the use of mobile bottom contact gears, trawling in general is still regarded as a contentious issue in the management of marine fisheries. Our support for the research is a result of our collaboration with industry leaders through our involvement in a subgroup of the Groundfish Forum, informally known as the Whitefish CEO Forum.

CSRC two-year planning

Subsequent to the year end the CSRC conducted a workshop for 15 Directors and Independent Directors of the Company, PARD and China Fishery which provided an overview of the current CSR related risks facing the industry, achievements of the CSRC to date, and future goals and commitments. The workshop enabled discussion on matters related to environmental compliance, social responsibility and emerging stakeholder expectations and formed the basis for a two year planning document that will drive the Group's CSR strategy.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Pacific Andes International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 111, which comprise the consolidated statement of financial position as at 28 September 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 28 September 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 December 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 28 September 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	6	14,601,432	14,245,411
Cost of sales		(12,010,579)	(11,499,639)
Gross profit		2,590,853	2,745,772
Other income	7	510,489	261,332
Selling and distribution expenses		(737,018)	(638,090)
Administrative expenses		(703,201)	(580,323)
Other expenses	8	(333,639)	(119,671)
Finance costs			
– Interest	9	(580,554)	(564,045)
– Cost of early redemption of senior notes		–	(116,331)
Share of results of associates	21	38,459	(242)
Profit before taxation	10	785,389	988,402
Taxation	12	(48,002)	(64,989)
Profit for the year		737,387	923,413
Profit for the year attributable to:			
Owners of the Company		266,762	357,434
Non-controlling interests		470,625	565,979
		737,387	923,413

		2012 HK cents	2011 HK cents (restated)
Earnings per share			
Basic	14	6.7	11.0
Diluted	14	6.7	11.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 September 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	737,387	923,413
Other comprehensive income		
Surplus on revaluation of properties	68,594	101,657
Deferred tax liability arising on revaluation of properties	(4,904)	(14,143)
Fair value changes of available-for-sale investments	47,234	(109,240)
Reclassification adjustment transfer to profit or loss upon derecognition of available-for-sale investments	62,006	–
Exchange differences arising on translation of foreign operations	14,171	71,123
Other comprehensive income for the year	187,101	49,397
Total comprehensive income for the year, net of tax	924,488	972,810
Total comprehensive income attributable to:		
Owners of the Company	414,831	431,445
Non-controlling interests	509,657	541,365
	924,488	972,810

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 September 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	6,972,874	6,948,312
Investment properties	16	657,110	653,245
Prepaid lease payments	17	42,528	43,941
Goodwill	18	2,976,668	2,927,582
Prepayment to suppliers	19	887,040	1,059,680
Advances to suppliers	19	315,900	315,900
Available-for-sale investments	20	46,344	319,174
Interests in associates	21	506,445	3,093
Deposit paid for acquisition of property, plant and equipment		47,266	26,257
Other intangible assets	22	1,847,868	1,481,867
Other long term receivables	23	478,080	928
		14,778,123	13,779,979
Current assets			
Inventories	24	2,816,087	2,918,894
Trade, bills, other receivables and prepayments	25	10,354,291	7,947,174
Trade receivables with insurance coverage	26	511,218	382,352
Trade receivables from associates	27	89,808	86,272
Prepayment to suppliers – current portion	19	172,640	172,640
Amounts due from associates	27	13,672	11,169
Amount due from a jointly-controlled entity	28	17,719	16,949
Held-for-trading investments	29	7,085	3,397
Tax recoverable		15,670	24,199
Pledged deposits	31	207	583,113
Bank balances and cash	32	693,471	442,776
		14,691,868	12,588,935
Current liabilities			
Trade, bills and other payables	33	2,453,209	2,255,187
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	26	569,828	357,739
Convertible bonds	37	–	619,829
Other financial liabilities	30	288,975	70,153
Taxation		149,553	152,139
Obligations under finance leases – due within one year	34	29,555	31,745
Bank borrowings – due within one year	35	7,242,519	6,819,792
		10,733,639	10,306,584
Net current assets		3,958,229	2,282,351
Total assets less current liabilities		18,736,352	16,062,330

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 September 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Obligations under finance leases – due after one year	34	33,817	63,372
Bank borrowings – due after one year	35	2,102,575	3,352,259
Bonds	36	690,082	713,051
Senior notes	38	2,120,094	–
Deferred taxation	39	591,368	602,919
		5,537,936	4,731,601
Net assets		13,198,416	11,330,729
Capital and reserves			
Share capital	40	472,207	314,785
Share premium and reserves		6,809,971	5,882,714
Equity attributable to owners of the Company		7,282,178	6,197,499
Non-controlling interests			
Equity component of convertible bonds of a listed subsidiary	37	–	35,482
Share of net assets of subsidiaries		5,916,238	5,097,748
Total equity		13,198,416	11,330,729

The financial statements on pages 30 to 111 were approved and authorised for issue by the Board of Directors on 24 December 2012 and are signed on its behalf by:

Ng Joo Siang *DIRECTOR*	Ng Joo Puay, Frank *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 September 2012

	Attributable to owners of the Company											Non–controlling Interests		
	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Investment revaluation reserve HK$'000	Warrant reserve HK$'000	Goodwill reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000	Equity component of convertible bonds of a listed subsidiary HK$'000	Share of net assets of subsidiaries HK$'000	Total HK$'000
At 29 September 2010	306,319	2,358,956	469,120	92,481	309,822	–	112,228	(135,913)	9,800	2,286,078	5,808,891	35,482	4,583,702	10,428,075
Surplus on revaluation of properties	–	–	92,074	–	–	–	–	–	–	–	92,074	–	9,583	101,657
Deferred tax liability arising on revaluation of properties	–	–	(14,143)	–	–	–	–	–	–	–	(14,143)	–	–	(14,143)
Far value changes of available-for-sale investments	–	–	–	–	–	(72,590)	–	–	–	–	(72,590)	–	(36,650)	(109,240)
Exchange differences arising on translation of foreign operations	–	–	–	68,670	–	–	–	–	–	–	68,670	–	2,453	71,123
Other comprehensive income	–	–	77,931	68,670	–	(72,590)	–	–	–	–	74,011	–	(24,614)	49,397
Profit for the year	–	–	–	–	–	–	–	–	–	357,434	357,434	–	565,979	923,413
Total comprehensive income for the year	–	–	77,931	68,670	–	(72,590)	–	–	–	357,434	431,445	–	541,365	972,810
Issue of scrip dividend shares net of issue expenses	8,455	98,914	–	–	–	–	–	–	–	–	107,369	–	–	107,369
Issue of shares on exercise of warrants	11	219	–	–	–	–	(21)	–	–	–	209	–	–	209
Expiry of warrants	–	112,207	–	–	–	–	(112,207)	–	–	–	–	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	7,882	–	–	–	–	–	7,882	–	(29,254)	(21,372)
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	(17,386)	–	–	–	–	–	(17,386)	–	17,386	–
Release reserve upon disposal of property	–	–	(1,400)	–	–	–	–	–	–	1,400	–	–	–	–
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	155,042	155,042
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(170,493)	(170,493)
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(140,911)	(140,911)	–	–	(140,911)
At 28 September 2011	314,785	2,570,296	545,651	161,151	300,318	(72,590)	–	(135,913)	9,800	2,504,001	6,197,499	35,482	5,097,748	11,330,729
Surplus on revaluation of properties	–	–	64,305	–	–	–	–	–	–	–	64,305	–	4,289	68,594
Deferred tax liability arising on revaluation of properties	–	–	(4,904)	–	–	–	–	–	–	–	(4,904)	–	–	(4,904)
Fair value changes of available-for-investment	–	–	–	–	–	31,387	–	–	–	–	31,387	–	15,847	47,234
Reclassification adjustment transfer to profit or loss upon derecogntion of available-for-sale investments	–	–	–	–	–	41,203	–	–	–	–	41,203	–	20,803	62,006
Exchange differences arising on translation of foreign operations	–	–	–	16,078	–	–	–	–	–	–	16,078	–	(1,907)	14,171
Other comprehensive income	–	–	59,401	16,078	–	72,590	–	–	–	–	148,069	–	39,032	187,101
Profit for the year	–	–	–	–	–	–	–	–	–	266,762	266,762	–	470,625	737,387
Total comprehensive income for the year	–	–	59,401	16,078	–	72,590	–	–	–	266,762	414,831	–	509,657	924,488
Issue of shares on exercise of rights issue net of issue expenses	157,402	593,377	–	–	–	–	–	–	–	–	750,779	–	–	750,779
Issue of shares on share awards	20	117	–	–	–	–	–	–	–	–	137	–	–	137
Deemed disposal of partial interests in subsidiaries	–	–	–	–	(3,220)	–	–	–	–	–	(3,220)	–	3,220	–
Release upon redemption of convertible bonds	–	–	–	–	–	–	–	–	–	35,482	35,482	(35,482)	–	–
Release upon disposal of property	–	–	(1,455)	–	–	–	–	–	–	1,455	–	–	–	–
Issue of shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	461,038	461,038
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(155,425)	(155,425)
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(113,330)	(113,330)	–	–	(113,330)
At 28 September 2012	472,207	3,163,790	603,597	177,229	297,098	–	–	(135,913)	9,800	2,694,370	7,282,178	–	5,916,238	13,198,416

The retained profits of the Group include accumulated profits of HK$39,632,000 (2011: HK$1,173,000) and accumulated profits of HK$76,198,000 (2011: HK$75,011,000) attributable to associates and a jointly-controlled entity of the Group, respectively.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 September 2012

	NOTES	2012 HK$'000	2011 HK$'000
Operating activities			
Profit before taxation		785,389	988,402
Adjustments for:			
Interest income		(9,761)	(4,456)
Interest expense		580,554	564,045
Dividend income		–	(3,070)
Amortisation of prepayment to suppliers		172,640	172,640
Share of results of associates		(38,459)	242
Amortisation of prepaid lease payments		982	976
Depreciation of property, plant and equipment		860,899	643,727
Cost of early redemption of senior notes		–	116,331
Revaluation increase of land and buildings		–	(347)
Impairment loss on available-for-sale investments		1,644	–
Fair value changes on investment properties		(1,136)	(72,849)
Fair value change on held-for-trading investments		(3,688)	357
Unrealised loss (gain) on derivative financial instruments		230,822	(12,977)
Fair value on initial recognition of financial guarantee contracts		–	62,000
Income from financial guarantee contracts, net		(12,000)	–
Gain on repurchase of bonds		(4,000)	–
Gain on purchase of senior notes		(7,378)	–
Impairment loss on property, plant and equipment		44,067	–
Gain on disposal of property, plant and equipment		(703)	(1,111)
Gain on bargain purchase on acquisition of a subsidiary		(19,872)	–
Excess on acquisition of an associate, net	21	(10,515)	–
Share award expenses		137	–
Operating cash flows before movements in working capital		2,569,622	2,453,910
Decrease (increase) in inventories		104,606	(1,132,599)
Increase in trade, bills, other receivables and prepayments		(2,537,102)	(1,933,020)
Increase in trade receivables with insurance coverage		(128,866)	(62,438)
Increase in trade receivables with associates		(3,536)	(15,280)
(Increase) decrease in amounts due from associates		(2,503)	2,347
Increase in amount due from a jointly-controlled entity		(770)	(9,413)
Increase in trade, bills and other payables		72,314	716,650
Cash generated from operations		73,765	20,157
Tax paid		(109,543)	(49,528)
Interest paid		(522,389)	(546,028)
Net cash used in operating activities		(558,167)	(575,399)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 September 2012

	NOTES	2012 HK$'000	2011 HK$'000
Investing activities			
Interest received		9,761	4,456
Dividend received from an associate		18,515	–
Dividend received from available-for-sale investments		–	3,070
Proceed on disposal of property, plant and equipment		7,615	7,466
Deposit paid for acquisition of property, plant and equipment		(21,009)	(19,181)
Addition to property, plant and equipment		(876,476)	(1,394,778)
Addition to investment properties		(8,180)	(59,148)
Addition to available-for-sale investments		(34,186)	(426,786)
Advances to suppliers		–	(315,900)
Additions to other long term receivables		(325,106)	(152,046)
Decrease (increase) in pledged deposits		582,906	(538,274)
Acquisition of interest in an associate		(56,085)	–
Acquisition of subsidiaries	43	(233,480)	(428)
Acquisition of fishing permits		–	(18,720)
Net cash used in investing activities		(935,725)	(2,910,269)
Financing activities			
Acquisition of additional interest of a subsidiary		–	(21,372)
Proceeds from issue of shares from rights issue		771,271	–
Proceeds from shares issued by a subsidiary		461,038	155,042
Proceeds from exercise of warrants		–	209
Share issue expenses		(20,492)	(11)
Net proceeds from issue of senior notes		2,207,053	–
Net proceeds from issue of bonds		–	695,951
Redemption of senior notes		–	(1,751,705)
Redemption of convertible bonds		(638,104)	–
Repurchase of bonds		(33,352)	–
Purchase of senior notes	38	(81,003)	–
Dividend paid to non-controlling shareholders		(155,425)	(170,493)
Dividend paid		(113,330)	(33,531)
Repayments of obligations under finance leases		(31,745)	(31,117)
Club loan raised		–	3,315,000
Additions of mortgage loans		–	45,479
Repayments of mortgage loans		(13,179)	(21,526)
Syndicated loans repaid		–	(888,000)
Net bank advances drawn on discounted trade receivables with insurance coverage and discounted bills raised		212,089	92,179
Increase in bank overdrafts		792	12,068
Bank borrowings raised		780,000	780,000
Repayment of bank borrowings		(1,372,534)	(1,677,818)
(Repayment) additions of working capital loans, net		(222,036)	2,796,117
Net cash from financing activities		1,751,043	3,296,472
Net increase (decrease) in cash and cash equivalents		257,151	(189,196)
Cash and cash equivalent at beginning of the year		442,776	635,066
Effect of foreign exchange rate changes		(6,456)	(3,094)
Cash and cash equivalents at end of the year		693,471	442,776
Representing by:			
Bank balances and cash		693,471	442,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 28 September 2012

1. General

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

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

The Company acts as an investment holding company and provides corporate management services to group companies. Details of the principal activities engaged in by the principal subsidiaries, associates and a jointly-controlled entity are set out in notes 51, 52, and 28 respectively.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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 which became effective for the Group's financial year beginning 29 September 2010
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

Except for the enhanced disclosures on application of Amendments to HKFRS 7 "Disclosure – Transfer of Financial Assets" as disclosed in note 49, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") – continued

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[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]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangement and Disclosures of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment Entities[5]
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 in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 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]

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

The amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities" clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendments to HKFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The directors consider that the application of these amendments may affect the amounts reported and result in more disclosures in the consolidated financial statements.

In addition, the potential impact of HKAS 12, HKFRS 9, HKFRS 10 and HKFRS 11 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 and interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

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

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

Basis of Consolidation

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

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

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

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

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

Allocation of Total Comprehensive Income to Non-Controlling Interests

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

Changes in the Group's Ownership Interests in Existing Subsidiaries

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

3. Significant Accounting Policies – continued

Business Combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

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

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

3. Significant Accounting Policies – continued

Goodwill

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

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

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

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

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

Interests in Associates

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

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

When the Group obtains significant influence over an investee which was previously classified as available-for-sale investments, the Group derecognises 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 the associate became the deemed costs of the investment in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. 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.

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

3. Significant Accounting Policies – continued

Interests in Associates – continued

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

Jointly Controlled Entities

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. 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.

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

Revenue Recognition

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

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

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

Service income is recognised when services are provided.

3. Significant Accounting Policies – continued

Revenue Recognition – continued

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, Plant and Equipment

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

Freehold land is stated at cost and is not amortised.

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

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

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

If an investment property carried at fair value becomes an item of property, plant and equipment because its use has changed as evidenced by commencement of owner-occupation, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

When leasehold land and buildings are in the course of development for production, or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of cost of buildings under construction.

3. Significant Accounting Policies – continued

Property, Plant and Equipment – continued

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

Leasehold land and buildings	25 years or lease term, whichever is shorter
Buildings on freehold land	33 years
Leasehold improvements	3 – 10 years
Furniture and fixtures	3 – 10 years
Office equipment	2$^1/_2$ – 10 years
Motor vehicles	2$^1/_2$ – 20 years
Plant and machinery	2 – 10 years
Vessels	5 – 20 years
Fishing nets	4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

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

Investment Properties

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

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

Inventories

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

3. Significant Accounting Policies – continued

Impairment Losses on Tangible and Intangible Assets other than Goodwill (See accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible Assets

Intangible Assets acquired Separately

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

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

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

Intangible Assets acquired in a Business Combination

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

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

3. Significant Accounting Policies – continued

Deferred Expenditure

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

Prepayment to Suppliers

The amount represents prepayment for future supply of fishery products under the long term supply agreements or future charter hire expense for fishing vessels under the vessel operating agreements which have been prepaid or contractually agreed to be prepaid. They are amortised and charged to profit or loss as cost of sales pro-ratably over the period for which the prepayment is made and the benefits are expected to accrue.

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

Borrowing Costs

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

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

Financial Instruments

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

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

Financial assets

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

3. Significant Accounting Policies – continued

Financial Instruments – continued

Financial assets – continued

Effective Interest Method

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

Interest income is recognised on an effective interest basis.

Financial Assets At Fair Value through Profit or Loss

A financial asset is classified as held for trading if:

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

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

Loans and Receivables

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

Available-For-Sale Financial Assets

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

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

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

3. Significant Accounting Policies – continued

Financial Instruments – continued

Financial assets – continued

Impairment of Financial Assets

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

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

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve.

3. Significant Accounting Policies – continued

Financial Instruments – continued

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Financial liabilities at fair value through profit or loss ("FVTPL")

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

The Group's other financial liabilities (including trade, bills and other payables, bank advances and borrowings, bonds, convertible bonds and senior notes) are subsequently measured at amortised cost, using the effective interest rate method.

Effective Interest Method

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

Interest expense is recognised on an effective interest basis.

Convertible Notes

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

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

3. Significant Accounting Policies – continued

Financial Instruments – continued

Other financial liabilities – continued

Convertible Notes – continued

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

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

A financial guarantee contracts issued by the Group are initially measured at their fair values less transaction costs and, subsequently measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derivative Financial Instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

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

3. Significant Accounting Policies – continued

Share-Based Payment Transactions

Equity-Settled Share-Based Payment Transactions

Share Option/Share Awards granted to Employees

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

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

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

Foreign Currencies

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

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

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

Taxation

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

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

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

3. Significant Accounting Policies – continued

Taxation – continued

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Leasing

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

The Group as Lessor

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

The Group as Lessee

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

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

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

Leasehold Land and Building

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

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

Retirement benefits costs

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

4. Key Sources of Estimation Uncertainty

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

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

Impairment of Quoted Available-For-Sale Equity Investment

In 2010, the Group acquired listed equity investment in Tassal Group Limited ("Tassal") at cost for approximately HK$421 million. The equity investment was classified as an available-for-sale investment whereby its fair value of the investment as at 28 September 2011 was approximately HK$305 million.

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

In making its judgment, management considers if there is objective evidence of impairment and concluded based on its analysis that no impairment is necessary at 28 September 2011 (see note 20).

Carrying amounts of prepayment to suppliers and advances to suppliers

As at 28 September 2012, the carrying amounts of prepayment to suppliers (note 19) and advances to suppliers were HK$1,059,680,000 (2011: HK$1,232,320,000) and HK$315,900,000 (2011: HK$315,900,000) respectively. The operation of vessels under the long term supply agreements (2011: vessel operating agreements) with the suppliers (see note 19) has been profitable after deducting recognition of the prepayment to suppliers over the periods for which the amounts have been prepaid. The directors expect the operations to remain profitable in the foreseeable future and the carrying amount of the prepayment to suppliers to be recoverable from future operations.

Carrying amount of vessels and fishing and plant permits

The carrying amounts of vessels and fishing and plant permits (see notes 15 and 22) totalled HK$1,922,312,000 and HK$1,823,905,000, respectively, as at 28 September 2012 (2011: HK$1,958,509,000 and HK$1,457,904,000 respectively). Determining whether the carrying amounts of these assets can be recovered requires an estimation of the value in use of the cash-generating units and a suitable discount rate in order to calculate present value. Any change in estimates or assumptions may result in decrease in recoverable amount and impairment of vessels and fishing and plant permits being recognised in profit or loss. Management has evaluated these projections using assumptions on catch quantities, prices of catch and operating cost of this cash-generating unit.

Carrying amount of goodwill

The Group in determining whether goodwill is impaired estimates the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Any change in estimates or assumptions may result in decrease in recoverable amount and impairment of goodwill being recognised in profit or loss.

Goodwill arising from acquisition of subsidiaries during the year amounting to HK$49,086,000 in aggregate (2011: HK$3,333,000), has been provisionally determined based on management's assessment of the fair value of assets and liabilities acquired and is subject to changes. Based on management's assessment, management is of the view that the carrying amount of goodwill of HK$2,976,668,000 (2011: HK$2,927,582,000) is not impaired. Information relating to the carrying amount and management's assessment of goodwill is provided in note 18.

4. Key Sources of Estimation Uncertainty – continued

Useful lives of property, plant and equipment

The carrying amount of property, plant and equipment amounting to HK$6,282,500,000 (2011: HK$6,481,012,000) (excluding the carrying amounts of freehold land of HK$65,958,000 (2011: HK$45,868,000), and construction in progress of HK$624,416,000 (2011: HK$421,432,000)), have been determined after charging depreciation on a straight-line basis over the estimated useful life of these assets.

Components of these carrying amounts are detailed in note 15. Any change in estimated useful lives of these assets will affect the depreciation charge to be recognised in profit or loss in each reporting period.

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

Estimation of allowance of doubtful debts

At 28 September 2012, the Group provided the aggregate allowance for doubtful trade, bills and other receivables and other long term receivables amounting to HK$334,000 and HK$ nil (2011: HK$4,858,000 and HK$ nil), respectively where there is objective evidence of impairment. The identification of doubtful debts requires the use of judgment and estimates of future cash receipts. Where the future discounted cash flow of trade, bills and other receivables and other long term receivables is lower than the carrying amount, such difference represents the allowance for doubtful debts and is recognised as an expense in profit or loss.

5. Financial Instruments, Financial Risks and Capital Risks Management

a. Categories of financial instruments

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

	2012 HK$'000	2011 HK$'000
Financial assets		
Held-for-trading investments	7,085	3,397
Available-for-sale investments	46,344	319,174
Loans and receivables (including cash and cash equivalents)	4,151,136	3,779,775
	4,204,565	4,102,346
Financial liabilities		
Amortised cost	15,155,464	14,102,698
Derivative financial instruments	238,975	8,153
Obligations under finance leases	63,372	95,117
Financial guarantee contracts	50,000	62,000
	15,507,811	14,267,968

b. Financial risk management policies and objectives

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

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

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

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

b. Financial risk management policies and objectives – continued

(i) Foreign currency risk management

Non-derivative foreign currency monetary assets and monetary liabilities

The Group entities transact largely in their functional currencies, which in most instances is the United States dollars. In addition, certain group entities with functional currency of Chinese Renminbi obtained borrowings denominated in United States dollars. Foreign exchange risk arises largely from transactions denominated in currencies such as United States dollars, Peruvian Nuevo Soles, Chinese Renminbi, Hong Kong dollars, Euro, Japanese Yen and British pounds.

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

	Liabilities		Assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars	**796,288**	944,463	**62,113**	155,747
Peruvian Nuevo Soles	**108,480**	63,300	**66,040**	100,529
Chinese Renminbi	**706,430**	732,752	**11,489**	510,135
Hong Kong dollars	**42,152**	6,498	**4,642**	3,974
Euro	**9,290**	19,152	**476,628**	156,628
Singapore dollars	**424**	130	**2,048**	3,385
Japanese Yen	**1,625**	11,127	**242**	632
British pounds	**337**	204	**28,851**	17
Norwegian Kroner	**1,056**	2,376	**226**	–
Danish Krone	**2,743**	966	**12**	–
Namibian dollars	**22**	–	**4,371**	–
Canadian dollars	**–**	–	**2,819**	–

Foreign currency sensitivity

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

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

b. Financial risk management policies and objectives – continued

(i) Foreign currency risk management – continued

Non-derivative foreign currency monetary assets and monetary liabilities – continued

Foreign currency sensitivity – continued

	2012		2011	
	Increase (decrease) in foreign exchange rates	**Increase (decrease) in Group's profit HK$'000**	Increase (decrease) in foreign exchange rates	Increase (decrease) in Group's profit HK$'000
United States dollars	**10%**	**(69,015)**	10%	(74,450)
	(10%)	**69,015**	(10%)	74,450
Peruvian Nuevo Soles	**10%**	**(4,244)**	10%	3,723
	(10%)	**4,244**	(10%)	(3,723)
Chinese Renminbi	**10%**	**(69,494)**	10%	(22,262)
	(10%)	**69,494**	(10%)	22,262
Euro	**10%**	**46,734**	10%	13,748
	(10%)	**(46,734)**	(10%)	(13,748)

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

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and financial liabilities as the year end exposure does not reflect the exposure during the year.

Structured foreign currency forward contracts

The Group has entered into structured foreign currency forward contracts and cross-currency interest rate swap contract with banks to reduce its exposure to currency fluctuation risk of contracted and anticipated sales and bonds which are denominated in foreign currencies. The derivative is not accounted for under hedge accounting. The Group is required to estimate the fair value of the structured foreign currency forward contract and cross-currency interest rate swap contract at end of the reporting period.

At 28 September 2012, the fair values of structured foreign currency forward contracts and cross-currency interest rate swap contract amounted to HK$218,845,000 (2011: HK$8,153,000) and HK$20,130,000 (2011: Nil) respectively. The Group has exposure to fluctuation of the forward exchange rate of the relevant foreign currencies against the functional currencies of each group entity.

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

b. Financial risk management policies and objectives – continued

(i) Foreign currency risk management – continued

Structured foreign currency forward contracts – continued

The following details the sensitivity based on the exposure to the Group's structured foreign currency contracts outstanding at the end of the reporting period. The sensitivity to foreign currency risk has been determined based on management's assessment of the reasonably possible change in forward exchange rate between various foreign currencies and functional currencies of respective group entities. If the forward exchange rate had been 10% higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would increase (decrease) as follows:

	2012		2011	
	Increase (decrease) in foreign exchange rates	Increase (decrease) in Group's profit HK$'000	Increase (decrease) in foreign exchange rates	Increase (decrease) in Group's profit HK$'000
Euro	10%	3,797	–	–
	(10%)	(3,797)	–	–
Japanese Yen	10%	16,537	10%	979
	(10%)	(16,537)	(10%)	(979)
British pounds	10%	1,308	–	–
	(10%)	(1,308)	–	–

In management's opinion, the sensitivity analysis is unrepresentative of the foreign currency risk inherent in the structured foreign currency forward contracts because (i) the year end exposure does not reflect the exposure during the year; and (ii) the valuation models involve multiple input variables and certain variables are interdependent.

(ii) Interest rate risk management

Non-derivative financial assets and financial liabilities

Interest-earning financial assets comprise pledged deposits and bank balances (notes 31 and 32). Summary quantitative data of the Group's interest-bearing financial liabilities can be found in section (iv) of this note.

The Group is exposed to cash flow interest rate risk primarily from variable rate bank borrowings (note 35). The Group manages its exposure to cash flow interest rate risk relating to changes in interest rates by entering into fixed rate borrowings through issue of convertible bonds (note 37), senior notes (note 38) and bonds (note 36), certain bank borrowings (note 35) and use of finance leases for which rates are fixed at inception of the finance leases (note 34). Although the Group is also exposed to fair value interest rate risk in relation to fixed rate borrowings, the Group's policy is to obtain the most favourable interest rates available and also by reviewing the terms of the interest-bearing liabilities to minimise the adverse effects of changes in interest rates.

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

b. Financial risk management policies and objectives – continued

(ii) Interest rate risk management – continued

Non-derivative financial assets and financial liabilities – continued

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by HK$41,297,000 (2011: HK$43,531,000).

Derivative financial liability

During the year, the Group entered into an interest rate swap contract with a bank to reduce its exposure to interest rate risk in relation to fixed-rate bonds (see note 36 for details of bonds). The derivative is not accounted for under hedge accounting. The Group is required to estimate the fair value of the interest rate swap contract at the end of the reporting period, which therefore exposed the Group to interest rate risk.

Interest rate sensitivity

The sensitivity to interest rate risk has been determined based on management's assessment of the reasonably possible change in forward interest rate between Chinese Renminbi and United States dollars. If forward interest rates had been 50 (2011: nil) basis points higher/lower and all other variable were held constant, the Group's profit for the year ended 28 September 2012 would increase/decrease by HK$1,008,000 (2011: nil).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the interest rate swap because (i) the year end exposure does not reflect the exposure during the year; and (ii) the valuation models involve multiple input variables and certain variables are interdependent.

(iii) Credit risk management

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

At both 28 September 2012 and 28 September 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

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

– the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 47.

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

b. Financial risk management policies and objectives – continued

(iii) Credit risk management – continued

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

The Group has concentration of credit risk as follows: 25% (2011: 13%) and 49% (2011: 48%) of the Group's trade receivables, bills receivables and trade receivables with insurance coverage were due from the Group's largest customer and the five largest customers respectively. The Group allows a credit period of 30 days to 180 days to these five largest customers. These five largest customers include one supermarket chain, and four corporations which are engaged in selling of seafood products. The supermarket chain mainly operates in North America and the four corporations operate in many different countries. They have good historical repayment records and low default rates, and such trade and bills receivables are neither past due nor impaired. Other trade receivables consist of a large number of customers, spread across diverse geographical areas. In this regard, the Group does not have any other significant concentration of credit risk.

As at 28 September 2012, the Group has a loan receivable of HK$477,152,000 (2011: HK$152,046,000) due from Asarmona Holdings Limited ("Asarmona") (notes 23 and 25). The loan is secured by (i) 81% unlisted equity shares of two investees of which the Group holds 19% interest each and (ii) 100% equity interest in Asarmona, a wholly-owned subsidiary of one of the investees. The Group has classified its investments in the two investees as available-for-sale investments. The Group also provided guarantees to banks in respect of the bridge facility guarantee and operational guarantee in favour of the wholly owned operating entities held by Asarmona (note 47), which are one of the leading suppliers and distributors of private label of co-pack frozen seafood products in Europe. The management closely monitors the financial positions of the investees and allowance is made for estimated irrecoverable amount, if necessary.

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

The Group has significant concentration of credit risk from two suppliers. As explained in note 19, the Group prepaid an aggregate amount of HK$1,060 million (2011: HK$1,232 million) of charter hire fees to the suppliers for 17 (2011: 17) fishing vessels, the benefits of which are to be realised over 10 to 18 years up to 2025. In addition, the Group has made advances to these suppliers in relation to the operation of vessels as detailed in note 25. The Group mitigates the risk relating to obligations of the counterparties in respect of the long term supply agreements or vessel operating agreements through the security documents described in note 19.

As at 28 September 2012, the Group also advanced HK$315,900,000 to these suppliers for working capital under the long term supply agreements.

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

b. Financial risk management policies and objectives – continued

(iii) Credit risk management – continued

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

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

(iv) Liquidity risk management

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

Liquidity and interest risk analyses

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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

	Weighted average effective interest rate %	On demand or within 1 year HK$'000	Within 2 to 5 years HK$'000	After 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2012						
Non-derivative financial liabilities						
Non-interest bearing	–	2,430,366	–	–	2,430,366	2,430,366
Obligations under finance leases	8.49	39,798	41,916	–	81,714	63,372
Variable interest rate instruments (note a)	2.79	7,956,434	2,144,416	–	10,100,850	9,891,484
Fixed interest rate instruments	9.51	271,694	1,630,312	2,648,572	4,550,578	2,833,614
Financial guarantee contracts (note b)		1,089,000	–	–	1,089,000	50,000
		11,787,292	3,816,644	2,648,572	18,252,508	15,268,836

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

b. Financial risk management policies and objectives – continued

(iv) Liquidity risk management – continued

	Weighted average effective interest rate %	On demand or within 1 year HK$'000	Within 2 to 5 years HK$'000	After 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2011						
Non-derivative financial liabilities						
Non-interest bearing	–	2,240,028	–	–	2,240,028	2,240,028
Obligations under finance leases	8.88	45,250	81,714	–	126,964	95,117
Variable interest rate instruments (note a)	2.68	7,237,968	3,465,049	12,831	10,715,848	10,426,617
Fixed interest rate instruments	6.34	766,688	864,228	–	1,630,916	1,436,053
Financial guarantee contracts (note b)		981,404	–	–	981,404	62,000
		11,271,338	4,410,991	12,831	15,695,160	14,259,815

The undiscounted cash flows for variable rates instruments are subject to changes if the changes in interest rates is not equal to the estimated interest rates.

Notes:

(a) Bank borrowings with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 28 September 2012 and 28 September 2011, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$139,868,000 and HK$155,206,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid two to twenty years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$162,293,000 (2011: HK$179,190,000).

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

Derivative financial liabilities

At 28 September 2012, the undiscounted contractual net cash outflows on structured foreign exchange forward contracts and interest rate swap that settle on a net basis based on remaining contractual maturity within 1 year and within 2 to 5 years from the end of the reporting date were HK$624,000 (2011: HK$6,279,000) and HK$238,351,000 (2011: HK$1,874,000) respectively.

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

b. Financial risk management policies and objectives – continued

(v) Other risk management

At 28 September 2011, the Group's listed equity investment in Tassal was classified as an available-for-sale investment and was measured at fair value at the end of the reporting period (note 20). It was denominated in Australian dollars, a currency other than the functional currency of one of the group entity who held the investment. The management had performed an analysis of the nature of market risk associated with the equity securities and concluded that the quoted price risk and foreign currency risk were more prominent in evaluating the market risk of this kind of investments. The management managed this exposure in accordance with the limits set by the Group.

Price sensitivity

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

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

The management considered that the Group's exposure to equity security price risk arising from equity investments which are stated at cost less impairment, the held-for-trading investments and also the remaining available-for-sale investments (other than Tassal) is minimal as the amount involved is insignificant for both years.

(vi) Fair values of financial assets and financial liabilities

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

Structured foreign currency forwards contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching remaining maturities of the contracts.

The fair value of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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

b. Financial risk management policies and objectives – continued

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

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

The fair value of the other financial assets and financial liabilities (i.e. excluding quoted available-for-sale investments, held-for-trading investments and derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

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

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

	2012		2011	
	Level 1	**Level 2**	Level 1	Level 2
	HK$'000	**HK$'000**	HK$'000	HK$'000
Assets				
Held-for-trading investments	**7,085**	**–**	3,397	–
Available-for-sale investments	**25,058**	**–**	305,372	–
Liabilities				
Derivative financial instruments	**–**	**238,975**	–	8,153
Financial guarantees contracts	**–**	**50,000**	–	62,000

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

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

b. Financial risk management policies and objectives – continued

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

Except for convertible bonds and senior notes, the directors consider that the carrying amounts of financial assets and financial liabilities that are recorded at amortised cost in the consolidated financial statements approximate to their fair values.

c. Capital risk management policies and objectives

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

The capital structure of the Group consists of net debt, which comprises the obligations under finance leases, bank borrowings, bonds, convertible bonds and senior notes disclosed in notes 34, 35, 36, 37 and 38, net of cash and cash equivalents and shareholders' equity.

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

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

6. Revenue and Segment Information

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

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

Frozen fish supply chain management ("SCM")	–	sales of frozen fish and other seafood products and shipping services
Fish fillets processing and distribution	–	selling and processing of frozen seafood products and distribution
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

6. Revenue and Segment Information – continued

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

Segment sales and expenses: Segment sales and expenses are the sales and operating expense reported in the Group's consolidated income statement that are directly attributable to a segment and the relevant portion of such sales and expense that can be allocated on a reasonable basis to a segment.

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

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

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without the allocation of certain other income, fair value changes in certain investment properties, administrative expenses, revaluation increase or decrease on properties, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. Revenue and Segment Information – continued

Information regarding the above segments is reported below.

2012

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	4,869,592	4,976,466	4,711,206	44,168	14,601,432
RESULT					
Segment result	767,140	485,359	1,105,263	31,431	2,389,193
Unallocated corporate income					13,590
Unallocated corporate expenses					(1,036,840)
Finance costs					(580,554)
Profit before taxation					785,389

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	9,376,689	5,407,182	13,870,613	246,359	28,900,843
Unallocated corporate assets					569,148
Total assets					29,469,991
LIABILITIES					
Segment liabilities	48,610	2,078,163	308,214	18,222	2,453,209
Unallocated corporate liabilities					13,818,366
Total liabilities					16,271,575

Other segment information

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishery and fish supply HK$'000	Others HK$'000	Consolidated HK$'000
Interests in associates	505,547	898	–	–	506,445
Additions to non-current assets*	99,222	171,785	959,392	54,857	1,285,256
Depreciation of property, plant and equipment	38,880	115,147	681,344	25,528	860,899
Impairment of property, plant and equipment	–	–	44,067	–	44,067
Amortisation of prepaid lease payments	–	982	–	–	982
Amortisation of prepayment to suppliers	–	–	172,640	–	172,640

* Non-current assets excluding available-for-sale investments, prepayment for suppliers, advances to suppliers, interests in associates and other long term receivables.

6. Revenue and Segment Information – continued

2011

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	4,369,427	4,491,169	5,346,512	38,303	14,245,411
RESULT					
Segment result	393,224	447,324	1,426,681	20,289	2,287,518
Unallocated corporate income					81,254
Unallocated corporate expenses					(699,994)
Finance costs					(680,376)
Profit before taxation					988,402

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	7,552,491	5,223,302	12,803,608	207,775	25,787,176
Unallocated corporate assets					581,738
Total assets					26,368,914
LIABILITIES					
Segment liabilities	218,362	1,806,305	215,033	15,487	2,255,187
Unallocated corporate liabilities					12,782,998
Total liabilities					15,038,185

Other segment information

	Frozen fish SCM HK$'000	Fish fillets processing and distribution HK$'000	Fishery and fish supply HK$'000	Others HK$'000	Consolidated HK$'000
Interests in associates	2,195	898	–	–	3,093
Additions to non-current assets*	50,790	279,457	1,151,127	25,832	1,507,206
Depreciation of property, plant and equipment	53,068	111,781	462,555	16,323	643,727
Amortisation of prepaid lease payments	–	976	–	–	976
Amortisation of prepayment to suppliers	–	–	172,640	–	172,640

* Non-current assets excluding available-for-sale investments, prepayment for suppliers, advances to suppliers, interests in associates and other long term receivables.

6. Revenue and Segment Information – continued

Geographical information

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

The Group's revenue from external customers based on the locations of the customers and information about its segment assets (non-current assets excluding available-for-sale investments, prepayment for suppliers, advances to suppliers, interests in associates and other long term receivables) by geographical location are detailed below. The geographical location of customers is based on the location where the goods are delivered and services are rendered by the Group.

	Revenue from external customers		Non-current assets	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong and other regions in the PRC	6,571,699	6,552,198	3,065,912	2,928,186
North America	2,525,267	2,197,256	30,110	29,713
South America	9,326	15,011	4,436,901	6,000,457
Europe	2,394,444	2,118,230	4,787,660	2,948,814
East Asia	1,411,088	1,072,396	223,731	174,034
Africa	1,666,849	2,229,058	–	–
Others	22,759	61,262	–	–
	14,601,432	14,245,411	12,544,314	12,081,204

Information about major customers

There is no customer with revenue more than 10% of the Group's total revenue for the year ended 28 September 2012.

For the year ended 28 September 2011, there is only one customer with revenue more than 10% of the Group's total revenue, namely a customer from fishery and fish supply segment with revenue of HK$1,511,445,000.

7. Other Income

	2012 HK$'000	2011 HK$'000
Other income comprises of:		
Agency income	10,311	9,082
Compensation received from suppliers of fish (note i)	183,608	119,848
Exchange gain, net	35,292	345
Fair value change on held-for-trading investments	3,688	–
Fair value changes on investment properties (note 16)	1,136	72,849
Income from financial guarantee contracts, net	12,000	–
Realised gain on derivative financial instruments	171,614	5,338
Gain on repurchase of bonds (note 36)	4,000	–
Gain on purchase of senior notes (note 38)	7,378	–
Rental income from properties	12,454	8,058
Rental income from vessels	–	20,247
Revaluation increase on leasehold land and buildings (note 15)	–	347
Gain on disposal of property, plant and equipment	703	1,111
Interest income	9,761	4,456
Dividend income from listed investments	–	3,070
Gain on bargain purchase on acquisition of a subsidiary (note 43)	19,872	–
Sundry income (note ii)	38,672	16,581
	510,489	261,332

Notes:

i. Compensation received from suppliers of fish relates to compensation for non-delivery of fish from suppliers within stipulated timeframe.

ii. For the year ended 28 September 2012, sundry income includes HK$74,718,000 representing the excess of the Group's share of the net fair value of Tassal's identifiable assets, liabilities and contingent liabilities (defined and explained in note 21) over the deemed cost at the date significant influence is obtained by the Group, net with the reclassification of fair value loss of HK$62,006,000 on Tassal from investment revaluation reserve to profit or loss.

8. Other Expenses

	2012 HK$'000	2011 HK$'000
Other expenses comprise of:		
Impairment loss on property, plant and equipment (note 15)	44,067	–
Transaction costs attributable to issue of rights shares of a listed subsidiary	21,613	–
Fair value on initial recognition of financial guarantee contracts	–	62,000
Fair value change on held-for-trading investments	–	357
Impairment loss on available-for-sale investments	1,644	–
Fair value change on derivative financial instruments	230,822	–
Severance payments	–	8,512
Others	35,493	48,802
	333,639	119,671

9. Finance Costs

	2012 HK$'000	2011 HK$'000
Interest on bank borrowings wholly repayable within five years	453,023	327,548
Interest on finance leases	7,232	9,536
Interest on convertible bonds wholly repayable within five years	30,448	52,934
Interest on bonds wholly repayable within five years	53,083	17,101
Interest on senior notes wholly repayable within five years	–	156,926
Interest on senior notes wholly repayable after five years	36,768	–
	580,554	564,045

10. Profit Before Taxation

	2012 HK$'000	2011 HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepayment to suppliers (included in cost of sales)	172,640	172,640
Auditor's remuneration	11,451	11,648
Depreciation of property, plant and equipment	860,899	643,727
Amortisation of prepaid lease payments (included in administrative expenses)	982	976
Cost of inventories included in cost of sales	8,364,626	7,712,663
Transportation, declaration & certificate expenses (included in selling and distribution expenses)	368,017	380,733
Directors' emoluments (note 11)	29,106	28,978
Staff costs	221,585	205,247
Crew wages	520,518	589,497
Retirement benefits scheme contributions	19,842	17,619
Total staff costs	761,945	812,363
and after crediting:		
Net rental income after outgoings of HK$8,340,000 (2011: HK$8,128,000)	16,078	11,931

11. Directors' Emoluments

	Fees HK$'000	Salaries and Other benefits-in-kind-cash HK$'000	Benefits in-kind HK$'000	Performance related incentive payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2012						
Executive Directors						
Teh Hong Eng	–	3,193	1,974	800	–	5,967
Ng Joo Siang	–	4,510	1,974	800	216	7,500
Ng Joo Kwee	–	3,428	1,077	800	216	5,521
Ng Joo Puay, Frank	–	2,742	848	640	173	4,403
Ng Puay Yee	–	3,313	710	600	162	4,785
Independent Non-Executive Directors						
Lew V Robert	310	–	–	–	–	310
Kwok Lam Kwong, Larry	310	–	–	–	–	310
Tao Kwok Lau, Clement	310	–	–	–	–	310
	930	17,186	6,583	3,640	767	29,106

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

None of the directors waived any emoluments for both years.

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

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

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

The five highest paid individuals of the Group for the years ended 28 September 2012 and 2011 are all directors of the Company.

12. Taxation

	2012 HK$'000	2011 HK$'000
The charge comprises:		
On profit for the year		
– Hong Kong	2,318	1,530
– People's Republic of China	4,634	4,995
– other jurisdictions	108,656	88,460
	115,608	94,985
Overprovision in prior year		
– Hong Kong	(122)	(772)
Deferred taxation (note 39)	(67,484)	(29,224)
Tax charge for the year	48,002	64,989

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

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

Taxation in other jurisdictions is mainly derived from the Peruvian tax rate of 30% applied to the estimated assessable profit for the year after deduction of statutory employee profit sharing of 10% from the estimated assessable profit.

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

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

	2012 HK$'000	2011 HK$'000
Profit before taxation	785,389	988,402
Tax at average income tax rate of 28.8% (2011: 28.8%)	227,053	284,575
Tax effect of expenses not deductible for tax purpose	30,075	67,256
Tax effect of income not taxable for tax purpose	(202,825)	(277,037)
Over-provision in respect of prior year	(122)	(772)
Tax effect of tax losses not recognised	3,739	9,235
Utilisation of tax losses previously not recognised	(5,857)	(18,497)
Utilisation of other deductible temporary differences previously not recognised	–	(519)
Tax effect of share of results of associates	(5,026)	40
Others	965	708
Tax charge for the year	48,002	64,989

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

13. Dividends

	2012 HK$'000	2011 HK$'000
Dividends:		
Proposed final dividend of HK1.1 cents (2011: HK3.6 cents) per share	51,943	113,330

The final dividend for the year ended 28 September 2012 of HK1.1 cents has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

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

14. Earnings Per Share

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

	2012 HK$'000	2011 HK$'000 (restated)
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	266,762	357,434
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	3,957,983,990	3,246,213,799
Effect of dilutive potential ordinary shares in respect of share award	1,025,383	7,663,747
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	3,959,009,373	3,253,877,546

The computation of diluted earnings per share for 28 September 2011 did not assume the conversion of the Company's outstanding warrants as the exercise price of the Company's warrants was higher than the average market price per share.

The weighted average number of ordinary shares for both years for the purposes of basic and diluted earnings per share has been adjusted to reflect the bonus element of the rights issue during the year.

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

15. Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Freehold land outside Hong Kong HK$'000	Building on freehold land HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Vessels HK$'000	Fishing nets HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION												
At 29 September 2010	1,724,344	46,287	157,038	100,800	26,091	157,940	51,195	2,469,427	2,011,002	65,110	259,542	7,068,776
Additions	85,324	647	3,277	7,706	490	15,672	3,842	781,555	241,332	–	254,933	1,394,778
Acquisition of subsidiaries	–	–	12,046	–	–	–	–	–	–	–	–	12,046
Disposals	(4,240)	(1,066)	–	–	(82)	(2,043)	(5,321)	(3,965)	–	–	–	(16,717)
Reclassification	–	–	585	–	150	109	340	17,899	70,843	8,155	(98,081)	–
Reclassification to investment properties (note 16)	(11,193)	–	–	–	–	–	–	–	–	–	–	(11,193)
Adjustment on revaluation	27,805	–	–	–	–	–	–	–	–	–	–	27,805
Exchange realignment	62,464	–	–	2,268	144	4,471	1,317	9,863	–	–	5,038	85,565
At 28 September 2011	1,884,504	45,868	172,946	110,774	26,793	176,149	51,373	3,274,779	2,323,177	73,265	421,432	8,561,060
Additions	116,097	19,118	–	5,703	1,700	21,563	1,854	376,800	67,862	9,879	269,988	890,564
Acquisition of subsidiaries	–	972	6,822	–	–	–	–	36,201	46,373	632	3,623	94,623
Disposals	(3,330)	–	(165)	(25)	(308)	(947)	(1,276)	(49,039)	(26,728)	(19,793)	–	(101,611)
Reclassification	–	–	–	–	–	–	–	47,194	25,127	–	(72,321)	–
Transfer to other intangible assets (note 22)	–	–	–	–	–	–	–	(144,207)	–	–	–	(144,207)
Reclassification from investment properties (note 16)	10,200	–	–	–	–	–	–	–	–	–	–	10,200
Adjustment on revaluation	(11,744)	–	–	–	–	–	–	–	–	–	–	(11,744)
Exchange realignment	12,513	–	–	467	(13)	475	217	2,368	–	–	1,694	17,721
At 28 September 2012	2,008,240	65,958	179,603	116,919	28,172	197,240	52,168	3,544,096	2,435,811	63,983	624,416	9,316,606
Comprising:												
28 September 2012												
At cost	–	65,958	179,603	116,919	28,172	197,240	52,168	3,544,096	2,435,811	63,983	624,416	7,308,366
At valuation	2,008,240	–	–	–	–	–	–	–	–	–	–	2,008,240
	2,008,240	65,958	179,603	116,919	28,172	197,240	52,168	3,544,096	2,435,811	63,983	624,416	9,316,606
28 September 2011												
At cost	–	45,868	172,946	110,774	26,793	176,149	51,373	3,274,779	2,323,177	73,265	421,432	6,676,556
At valuation	1,884,504	–	–	–	–	–	–	–	–	–	–	1,884,504
	1,884,504	45,868	172,946	110,774	26,793	176,149	51,373	3,274,779	2,323,177	73,265	421,432	8,561,060
DEPRECIATION AND IMPAIRMENT												
At 29 September 2010	–	–	13,231	79,959	21,200	83,130	35,114	541,531	228,408	42,535	–	1,045,108
Provided for the year	74,256	–	4,678	7,522	2,024	13,021	5,363	386,154	136,260	14,449	–	643,727
Eliminated on disposals	(57)	–	–	–	(76)	(1,807)	(4,666)	(3,756)	–	–	–	(10,362)
Adjustment on revaluation	(74,199)	–	–	–	–	–	–	–	–	–	–	(74,199)
Exchange realignment	–	–	–	1,661	132	2,431	677	3,573	–	–	–	8,474
At 28 September 2011	–	–	17,909	89,142	23,280	96,775	36,488	927,502	364,668	56,984	–	1,612,748
Provided for the year	80,459	–	5,105	9,461	1,526	13,291	4,540	597,316	131,492	17,709	–	860,899
Impaired during the year	–	–	–	–	–	–	–	–	44,067	–	–	44,067
Eliminated on disposals	(121)	–	(24)	(25)	(300)	(568)	(1,031)	(47,991)	(26,728)	(17,911)	–	(94,699)
Adjustment on revaluation	(80,338)	–	–	–	–	–	–	–	–	–	–	(80,338)
Exchange realignment	–	–	–	316	(57)	112	113	571	–	–	–	1,055
At 28 September 2012	–	–	22,990	98,894	24,449	109,610	40,110	1,477,398	513,499	56,782	–	2,343,732
CARRYING VALUES												
At 28 September 2012	2,008,240	65,958	156,613	18,025	3,723	87,630	12,058	2,066,698	1,922,312	7,201	624,416	6,972,874
At 28 September 2011	1,884,504	45,868	155,037	21,632	3,513	79,374	14,885	2,347,277	1,958,509	16,281	421,432	6,948,312

15. Property, Plant and Equipment – continued

The carrying amount of the Group's plant and machinery include an amount of HK$28,409,000 (2011: HK$77,563,000) in respect of assets held under finance leases.

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

	2012 HK$'000	2011 HK$'000
Land and building in Hong Kong held under long leases	694,657	609,130
Land and buildings outside Hong Kong held under medium-term leases	1,313,583	1,275,374
	2,008,240	1,884,504

In 2012, the Group made an impairment loss of HK$44,067,000 for 13 idle fishing vessels that management has identified for scrapping.

Management obtained legal advice that the plant permit does not have finite term and remain in full force and good standing as long as applicable legal requirements are complied with. Accordingly, the carrying amount of the plant permit of HK$144,207,000 is reclassified to fishing and plant permits in other intangible assets.

The Group's interests in leasehold land and buildings in Hong Kong, Singapore, Japan and Russia cannot be allocated reliably between the land and building elements and so the entire leases are classified as finance leases. The leasehold land and buildings of the Group in Hong Kong and the PRC, Singapore, Japan and Russia were revalued at 28 September 2012 on a basis of a valuation carried out on that date by BMI Appraisals Limited and LLC Apex Group, independent property valuers. BMI Appraisals Limited and LLC Apex Group have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was based on the direct comparison method by reference to market transaction prices of similar properties or on income approach by taking into account the current rents passing and the reversionary income potential of tenancies. The valuation gave rise to a net revaluation increase of HK$68,594,000 (2011: HK$102,004,000) in which HK$68,594,000 (2011: HK$101,657,000) has been credited to the properties revaluation reserve and nil (2011: HK$347,000) has been credited to profit or loss.

Certain land and buildings have been pledged to secure mortgage loans of the Group (note 48).

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

	HK$'000
Cost	1,539,521
Accumulated depreciation	(294,165)
Carrying value	
At 28 September 2012	1,245,356
At 28 September 2011	1,180,715

16. Investment Properties

	2012 HK$'000	2011 HK$'000
FAIR VALUE		
At beginning of the year	653,245	506,515
Exchange realignment	4,749	3,540
Additions	8,180	59,148
Transferred (to) from property, plant and equipment (note 15)	(10,200)	11,193
Increase in fair value recognised to profit or loss	1,136	72,849
At end of the year	657,110	653,245

(a) The Group's leasehold interests in land and building of HK$524,892,000 (2011: HK$532,577,000) which are held to earn rentals or capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

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

	2012 HK$'000	2011 HK$'000
Land and buildings in Hong Kong held under long leases	98,580	105,160
Land and buildings in Hong Kong held under medium-term leases	200,730	206,180
Land and buildings outside Hong Kong held under medium-term leases	9,853	9,969
Land and buildings outside Hong Kong held under long leases	215,729	211,268
Freehold land outside Hong Kong	132,218	120,668
	657,110	653,245

(c) The investment properties of the Group were revalued at 28 September 2012 on a basis of a valuation carried out on that date by BMI Appraisals Limited and Bogeria Consulting Company, independent property valuers. BMI Appraisals Limited and Bogeria Consulting Company have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was based on the direct comparison method by reference to market transaction prices of similar properties or on income approach by taking into account the current rents passing and the reversionary income potential of tenancies. The revaluation gave rise to a fair value gain of HK$1,136,000 (2011: HK$72,849,000) which has been recognised in the profit or loss.

(d) Certain investment properties have been pledged to secure mortgage loans of the Group (note 48).

17. Prepaid Lease Payments

	2012 HK$'000	2011 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Medium-term lease	43,873	45,278
Analysed for reporting purposes as:		
Non-current asset	42,528	43,941
Current asset (included in trade, bills, other receivables and prepayments in note 25)	1,345	1,337
	43,873	45,278

18. Goodwill

	HK$'000
GROSS AMOUNT	
At 29 September 2010	2,920,979
Adjustment to goodwill provisionally determined	16,625
Arising on the acquisition of subsidiaries (note 43)	3,333
At 28 September 2011	2,940,937
Arising on the acquisition of subsidiaries (note 43)	49,086
At 28 September 2012	2,990,023
IMPAIRMENT	
At 29 September 2010, 28 September 2011 and 28 September 2012	(13,355)
CARRYING AMOUNTS	
At 28 September 2012	2,976,668
At 28 September 2011	2,927,582

18. Goodwill – continued

On 7 November 2011, the Group acquired 100% equity interest in Consorcio Vollmacht S.A.C. and Negocios Rafmar S.A.C. and goodwill of HK$49,086,000 was allocated to the Peruvian fishmeal operation (see note 43).

During the year ended 28 September 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.

On 23 December 2010, the Group acquired an additional 50% equity interest in an associate, Servicios Pesqueros Chimbote S.A. ("Chimbote S.A."), of which the Group previously held 50% equity interest, at a consideration of HK$428,000. The entity became a wholly-owned subsidiary of the Group afterwards.

For the purposes of impairment testing, goodwill is allocated to four groups of cash generating units (CGUs). The carrying amounts of goodwill after impairment as at 28 September 2012 and 2011 allocated to the groups of units are as follows:

	2012 HK$'000	2011 HK$'000
Frozen Fish SCM division		
– Pacific Andes Resources 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 operation		
– CFG Investment S.A.C. ("CFGI")	**1,167,761**	1,118,675
	2,976,668	2,927,582

The recoverable amounts of these groups of CGUs have been determined based on a value in use calculations. These groups of CGUs operate in related and similar business environments. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and the expected changes to selling prices and direct costs. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to these groups of CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of the future changes in the market. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of these groups of CGU to exceed the recoverable amount of these groups of CGUs.

Frozen Fish SCM division and Fish Fillets processing and distribution division

The management of the Group conducted impairment reviews on each of the Frozen Fish CGU and Fish Fillets processing and distribution CGU.

The value in use 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 considered that the recoverable amounts of these CGUs exceed their carrying amounts and there is no impairment in goodwill.

18. Goodwill – continued

Fishery and Fish supply division

The Group has engaged an independent financial advisor, BMI Appraisals Limited, to determine the value in use of each of the Contract supply business CGU and Peruvian fishmeal operation CGU under Fishery and fish supply division at 28 September 2012 and 2011. Based on the report of the valuer dated 20 December 2012 and management's assessment of business prospects, management considered that the recoverable amounts of these CGUs exceed their carrying amounts and there is no impairment in goodwill, other intangible assets and other assets allocated to these CGUs.

The key inputs and assumptions for determining the value in use of the CGUs for the Contract supply business and Peruvian fishmeal operation under Fishery and fish supply division are as follows:

(i) forecasted projected cash flows up to 2022 (2011: 2021) and projection of terminal value using the perpetuity method;

(ii) industry growth rate of 2% per annum during the forecast period (2011: 3.3% to 5%); and

(iii) use of 7.61% (2011: 7.72%) for Contract supply business and use of 17.14% (2011: 17.26%) for Peruvian fishmeal operation to discount the projected cash flows to net present values.

19. Prepayment to Suppliers/Advances to Suppliers

	2012 HK$'000	2011 HK$'000
Prepayment to suppliers	2,224,560	2,224,560
Less: accumulated amortisation	(1,164,880)	(992,240)
	1,059,680	1,232,320
Included as current assets	(172,640)	(172,640)
Included as non-current assets	887,040	1,059,680
Cost:		
At beginning of year and at end of year	2,224,560	2,224,560
Accumulated amortisation:		
At beginning of year	992,240	819,600
Amortisation during the year	172,640	172,640
At end of year	1,164,880	992,240

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

19. Prepayment to Suppliers/Advances to Suppliers – continued

Since January 2004, a subsidiary, CFIL, had entered into the first, second and third vessel operating agreements with two companies, Perun Limited ("Perun") and Alatir Limited ("Alatir"), to prepay fixed charter hire for 17 vessels for a period of 10 to 18 years up to 31 December 2025 together with the allocated fish quotas in Pacific Ocean.

To secure the prepayments and to ensure that the counterparties comply with their obligations under the vessel operating agreements, the counterparties executed the following documents (collectively referred to as "Security Documents") in favour of CFIL:

(i) charges of all the issued shares of Perun and Alatir;

(ii) debentures over all the present and future assets of Perun and Alatir; and

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

With effect from 16 July 2012, these vessel operating agreements were replaced by the long term supply agreements ("LSA") 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 arrangements are set out in the Company's announcement on 16 July 2012. The Group does not believe that there will be any financial impact to the Group in replacing the vessel operating agreements with LSA as the underlying commercial terms remain substantially unchanged.

To secure the prepayments and to ensure that the counterparties comply with their obligations under the long term supply agreements ("LSA"), the counterparties executed the following documents in favour of CFIL:

(i) charges of all the issued shares of the counterparties (the "Charges"); and

(ii) debentures over all the present and future assets of the counterparties (the "Debentures").

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

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

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

In connection with the signing of LSA, CFIL replaced the existing agreements relating to advances to suppliers of HK$315,900,000 with new agreements, whereby the advances to suppliers as of 28 September 2012 are unsecured, interest-free and represent advances for working capital under the LSA. The advance amount will be offset against future payments made to the suppliers. Management does not expect the advances to suppliers to be repaid in the next 12 months.

The advances to suppliers as of 28 September 2011 was unsecured, interest-free and represented advances for the acquisition and upgrade of two fishing vessels under the vessel operating agreements. The advance amount would be offset against future payments made to the suppliers. Management did not expect the advances to suppliers to be repaid in the next 12 months.

The fair value of the Group's advances to suppliers approximates their carrying amount.

20. Available-For-Sale Investments

	2012 HK$'000	2011 HK$'000
Listed equity securities	9,536	305,372
Unlisted equity securities	7,802	7,802
Unlisted debt securities	15,522	–
Unlisted investment fund	13,484	6,000
	46,344	319,174

On 8 December 2010, the Group entered into a sale and purchase agreement with an independent third party Webster Limited (the "Vendor") under which the Group acquired a total of 28,910,367 shares, representing approximately 19.76% of the total number of issued shares of Tassal from the Vendor, for a consideration of A$51,749,556 (approximately HK$421 million). Tassal is principally engaged in the hatching, farming, processing, sales and marketing of Atlantic salmon in Australia and is listed on the Australia Securities Exchange. Such available-for-sale investments were measured at fair value using the quoted price on the Australia Securities Exchange. In determining whether the available for sale investments had been impaired at 28 September 2011, the Group has taken into account the fact that market price as at 28 September 2011 is 23.5% lower than cost and the duration of the decline in fair value was around 8 months. The determination that these did not constitute a significant or prolonged decline requires the application of judgement. The Group also made the following assessments in determining that there was no objective evidence that these investments were impaired:

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

– the Group assessed the net assets per share of Tassal was further evidence of the intrinsic value of Tassal being higher than the market price as at the date of authorisation of the consolidated financial statements for the year ended 28 September 2011 and the price as at year end of Tassal; and

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

In accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", the Group also considers if there is other objective evidence that the investment is impaired such as observable data that comes to the attention of the Group on any loss events. In addition, the Group considers if there is objective evidence of impairment based on information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates which indicates that the investment may not be recovered. Based on the above assessments, the Group considered that there was no impairment of the investment at 28 September 2011 and hence the changes in the fair value has been recognised in other comprehensive income in prior financial year.

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. A representative of the Company had been appointed to the board of Tassal, and Tassal became an associate of the Group on the same date.

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

21. Interests in Associates

	2012 HK$'000	2011 HK$'000
Cost of investments – unlisted	1,920	1,920
Deemed cost of investments in Tassal – listed outside Hong Kong (note)	408,690	–
Adjustment on share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of Tassal (note)	74,718	–
Share of post-acquisition results and other comprehensive income, net of dividends received	21,117	1,173
	506,445	3,093
Market value of listed investments	366,475	–

Note: The deemed cost of investments is based on the quoted market price at the date of initial recognition. The fair values of assets and liabilities of Tassal were reassessed at the date of initial recognition and adjustment on share of net fair value of the identifiable assets, liabilities and contingent liabilities over the deemed cost of acquisition of Tassal after the reassessment is HK$74,718,000.

Particulars of the Group's principal associates as at 28 September 2012 and 2011 are set out in note 52.

The financial year end date for Tassal is 30 June. For the purpose of applying the equity method of accounting, the consolidated financial information of Tassal from the date it became an associate of the Group, i.e. 21 November 2011, to 30 Jun 2012 have been used as the Group considers that it is impracticable for Tassal to prepare a separate set of financial statements as of 28 September.

The summarised financial information in respect of the Group's associates prepared using accounting policies in conformity to the Group is set out below:

	2012 HK$'000	2011 HK$'000
Total assets	4,100,899	145,054
Total liabilities	(1,772,466)	(162,300)
Net assets (liabilities)	2,328,433	(17,246)
Group's share of associates' net assets	506,445	3,093

	2012 HK$'000	2011 HK$'000
Revenue	3,139,581	847,967
Profit (loss) for the year	162,633	(1,210)
Group's share of profit (loss) of associates for the year	38,459	(242)

21. Interests in Associates – continued

At 28 September 2012, the carrying amount of the Group's interest in Tassal of HK$503,354,000 (2011: nil) was higher than its fair value of HK$366,475,000 (2011: nil). The management of the Group carried out impairment review on the entire carrying amount of its interest in Tassal as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its entire carrying amount. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to arise from its operating activities for the next 10 years and from its ultimate disposal. The key assumptions included growth rate of Tassal, and use of 11.5% to discount the cash flow projections to net present values. Based on the assessments, the recoverable amount of the Group's interest in Tassal exceeded its entire carrying amount at 28 September 2012. Hence, no impairment against the Group's interest in Tassal is considered necessary.

22. Other Intangible Assets

	Fishing and plant permits HK$'000	Club memberships HK$'000	Total HK$'000
Cost			
At 29 September 2010	1,439,184	23,963	1,463,147
From acquisition of fishing vessels (note 43)	18,720	–	18,720
At 28 September 2011	1,457,904	23,963	1,481,867
From acquisition of subsidiaries (note 43)	221,794	–	221,794
Reclassification from property, plant and equipment (note 15)	144,207	–	144,207
At 28 September 2012	1,823,905	23,963	1,847,868

Fishing and plant permits are granted by the authority in Peru. The fishing permits are attached to fishing vessels and are transferable to other vessels. During the year, the cost of acquiring the subsidiaries which owns the fishing vessels and plant (note 43) are allocated to the respective component of assets acquired on the basis of valuation report dated 16 July 2011 prepared by independent third party valuer in Peru, J.R.Z. Valuaciones S.A.C.

Management has obtained legal advice that the fishing and plant 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 and plant permits is not amortised.

Since the cash inflows of the fishing and plant permits are not largely independent of those from other group of assets in the CGUs of CFIL and CFGI under Fishery and Fish supply division, the estimation of recoverable amounts of the fishing and plant permits are included in the assessment of impairment of the CGUs of CFIL and CFGI. The Group has engaged an independent financial advisor to determine the value in use of the CGUs of CFIL and CFGI. Based on that report and management's assessment of business prospects, management considered that the recoverable amount of CGUs of CFIL and CFGI exceeds its carrying amount and thus, there is no impairment in value of the fishing and plant permits. Details of calculation of recoverable amounts of these CGUs are set out in note 18.

Club memberships have infinite life and are not amortised.

23. Other Long Term Receivables

Included in other long term receivables represents is a loan receivable of HK$477,152,000 (2011: HK$152,046,000 classified under current assets (note 25(c)) due from Asarmona. The loan is interest free and is secured by (i) 81% unlisted equity shares of two investees of which the Group holds 19% interest each and (ii) 100% equity interest in Asarmona, a wholly-owned subsidiary of one of the investees. The purpose of making the loan is to finance the working capital of the underlying operating entities held by the two investees and Asarmona. The loan was originally repayable on demand but was re-negotiated during the year and is agreed to be repayable after three years.

The Group's other long term receivables that are not denominated in the functional currencies of the respective entities are as follows:

	2012 HK$'000	2011 HK$'000
Hong Kong dollars	959	–
Euro	444,850	–

24. Inventories

	2012 HK$'000	2011 HK$'000
Inventories, at cost, consists of the following:		
Frozen fish and other seafood products	2,006,584	1,877,132
Fillets and portions	618,957	791,764
Fishmeal	74,302	84,816
Supplies	42,026	82,529
Fuel	23,870	34,952
Packing materials	50,348	47,701
	2,816,087	2,918,894

Certain inventories have been pledged as security for the financing facilities obtained from banks (note 48).

25. Trade, Bills, Other Receivables and Prepayments

	2012 HK$'000	2011 HK$'000
Trade and bills receivables	2,261,677	2,040,668
Current portion of prepaid lease payments (note 17)	1,345	1,337
Balances with suppliers (note a)	874,951	842,205
Deferred expenditure (note b)	175,040	373,575
Loan receivable (note c)	–	152,046
Prepayments for fish	6,612,173	4,138,051
Other receivables and prepayments	429,105	399,292
	10,354,291	7,947,174

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

	2012 HK$'000	2011 HK$'000
Less than 30 days	572,143	796,430
31 – 60 days	264,212	180,837
61 – 90 days	289,692	80,516
91 – 120 days	858,854	241,872
Over 120 days	276,776	741,013
	2,261,677	2,040,668

At 28 September 2011, certain bills receivables were discounted to banks under the recourse receivable discounting advance facilities. The Group recognised the receivables as the Group remains exposed to the credit risks of such assets.

An allowance for estimated irrecoverable amount of trade receivables of HK$334,000 (2011: HK$4,858,000) has been determined by reference to management's estimation of irrecoverable amounts. The Group has provided fully for receivables over 180 days old based on historical experience.

At the end of the reporting period, the trade receivables past due but not impaired are as follows:

	2012 HK$'000	2011 HK$'000
Less than 30 days	7,215	71,253
31 – 60 days	25,451	40,154
61 – 90 days	88,959	33,657
Over 90 days	68,726	–
Balance at end of the year	190,351	145,064

The Group does not hold any collateral over these balances and has not provided for allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

The directors of the Company are of the opinion that the credit quality of the remaining trade receivable balances of HK$2,071,326,000 (2011: HK$1,891,954,000) that are neither past due nor impaired at the end of the reporting period is of good quality. Bills receivable are repayable on the pre-determined date and the counterparties are mainly banks with high credit rating, therefore, the directors of the Company consider these balances are not impaired.

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

	2012 HK$'000	2011 HK$'000
United States dollars	2,821	6,239
Peruvian Nuevo Soles	63,683	98,073
Chinese Renminbi	7,842	10,361
Hong Kong dollars	1,192	692
Euro	6,921	155,736
Norwegian Krone	226	–
Danish Krone	12	–
Namibian dollars	3,517	–

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	4,858	5,914
Written off against trade receivables during the year	(4,524)	(1,056)
Balance at end of the year	334	4,858

Notes:

a. The balances with suppliers represent advances to the suppliers to finance the working capital advances for the operation of the vessels under the LSA or vessel operating agreements as disclosed in note 19.

   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 security arrangements set out in note 19.

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

c. As at 28 September 2011, the amount represented the loan receivable of HK$152,046,000 due from Asarmona. The loan was denominated in Euro. As explained in note 23, the entire balance was reclassified to long term receivables at 28 September 2012.

26. 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 full recourse to certain banks under the receivable discounting facilities, where the Group continues to recognise as the Group remains exposed to the credit risk. The Group generally allows a credit period of 30 days to 180 days to its trade customers.

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

	2012 HK$'000	2011 HK$'000
Less than 30 days	233,333	214,975
31 – 60 days	133,384	105,768
61 – 90 days	62,598	33,101
91 – 120 days	25,490	25,328
Over 120 days	56,413	3,180
	511,218	382,352

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

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

	2012 HK$'000	2011 HK$'000
Euro	14,567	–
British pounds	26,401	–

The bank advances drawn on discounted trade receivable with insurance and discounted bills carried an average effective interest rate of approximately 2.8% (2011: 2.7%) per annum and are repayable within one year. At 28 September 2012, these bank advances include an aggregate amount of HK$76,750,000 (2011: HK$84,147,000) representing bank advances drawn by the Group on discounted trade receivables with insurance coverage of associates of the Group.

27. Trade Receivables from Associates and Amounts due from Associates

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

For trade receivables from associates on sales of goods, the Group allows an average credit period of 30 days to 60 days. The age of trade receivables from associates at the end of the reporting period are all less than 30 days and they are neither past due nor impaired. The directors of the Company are of the opinion that the credit quality of the trade receivables from associates is of good quality.

28. Amount due from a Jointly-controlled Entity

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

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

Name of jointly-controlled entity	Principal activity/country of incorporation/place of business	Effective equity interest held by Group	
		2012	2011
Able Team Investments Limited ("Able Team")	Investment property holding/ Hong Kong/Russia	33.3%	33.3%

Notes:

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

	2012 HK$'000	2011 HK$'000
Non-current assets	151,379	140,181
Current assets	14,735	14,187
Current liabilities	(27,648)	(23,344)
Non-current liabilities	(40,817)	(37,500)
Net assets	97,649	93,524

	2012 HK$'000	2011 HK$'000
Revenue	11,964	11,754
Cost of sales	(20,269)	(10,012)
Other income	13,257	38,873
Finance costs	(969)	(2,496)
Profit before taxation	3,983	38,119
Taxation	(2,796)	(8,316)
Profit for the year	1,187	29,803
Other comprehensive income (expense)	2,939	(5,025)

29. Held-for-trading Investments

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

30. Other Financial Liabilities

	2012 HK$'000	2011 HK$'000
Derivative financial instruments (note)	238,975	8,153
Financial guarantee contracts (note 47)	50,000	62,000
	288,975	70,153

Note:

During the year, the Group has entered into structured foreign currency forward contracts and cross-currency interest rate swap with banks to reduce its exposure to currency fluctuation risk of contracted and anticipated sales and payment of operating expenses which are denominated in foreign currencies and interest rate risk in relation to fixed-rate bonds. The derivatives are not accounted for under hedge accounting. At 28 September 2012, the fair value of the structured foreign currency forward contracts of HK$218,845,000 (2011:HK$8,153,000) and cross-currency interest rate swap of HK$20,130,000 (2011: nil), which are settled on a net basis. The major terms of the structured foreign currency forward contracts and cross-currency interest rate swap are as follows:

(i) Structured foreign currency forward contracts

Aggregate principal amounts	Maturity dates	Contracted exchange rates
At 28 September 2012		
Sell JPY 51,680,562,000	From October 2012 to August 2015	US$1 at JPY 73.80 to JPY 80.51
Sell Euro 434,500,000	From January 2014 to July 2015	Euro 1 at US$1.28 to US$1.36
Sell GBP 80,500,000	August 2014	GBP 1 at US$1.6270 to US$1.6310
Sell US$330,000,000	From October 2012 to June 2015	US$1 at RMB7.00
At 28 September 2011		
Sell JPY 6,061,750,000	From March 2012 to August 2014	US$1 at JPY 70.90 to JPY 79.50
Buy US$20,000,000	From July 2012 to August 2012	US$1 at RMB6.2740 to RMB6.3700
Sell US$31,947,000	From October 2011 to August 2012	US$1 at RMB6.3090 to RMB6.4645

(ii) Cross-currency interest rate swap contract
At 28 September 2012, the Group receives 0.65% per annum on principal amount of RMB600,000,000 and pays London Inter-Bank Offer Rate on principal amount of US$95,238,000. The maturity date is 2 June 2014.

31. Pledged Deposits

Deposits are pledged to the banks to secure an export invoice discounting facility and short term loans granted to the Group. The interest rates on the deposits ranged from nil to 0.60% (2011: nil to 0.80%) per annum.

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

	2012 HK$'000	2011 HK$'000
Chinese Renminbi	–	487,758

32. Bank Balances and Cash

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

The interest rates on cash placed with financial institutions ranged from nil to 0.4% (2011: nil to 0.1%) per annum.

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

	2012 HK$'000	2011 HK$'000
United States dollars	59,292	149,508
Peruvian Nuevo Soles	2,357	2,456
Chinese Renminbi	3,647	12,016
Hong Kong dollars	2,491	3,282
Euro	9,952	892
Singapore dollars	2,034	3,385
British pounds	2,450	17
Japanese Yen	242	632
Namibian dollars	854	–
Canadian dollars	2,819	–

33. Trade, Bills and Other Payables

Included in trade, bills and other payables are trade and bills payables of HK$2,088,366,000 (2011: HK$1,962,821,000). The average credit period on purchase of goods is 30 days (2011: 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:

	2012 HK$'000	2011 HK$'000
Less than 30 days	1,687,606	818,332
31 – 60 days	227,196	283,435
61 – 90 days	154,510	34,584
Over 90 days	19,054	826,470
	2,088,366	1,962,821

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

	2012 HK$'000	2011 HK$'000
United States dollars	94,152	344,312
Peruvian Nuevo Soles	108,480	63,300
Chinese Renminbi	16,348	19,701
Hong Kong dollars	1,473	1,601
Euro	5,079	7,438
Singapore dollars	424	130
British pounds	337	204
Japanese Yen	1,625	111
Norwegian Krone	1,056	2,376
Danish Krone	2,743	966
Namibian dollars	22	–

34. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable under finance leases:				
Within one year	39,798	45,250	29,555	31,745
In more than one year but not more than two years	37,541	39,798	30,151	29,555
In more than two years but not more than three years	4,375	37,541	3,666	30,151
In more than three years but not more than four years	–	4,375	–	3,666
	81,714	126,964	63,372	95,117
Less: future finance charges	(18,342)	(31,847)	–	–
Present value of lease obligations	63,372	95,117	63,372	95,117
Less: Amount due within one year shown under current liabilities			(29,555)	(31,745)
Amount due after one year			33,817	63,372

As at 28 September 2012, certain of its plant and machineries were held under finance leases and the effective borrowing rate is 8.49% (2011: 8.88%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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

35. Bank Borrowings

	2012 HK$'000	2011 HK$'000
Bank borrowings comprise:		
Trust receipt loans	4,435,519	3,810,500
Club loan	2,169,818	3,315,000
Mortgage loans	162,396	175,575
Other bank loans	2,640,491	2,958,630
Bank overdrafts	17,317	16,525
	9,425,541	10,276,230
Less: issuing costs	(80,447)	(104,179)
	9,345,094	10,172,051
Analysed as:		
Secured	1,206,042	2,046,149
Unsecured	8,139,052	8,125,902
	9,345,094	10,172,051
The maturity of bank borrowings is as follows:		
Within one year	7,114,896	6,680,088
In the second year	1,146,085	1,221,164
In the third year	949,166	1,229,473
In the fourth year	6,229	896,935
In the fifth year	1,095	4,687
	9,217,471	10,032,347
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain repayable on demand clause (shown under current liabilities)	127,623	139,704
	9,345,094	10,172,051
Less: Amount shown under current liabilities	(7,242,519)	(6,819,792)
	2,102,575	3,352,259

35. Bank Borrowings – continued

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

	2012 HK$'000	2011 HK$'000	2012	2011
Effective interest rate:				
Fixed-rate borrowings	23,438	103,173	8.50% to 11.50%	3.20% to 11.50%
Variable-rate borrowings	9,321,656	10,068,878	2.13% to 7.50%	1.62% to 7.70%

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

On 30 April 2012, the Group obtained an unsecured term loan amounting to US$100,000,000 (approximately HK$780,000,000) which carries an annual interest margin of LIBOR plus 3.5% per annum and is repayable in 5 installments with the first installment repayable in May 2013.

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

(a) A club loan, borrowed from a consortium of 5 international and Hong Kong banks, amounting to US$425,000,000 (approximately HK$3,315,000,000) bearing interest at London Inter-Bank Offer Rate plus 2.5% per annum and repayable in 2014; and

(b) A term loan amounting to US$100,000,000 (approximately HK$780,000,000) bearing interest at London Inter-Bank Offer Rate plus 2.5% per annum which is repayable in 11 instalments by 2014 and are secured over the shares in a subsidiary of the Group.

On 20 May 2008, the Group signed an agreement with a group of 11 international and Hong Kong banks for a syndicated loan of US$160 million (approximately HK$1.25 billion). The syndicated loans carries an annual interest margin of London Inter-Bank Offer Rate ("LIBOR") plus 1.25% per annum and were secured over the shares of certain subsidiaries of the Group. These syndicated loans were repaid during the year ended 28 September 2011.

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

	2012 HK$'000	2011 HK$'000
United States dollars	702,136	600,151
Hong Kong dollars	40,679	4,897
Euro	4,211	11,714
Japanese Yen	–	11,016

36. Bonds

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

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

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

During the year ended 28 September 2012, a principal amount of RMB30,000,000 (approximately HK$37,127,000) was purchased from market at a consideration of RMB26,175,000 (approximately HK$33,352,000) resulting in a gain on repurchase of bonds of HK$4,000,000.

At 28 September 2012, the outstanding principal of the Group amounting to RMB570,000,000 (approximately HK$701,328,000) (2011: RMB600,000,000 (approximately HK$731,220,000)).

37. 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 2010. 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 2010, 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 29 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	30,448	–
Interest paid	(12,173)	–
Redeemed/released during the year	(638,104)	(35,482)
Balance at 28 September 2012	–	–

37. Convertible Bonds – continued

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

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

The convertible bonds were fully redeemed during the year.

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

Prior to 30 July 2016, CFGI may redeem the Notes in whole or, subject to certain conditions, in part at the principal amount of the Notes plus accrued interest to the redemption date and a "make-whole" premium. On or after 30 July 2016, CFGI may redeem the Notes in whole or in part at the principal amount of the Notes plus an applicable premium and accrued interest provided that any partial redemption shall not result in less than US$100 million (approximately HK$780 million) of outstanding Notes. At any time prior to and up to 30 July 2016, CFGI may redeem up to 35% of the Notes, with net cash proceeds from issue of ordinary shares of China Fishery or sale of ordinary shares of CFGI, at the redemption price equal to 109.75% of the principal amount of the Notes plus accrued and unpaid interests, if any, as of the redemption date.

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

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

The net carrying amount of the Notes was stated net of issue expenses totalling US$17,044,000 (approximately HK$132,947,000). 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 September 2012, accumulated amortisation amounted to US$182,000 (approximately HK$1,422,000).

During the year, a total principal amount of US$12,000,000 (approximately HK$93,600,000) of Notes was purchased from market at a consideration of US$10,385,000 (approximately HK$81,003,000), resulting in a gain on purchase of Notes of HK$7,378,000. At 28 September 2012, the outstanding principal of the Notes amounted to US$288,000,000 (approximately HK$2,246,400,000).

Since the trading volume of the Notes in public market is low, management considered that the market price at 28 September 2012 may not be representative of the fair value of the Notes. Management estimates the fair value of the Notes at 28 September 2012 to be approximately HK$1,816,996,000. The fair value has been calculated by assuming redemption on 30 July 2019, using effective interest rate of 14.19% per annum with reference to the US Treasury Zero Coupon Bonds and holding the credit risk margin constant.

39. Deferred Taxation

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 29 September 2010	650,947	(17,419)	(18,672)	614,856
Acquisition of subsidiaries	3,555	–	–	3,555
Charge (credit) to profit or loss	(32,528)	466	2,838	(29,224)
Credit to other comprehensive income	14,143	–	–	14,143
Exchange realignment	(411)	–	–	(411)
At 28 September 2011	635,706	(16,953)	(15,834)	602,919
Acquisition of subsidiaries	48,468	–	–	48,468
Charge (credit) to profit or loss	(68,292)	(1,545)	2,353	(67,484)
Credit to other comprehensive income	4,904	–	–	4,904
Exchange realignment	2,561	–	–	2,561
At 28 September 2012	623,347	(18,498)	(13,481)	591,368

At the end of the reporting period, the Group has unutilised estimated tax losses of HK$273,333,000 (2011: HK$277,866,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$112,109,000 (2011: HK$102,875,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$161,224,000 (2011: HK$174,991,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$102,420,000 that will gradually expire until 2018 (2011: HK$100,610,000 gradually expire until 2016). During the year, no unutilised tax losses expired (2011: nil). Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$6,354,000 (2011: HK$6,354,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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

40. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 29 September 2010, 28 September 2011 and 28 September 2012	4,000,000,000	400,000
Issued and fully paid:		
At 29 September 2010	3,063,182,678	306,319
Exercise of warrants	116,219	11
Issue of shares as scrip dividend	84,551,136	8,455
At 28 September 2011	3,147,850,033	314,785
Issue of shares in respect of vested share awards	195,757	20
Issue of shares as rights issue	1,574,022,895	157,402
At 28 September 2012	4,722,068,685	472,207

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 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.

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 in relation to the share awards vested during the year.

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"). Gross proceeds of approximately of HK$771 million are received from full subscription of shares under the PAIH Rights Issue. The Company utilised the net proceeds for subscribing the rights issue of PARD.

41. Warrants

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

	Warrants with subscription price of HK$1.80	
	Number	HK$'000
At 29 September 2010	606,635,038	112,228
Exercised during the year	(116,219)	(21)
Lapsed during the year	(606,518,819)	(112,207)
Balance at 28 September 2011	–	–

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

42. Share Option Scheme and Share Award Plan

Share option scheme

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

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

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

Share award plan

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

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

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

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

The number of shares in respect of which share award had been granted on 16 January 2009 under the Plan, to the employees of the Group was 7,009,801 representing 0.4% of the shares of the Company in issue at that date. The number of shares forfeited as a result of termination of employees amounted to 1,125,800 as at 28 September 2011. The remaining outstanding was 5,884,001, representing 0.2% of the shares of the Company in issue at 28 September 2011. The share awards were vested on 16 January 2012 upon satisfaction of specified service condition. During the year, the number of shares forfeited as a result of termination of employees was 13,206. The vested share awards were satisfied by issue of 195,757 new ordinary shares of the Company. The remaining of share awards was settled during the year by settlement of cash equivalents of such shares.

The number of shares in respect of which share award had been granted on 3 March 2010 under the Plan, to the employees of the Group was 1,087,998, representing 0.04% of the shares of the Company in issue at that date. The number of shares forfeited as a result of termination of employees are 207,241 and 168,849 at 28 September 2012 and 2011, respectively. The remaining outstanding was 880,757 and 919,149, representing 0.02% and 0.03% of the shares of the Company in issue at 28 September 2012 and 2011, respectively. The share awards will be vested on 31 December 2012 upon satisfaction of specified service condition.

42. Share Option Scheme and Share Award Plan – continued

Share award plan – continued

The number of shares in respect of which share award had been granted on 31 December 2010 under the Plan, to the employees of the Group was 262,895, representing 0.009% of the shares of the Company in issue at that date. The number of shares forfeited as result of termination of employees was 185,473 and 185,473 at 28 September 2012 and 2011, respectively. The remaining outstanding was 77,422 and 77,422, representing 0.002% and 0.002% of the shares of the Company in issue at 28 September 2012 and 2011, respectively. The share awards will be vested on 31 December 2013 upon satisfaction of specified service condition.

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

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

43. Acquisition of Subsidiaries

The Group acquired the entire equity interest in the following subsidiaries during the years ended 28 September 2012 and 2011 and accounted for these acquisitions using the acquisition method of accounting:

(i) 28 September 2012

Subsidiaries incorporated in Peru	Date of acquisition
Consorcio Vollmacht S.A.C.	7 November 2011
Negocios Rafmar S.A.C.	7 November 2011
Pesqueros del Pacifico S.A.C.	14 June 2012
Inversiones Pesqueras West S.A.C.	14 June 2012
Subsidiary incorporated in Namibia	**Date of acquisition**
Brandberg Namibia Investments Company (Proprietary) Limited	5 March 2012

The Group acquired the subsidiaries primarily to achieve higher operating efficiencies of Peruvian fishmeal operation under the Fishery and Fish Supply division.

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

	Consorcio Vollmacht S.A.C. HK$'000	Negocios Rafmar S.A.C. HK$'000	Inversiones Pesqueras West S.A.C. HK$'000	Pesqueros del Pacifico S.A.C. HK$'000	Brandberg Namibia Investments Company (Proprietary) Limited HK$'000	Total HK$'000
Cash consideration	49,452	154,600	31,428	*	*	235,480

* Amount less than HK$1,000.

43. Acquisition of Subsidiaries – continued

(i) 28 September 2012 – continued

(b) Assets acquired and liabilities assumed at the date of acquisition

	Consorcio Vollmacht S.A.C. HK$'000	Negocios Rafmar S.A.C. HK$'000	Inversiones Pesqueras West S.A.C. HK$'000	Pesqueros del Pacifico S.A.C. HK$'000	Brandberg Namibia Investments Company (Proprietary) Limited HK$'000	Total HK$'000
Property, plant and equipment (note 15)	–	46,692	47,931	–	–	94,623
Other intangible assets (note 22)	79,076	142,718	–	–	–	221,794
Inventories	–	–	1,799	–	–	1,799
Other receivables and prepayments	–	16,848	5,205	–	–	22,053
Bank balances and cash	–	–	2,000	–	–	2,000
Trade and other payables	(19,851)	(62,049)	(5,635)	–	–	(87,535)
Deferred tax liabilities (note 39)	(23,002)	(25,466)	–	–	–	(48,468)
Fair value of net identifiable assets acquired	36,223	118,743	51,300	–	–	206,266

(c) Goodwill (discount) arising on acquisition

	Consorcio Vollmacht S.A.C. HK$'000	Negocios Rafmar S.A.C. HK$'000	Inversiones Pesqueras West S.A.C. HK$'000	Pesqueros del Pacifico S.A.C. HK$'000	Brandberg Namibia Investments Company (Proprietary) Limited HK$'000	Total HK$'000
Cash consideration	49,452	154,600	31,428	–	–	235,480
Less: Fair value of net identifiable assets acquired	(36,223)	(118,743)	(51,300)	–	–	(206,266)
Goodwill arising on acquisitions (note 18)	13,229	35,857	–	–	–	49,086
Gain on bargain purchase on acquisition credited to profit or loss (note 7)	–	–	(19,872)	–	–	(19,872)

43. Acquisition of Subsidiaries – continued

(i) 28 September 2012 – continued

(c) Goodwill (discount) arising on acquisition – continued

The fair values of identifiable assets of Consorcio Vollmacht S.A.C. and Negocios Rafmar S.A.C. were determined on a provisional basis. Goodwill arose in these acquisitions because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development of Peruvian fishmeal operation under Fishery and Fish Supply division. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

In relation to acquisition of Inversiones Pesqueras West S.A.C., as the purchase consideration was fixed and agreed upon with the vendors based on a certain multiple of the net assets of the acquiree prior to the date of acquisition ("acquisition contract date"), the increase in value of the net identifiable assets during the period from the acquisition contract date to the date of acquisition is not reflected in the pre-determined purchase consideration. After re-assessment by the management of the Group, the fair value of net identifiable assets exceeds the purchase consideration, resulting in the bargain purchase gain.

(d) Net cash outflow on acquisition of subsidiaries

	2012 HK$'000
Total Consideration paid in cash	235,480
Less: Bank balances and cash	(2,000)
	233,480

(e) Impact of acquisition on the results of the Group

During the year ended 28 September 2012, the acquisition of the subsidiaries resulted in inclusion of post-acquisition revenue of HK$873,600 and loss of HK$6,474,000 in the Group's consolidated financial statements.

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

(ii) 28 September 2011

During the year, the Group acquired an additional 50% equity interest in an associate, Chimbote S.A., of which the Group previously held 50% equity interest and accounted for these acquisitions using the acquisition method of accounting. This entity was engaged in the provision of logistic warehousing services for fishing vessels in Peru. The acquisition was completed on 23 December 2010.

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

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

	Total HK$'000
Consideration	12,128

43. Acquisition of Subsidiaries – continued

(ii) 28 September 2011 – continued

(b) Assets acquired and liabilities assumed at the date of acquisition

	Total HK$'000
Property, plant and equipment (note 15)	12,046
Other receivables and prepayments	688
Other payables and accrued expenses	(384)
Deferred taxation (note 39)	(3,555)
	8,795
Goodwill arising on acquisitions (note 18)	3,333
Total consideration	12,128

(c) Total consideration

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

During the year ended 28 September 2011, the acquisition of the subsidiary resulted in inclusion of post-acquisition revenue of nil and loss of HK$78,000 in the Group's consolidated financial statements.

During the year ended 28 September 2012, the Group completed the valuation of the net identifiable assets of the acquiree. No adjustment was made to the fair values of identifiable assets and liabilities. Goodwill arose in the acquisition of the subsidiary because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development of the Peruvian Waters operation. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

44. Retirement Benefits Scheme

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

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

45. Operating Lease Arrangements

The Group as lessee

	2012 HK$'000	2011 HK$'000
Minimum lease payments paid and expensed under vessel operating agreements or other operating leases during the year:		
Amortisation of prepayment to suppliers	**172,640**	172,640
Fixed prepayment to suppliers	**163,987**	204,984
Variable charter hire	**35,420**	203,329
Rental of premises	**19,893**	15,813
	391,940	596,766

(a) As at 28 September 2011, the Group had ongoing commitments to pay variable charter hire for 17 fishing vessels under the first, second and third vessel operating agreements entered into with Perun and Alatir for a period of 10 to 18 years up to 31 December 2025. Variable charter hire was calculated at 20% of the net profit derived from operating the fishing vessels before deduction of amortisation of fixed prepayment to suppliers.

(b) As at 28 September 2011, the Group had ongoing commitments to pay fixed charter hire of US$12,000 (approximately HK$93,600) per day per vessel, and variable charter hire for 6 fishing vessels under the fourth vessel operating agreement entered into with Perun up to 31 December 2012. Variable charter hire was calculated at 20% of the net profit derived from vessel operating agreements after deduction of fixed charter hire payable annually.

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

	2012 HK$'000	2011 HK$'000
Within one year	**3,825**	3,849
In the second to fifth years inclusive	**8,134**	9,523
After five years	**2,149**	3,419
	14,108	16,791

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

45. Operating Lease Arrangements – continued

The Group as lessee – continued

Fixed charter hire payables to suppliers under the fourth vessel operating agreement was as follows:

	2012 HK$'000	2011 HK$'000
Within one year	–	52,790

With effect from 16 July 2012, the above vessel operating agreements were replaced by the LSA (note 19).

The Group as lessor

Rental income earned from properties and vessels during the year were HK$12,454,000 (2011: HK$8,058,000) and HK$nil (2011: HK$20,355,000) respectively. Certain of the Group's investment properties and a portion of its freehold building and equipment in Peru have committed tenants ranging from one to five years.

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

	2012 HK$'000	2011 HK$'000
Within one year	7,460	6,440
In the second to fifth years inclusive	6,319	2,309
After five years	2,219	–
	15,998	8,749

46. Commitments

	2012 HK$'000	2011 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	99,091	339,651

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 LSA entered into with Perun and Alatir for a period of 10 to 18 years up to 31 December 2025. Variable price is calculated at 20% of the revenue derived from the sales of fish before deduction of amortisation of fixed prepayment to suppliers.

In addition, the Group has ongoing commitment to pay fixed price for the supply of fish of US$12,000 (approximately HK$93,600) per day per vessel for 6 fishing vessels under the fourth LSA ("Fourth LSA") entered into with Perun up to 31 December 2012.

47. Contingent Liabilities

Certain subsidiaries of the Group are parties to legal processes in Peru with potential claims amounting to US$3,798,000 (approximately HK$29,629,000) (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$2,928,000 (approximately HK$22,843,000) (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$870,000 (approximately HK$6,786,000) (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$2,928,000 (approximately HK$22,843,000) (2011: US$1,943,000 (approximately HK$15,159,000)) for these claims where the outcome is likely to be unfavourable to the Group.

At 28 September 2012, the Group provided guarantees of Euro110,000,000 (approximately HK$1,089,000,000) with an option to increase by a maximum amount of Euro 30,000,000 (approximately HK$297,000,000) to banks in respect of the facility guarantee and operational guarantee in favour of the wholly owned operating entities held by Asarmona (see Note 5b (iii)). Details of the arrangements are set out in the Company's circular dated 22 June 2012. At 28 September 2012, an amount of HK$50,000,000 has been recognised in the consolidated statement of financial position as liabilities.

At 28 September 2011, the Group provided 1-year guarantees of Euro 92,673,000 (approximately HK$981,404,000) to banks in respect of the bridge facility guarantee and operational guarantee in favour of the wholly owned operating entities held by Asarmona (see Note 5b (iii)). At 28 September 2011, HK$62,000,000 has been recognised in the consolidated statement of financial position as liabilities. The guarantee was replaced by the new banking facilities mentioned in the preceding paragraph on May 2012.

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 or threatened against any members of the Group.

48. Pledge of Assets

(a) At 28 September 2012, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$343,000,000 (2011: HK$538,737,000) and HK$341,095,000 (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$340,188,000 (2011: HK$432,318,000) were pledged as security for general banking facilities arranged for that subsidiary.

(b) At 28 September 2012, deposits amounting to HK$207,000 (2011: HK$255,000) are pledged to a bank to secure an export invoice discounting facility granted to the Group.

(c) At 28 September 2012, inventories of fishmeal of HK$41,255,000 (2011: HK$61,169,000) and inventories of frozen fish and fillets amounting to HK$76,454,000 (2011: HK$163,400,000) were also pledged as security for the revolving inventory financing facilities obtained from banks.

(d) At 28 September 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$28,409,000 (2011: HK$77,563,000).

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

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

(g) At 28 September 2011, deposits amounted to HK$582,858,000 were pledged to banks to secure short term loans granted to the Group.

49. Transfer of Financial Assets

The following were the financial assets of the Group (measured at amortised cost) transferred to banks, which did not qualify for derecognition in their entirety, at the end of the reporting periods:

Trade receivables with insurance coverage discounted to banks with recourse:

	2012 HK$'000	2011 HK$'000
Carrying amount of transferred assets		
– Trade receivables with insurance coverage	511,218	382,352
– Bills receivables	–	3,650
Carrying amount of associated liabilities	493,078	273,592

Under the above arrangements, the Group transferred the contractual rights to receive cash flows from the trade receivables with insurance coverage and bills receivables to certain banks by discounting them for cash on a full recourse basis. Therefore, the directors of the Company consider the Group retained substantially all of the risk and rewards of ownership of the trade receivables with insurance coverage and bills receivables and continued to recognise the trade and bills receivables in the consolidated statement of financial position. Associated liabilities have been recognised and included in bank advances drawn on discounted trade receivables with insurance coverage and discounted bills.

50. Related Party Transactions

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

	2012 HK$'000	2011 HK$'000
Sales of frozen seafood	717,906	557,745
Purchases of frozen seafood	35,574	3,960
Agency income	10,311	9,082

(b)

	2012 HK$'000	2011 HK$'000
Bank advances drawn by the Group on discounted trade receivables with insurance coverage of:		
– associates of the Group	76,750	84,147
The above advances are secured by trade receivables of:		
– associates of the Group	85,277	93,497

51. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 28 September 2012 and 2011 are as follows:

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries 2012 %	2011 %	attributable to the Group 2012 %	2011 %	Principal activities
Aqua Foods (Qinqdao) Co., Ltd.	PRC (note a)	Registered USD5,000,000	**100**	100	**100**	100	Seafood processing
Bonaire Developments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	**100**	100	**100**	100	Property holding
CFG Investment S.A.C. ("CFGI")	Peru	Registered US$5,000,300	**71**	71	**38**	38	Fishing and fishmeal processing
Champion Shipping Limited	British Virgin Islands/ Worldwide	Ordinary US$1	**100**	100	**66**	66	Vessel holding
Chasterton Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	**100**	100	**100**	100	Property holding
China Fishery Group Limited (note c)	Cayman Islands	Ordinary 2012: US$51,158,864 2011: US$51,113,107	**71**	71	**38**	38	Investment holding
China Fisheries International Limited	Samoa/ Worldwide	Ordinary US$1,000	**71**	71	**38**	38	Management and operation of fishing vessels and sales of fish and other marine catches
Clamford Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	**100**	100	**100**	100	Investment holding
Europaco Limited	British Virgin Islands/ Worldwide	Ordinary US$1	**100**	100	**100**	100	Trading of processed seafood products
Europaco (AP) Limited	British Virgin Islands/ Worldwide	Ordinary US$1	**100**	100	**100**	100	Trading of processed seafood products
Europaco (EP) Limited	British Virgin Islands/ Worldwide	Ordinary US$1	**100**	100	**100**	100	Trading of processed seafood products
Europaco (HP) Limited	Hong Kong/Worldwide	Ordinary HK$2	**100**	100	**100**	100	Trading of processed seafood products

51. Particulars of Principal Subsidiaries – continued

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries 2012 %	2011 %	Proportion of nominal value of issued capital attributable to the Group 2012 %	2011 %	Principal activities
Europaco (QP) Limited	Samoa/Worldwide	Ordinary US$1	100	100	100	100	Trading of processed seafood products
Fastact Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Property holding
Glorious Ocean Limited	Hong Kong/Hong Kong	Ordinary HK$2	100	100	100	100	Property holding, provision of treasury and administrative services
Grandluck Enterprises Limited	Hong Kong/Hong Kong	Ordinary US$1	100	100	100	100	Property holding
National Fish and Seafood Limited	Hong Kong/ Worldwide	Ordinary HK$2	100	100	60	60	Trading of frozen seafood products
National Fish & Seafood Inc.	USA/Worldwide	Ordinary US$10,000	60	60	60	60	Trading and processing of frozen seafood products
Nouvelle Foods International Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	100	100	Trading of processed seafood products
Pacific Andes Enterprises (BVI) Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	66	66	Trading of frozen seafood products
Pacific Andes Enterprises (Hong Kong) Limited	Hong Kong/Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000 (note b)	100	100	100	100	Property holding, provision of treasury and administrative services and trading of frozen seafood products
Pacific Andes Food (Hong Kong) Company Limited	Hong Kong/Worldwide	Ordinary HK$10,000	100	100	66	66	Provision of treasury and administrative services
Pacific Andes Food Limited	PRC (note a)	Registered US$117,000,000	100	100	100	100	Seafood processing

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51. Particulars of Principal Subsidiaries – continued

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries 2012 %	2011 %	attributable to the Group 2012 %	2011 %	Principal activities
Pacific Andes Food (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Investment holding
Pacific Andes Resources Development Limited (note c)	Bermuda/Singapore	Ordinary 2012: S$239,549,617 2011: S$159,699,745	66	66	66	66	Investment holding
Pacific Andes International Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Investment holding
Pacific Andes Treasury Management Limited	Hong Kong/Hong Kong	Ordinary HK$10,000,000	100	100	100	100	Provision of treasury services
Pacos Processing Limited	Cayman Island/ Worldwide	Ordinary US$1	100	100	100	100	Trading of processed seafood products
Pacos Trading Limited	Cayman Island/ Worldwide	Ordinary US$1	100	100	66	66	Investment holding
Paco Alpha Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	66	66	Vessel holding
Paco Beta Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	66	66	Trading of marine fuel
Parkmond Group Limited	British Virgin Islands/ Worldwide	Ordinary US$1	100	100	66	66	Trading of frozen seafood products
Pelican Food Limited	British Virgin Islands/ Worldwide	Ordinary US$100	100	100	100	100	Investment holding
Qingdao Canning Foodstuff Co. Ltd.	PRC (note a)	Registered US$12,100,000	100	100	100	100	Seafood processing
Sevenseas Enterprises Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	100	100	Property holding

51. Particulars of Principal Subsidiaries – continued

Name	Place/ country of incorporation or registration/ operation	Issued and fully paid-up capital/ contributed capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries 2012 %	2011 %	attributable to the Group 2012 %	2011 %	Principal activities
Xinxing Foodstuffs (Qingdao) Company Limited	PRC (note a)	Registered US$910,000	**100**	100	**100**	100	Seafood processing
青島太平洋恩利國際貿易有限公司	PRC (note a)	Registered RMB30,000,000	**100**	100	**100**	100	Trading of seafood products

Notes:

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

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

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

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

Except for PARD which has issued bonds (note 36) and convertible bonds (note 37), and CFGI which has issued senior notes (note 38), none of the subsidiaries had any debt securities outstanding at the end of the reporting period.

52. Particulars of Principal Associates

Particulars of the Group's principal associates as at 28 September 2012 and 2011 are as follows:

Name	Forms of business structure	Place of incorporation	Attributable proportion of nominal value of issued/ registered capital held by the Company 2012 %	2011 %	Principal activities
Global Research Group Inc.	Incorporated	British Virgin Islands	**50**	50	Investment holding
Global Research Services Inc.	Incorporated	British Virgin Islands	**50**	50	Provision of interactive electronic data base
Pacos Processing Limited	Incorporated	Republic of Cyprus	**20**	20	Trading of processed seafood products
Paco-EP Limited	Incorporated	Republic of Cyprus	**20**	20	Trading of processed seafood products

52. Particulars of Principal Associates – continued

Name	Forms of business structure	Place of incorporation	Attributable proportion of nominal value of issued/ registered capital held by the Company 2012 %	2011 %	Principal activities
Paco-GP Limited	Incorporated	Republic of Cyprus	**20**	20	Trading of processed seafood products
Paco-HP Limited	Incorporated	Republic of Cyprus	**20**	20	Trading of processed seafood products
Pacos (QP) Limited	Incorporated	Republic of Cyprus	**20**	20	Trading of processed seafood products
Pacos Trading Limited	Incorporated	Republic of Cyprus	**13***	13*	Trading of frozen seafood products
Paco (ET) Limited	Incorporated	Republic of Cyprus	**13***	13*	Inactive
Paco (GT) Limited	Incorporated	Republic of Cyprus	**13***	13*	Inactive
Paco (HT) Limited	Incorporated	Republic of Cyprus	**13***	13*	Inactive
Tassal Group Limited ("Tassal")	Incorporated	Australia	**23**	19#	Hatching, farming, processing, sales and marketing of Atlantic salmon

* The Group is able to exercise significant influence because these companies are associates of Pacos Trading Limited (Cayman), a wholly owned subsidiary of PARD which owned 20% interests on them, and Pacos Trading Limited (Cayman) is able to exercise significant influence on these associates.

\# Classified as available-for-sale investments as at 28 September 2011. During the year, the Group obtained significant influence on Tassal. Details are set out in note 20.

53. Events after the Reporting Period

The Group has entered into a new long term supply agreement with Perun in November 2012 ("New LSA") to replace the Fourth LSA. The New LSA shall take retrospective effect from 1 October 2012 and shall terminate on 30 September 2030. The New LSA provides that a prepaid fixed fee of US$150,000,000 (approximately HK$1,170 million) is payable by the Group to Perun for all the fish harvested by all the contracted vessels during the term of the New LSA. This is different from the Fourth LSA which provided for a fixed price of US$12,000 (approximately HK$93,600) per vessel per calendar day. All other term and conditions in the New LSA are similar to the Fourth LSA.

FINANCIAL SUMMARY

	1.4.2008 to 31.3.2009 HK$'000	1.4.2009 to 28.9.2009 HK$'000	29.9.2009 to 28.9.2010 HK$'000	29.9.2010 to 28.9.2011 HK$'000	**29.9.2011 to 28.9.2012 HK$'000**
Results					
Turnover	11,167,773	5,556,761	11,470,543	14,245,411	**14,601,432**
Operating profit	1,027,457	393,031	1,144,452	988,644	**746,930**
Share of results of associates	(731)	724	1,515	(242)	**38,459**
	1,026,726	393,755	1,145,967	988,402	**785,389**
Taxation	(878)	(34,118)	(55,138)	(64,989)	**(48,002)**
Profit for the year/period	1,025,848	359,637	1,090,829	923,413	**737,387**
Non-controlling interests	(509,054)	(185,844)	(597,804)	(565,979)	**(470,625)**
	516,794	173,793	493,025	357,434	**266,762**

	31.3.2009 HK$'000	28.9.2009 HK$'000	28.9.2010 HK$'000	28.9.2011 HK$'000	**28.9.2012 HK$'000**
Assets and liabilities					
Total assets	15,664,904	17,136,760	21,164,871	26,368,914	**29,469,991**
Total liabilities	(9,016,311)	(9,224,776)	(10,736,796)	(15,038,185)	**(16,271,575)**
Total equity	6,648,593	7,911,984	10,428,075	11,330,729	**13,198,416**
Equity component of convertible bonds of a listed subsidiary	(39,710)	(37,445)	(35,482)	(35,482)	**–**
Share of net assets of subsidiaries	(2,658,023)	(3,223,144)	(4,583,702)	(5,097,748)	**(5,916,238)**
Equity attributable to owners of the Company	3,950,860	4,651,395	5,808,891	6,197,499	**7,282,178**