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PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

太平洋恩利國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1174)

**ANNOUNCEMENT OF RESULTS
FOR THE SIX MONTHS PERIOD ENDED 28 SEPTEMBER 2009**

FINANCIAL HIGHLIGHTS

	1.4.2009 to 28.9.2009 (6 months)	1.4.2008 to 30.9.2008 (6 months)	Change	1.4.2008 to 31.3.2009 (12 months)
Revenue (<i>HK\$'million</i>)	5,557	5,460	+1.8%	11,168
Gross Profit (<i>HK\$'million</i>)	916	867	+5.6%	2,052
Profit attributable to shareholders excluding one-off exceptional items (<i>HK\$'million</i>)	198	184	+7.8%	504

The Board of Directors (the “Board”) of Pacific Andes International Holdings Limited (“Pacific Andes” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the six months period ended 28 September 2009 (“6MFY2009”), together with comparison of the previous comparable financial period as follows:

CONSOLIDATED INCOME STATEMENT

For the six months period ended 28 September 2009

		1.4.2009	1.4.2008	(For reference only) 1.4.2008
		to	to	to
	<i>NOTES</i>	28.9.2009	31.3.2009	30.9.2008
		HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Revenue	3	5,556,761	11,167,773	5,460,116
Cost of sales		(4,641,175)	(9,115,695)	(4,592,791)
Gross profit		915,586	2,052,078	867,325
Other income		82,571	170,779	62,915
Selling and distribution expenses		(163,325)	(304,923)	(135,473)
Administrative expenses		(200,667)	(373,679)	(160,944)
Other expenses		(26,278)	(21,192)	(7,426)
Gain on deemed acquisition/discount on acquisition of additional interests in subsidiaries		–	12,863	5,805
Finance costs		(214,856)	(508,469)	(254,311)
Share of results of associates		724	(731)	(625)
Profit before taxation	4	393,755	1,026,726	377,266
Taxation	5	(34,118)	(878)	(7,091)
Profit for the period/year		359,637	1,025,848	370,175
Profit for the period/year attributable to:				
Owners of the Company		173,793	516,794	189,795
Minority interests		185,844	509,054	180,380
		359,637	1,025,848	370,175
Dividend				
Final dividend proposed		51,564	167,093	–
Earnings per share		1.4.2009	1.4.2008	1.4.2008
Basic	6	to	to	to
		28.9.2009	31.3.2009	30.9.2008
		HK cents	HK cents	HK cents
Basic		7.1	25.7	9.6
Diluted		7.0	25.3	9.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 September 2009

	<i>NOTES</i>	28.9.2009 <i>HK\$'000</i>	31.3.2009 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		4,654,180	3,951,752
Investment properties		292,229	211,079
Prepaid lease payments		47,058	47,687
Goodwill		2,730,035	2,712,746
Deferred charter hire		1,404,960	1,490,320
Available-for-sale investment		7,800	–
Interests in associates		13,520	12,796
Other intangible assets		602,634	602,634
Other long term receivable		928	928
		<u>9,753,344</u>	<u>9,029,942</u>
Current assets			
Inventories		1,847,387	1,774,356
Trade, bills and other receivables	7	4,641,463	4,078,176
Trade receivables with insurance coverage	8	277,451	223,153
Trade receivables from associates		138,139	69,464
Amounts due from associates		6,291	–
Amount due from a jointly-controlled entity		1,421	1,369
Held-for-trading investments		3,224	–
Derivative financial instruments		–	11,743
Tax recoverable		46,661	73,883
Pledged deposits		59,491	67,329
Bank balances and cash		361,888	335,489
		<u>7,383,416</u>	<u>6,634,962</u>
Current liabilities			
Trade, bills and other payables	9	822,330	542,239
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills		309,669	419,902
Derivative financial instruments		7,512	–
Dividend payable		167,093	–
Deferred consideration payable		39,839	494,633
Taxation		107,444	98,284
Obligations under finance leases – due within one year		37,491	36,533
Bank borrowings – due within one year		3,737,225	3,132,102
		<u>5,228,603</u>	<u>4,723,693</u>
Net current assets		<u>2,154,813</u>	<u>1,911,269</u>
Total assets less current liabilities		<u>11,908,157</u>	<u>10,941,211</u>

	28.9.2009 <i>HK\$'000</i>	31.3.2009 <i>HK\$'000</i>
Non-current liabilities		
Obligations under finance leases – due after one year	81,302	100,778
Bank borrowings – due after one year	1,345,739	1,587,927
Convertible bonds	591,666	612,772
Senior notes	1,661,208	1,707,592
Deferred taxation	316,258	283,549
	<u>3,996,173</u>	<u>4,292,618</u>
Net assets	<u>7,911,984</u>	<u>6,648,593</u>
Capital and reserves		
Share capital	283,209	188,806
Share premium and reserves	4,368,186	3,762,054
	<u>4,651,395</u>	<u>3,950,860</u>
Equity attributable to owners of the Company	4,651,395	3,950,860
Equity component of convertible bonds of a listed subsidiary	37,445	39,710
Minority interests	3,223,144	2,658,023
	<u>7,911,984</u>	<u>6,648,593</u>
Total equity	<u>7,911,984</u>	<u>6,648,593</u>

Notes:

1. BASIS OF PREPARATION

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

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

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

In the current period, the Group has applied, for the first time, the following new or revised standards, amendments and new interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial period beginning on 1 April 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods except for the impact as described below.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes and has resulted in a number of changes in presentation and disclosure, and the consolidated financial statements have been prepared under the revised disclosure requirements.

HKFRS 8 Operating Segments

HKFRS 8, which will replace HKAS 14 “Segment Reporting”, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group’s major customers. HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments (see note 3).

HKFRS 7 Improving Disclosures about Financial Instruments

The amendments to HKFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current period in accordance with the transitional reliefs offered in these amendments.

During the period, the Group early adopted the HKAS 32 (Amendment) “Classification of Rights Issues” which is effective for the annual periods beginning on or after 1 February 2010.

HKAS 32 (Amendment) addresses the accounting for rights issues (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment requires that 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.

With this adoption, the Group recognised its 944,027,844 rights shares issued on 24 June 2009 as equity instruments rather than derivative liabilities. Accordingly, the Group does not recognise the total fair value gain on the rights shares of HK\$94 million in the Group’s other comprehensive income. Hence, had the Group not early adopted the Amendments to HKAS 32, the Group’s profit and total comprehensive income for the period would have increased by HK\$94 million.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs Issued in 2008 ¹
HKFRS (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue and results by reportable segments is as follows:

For management purposes, the Group is currently organised into four operating divisions – frozen fish supply chain management ("Frozen fish SCM"), fish fillets processing and distribution, fishing and fishmeal and others. These divisions are on the basis on which the Group reports its primary segment information.

Six months period ended 28 September 2009

	Frozen fish SCM HK\$'000	Fish fillets processing and distribution HK\$'000	Fishing and fishmeal HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	2,057,218	1,811,003	1,670,366	18,174	-	5,556,761
Inter-segment sales	-	-	20,681	-	(20,681)	-
	<u>2,057,218</u>	<u>1,811,003</u>	<u>1,691,047</u>	<u>18,174</u>	<u>(20,681)</u>	<u>5,556,761</u>
RESULT						
Segment result	<u>190,649</u>	<u>127,870</u>	<u>444,306</u>	<u>10,242</u>	-	773,067
Unallocated corporate income						62,489
Unallocated corporate expenses						(226,945)
Finance costs						(214,856)
Profit before taxation						393,755
Taxation						(34,118)
Profit for the period						<u>359,637</u>

Year ended 31 March 2009

	Frozen fish SCM <i>HK\$'000</i>	Fish fillets processing and distribution <i>HK\$'000</i>	Fishing and fishmeal <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	3,943,994	3,374,288	3,821,268	28,223	–	11,167,773
Inter-segment sales	–	–	135,838	–	(135,838)	–
	<u>3,943,994</u>	<u>3,374,288</u>	<u>3,957,106</u>	<u>28,223</u>	<u>(135,838)</u>	<u>11,167,773</u>
RESULT						
Segment result	<u>389,772</u>	<u>447,772</u>	<u>1,018,065</u>	<u>16,054</u>	<u>–</u>	1,871,663
Unallocated corporate income						58,403
Unallocated corporate expenses						(394,871)
Finance costs						(508,469)
Profit before taxation						1,026,726
Taxation						(878)
Profit for the year						<u>1,025,848</u>

Geographical information

The Group's entities' country of domicile which principally comprises Hong Kong and other regions in the People's Republic of China (the "PRC"), North America, South America, Europe, East Asia and others.

The following table provides an analysis of the Group's revenue from external customers by geographical market, based on location of customers, irrespective of the origin of the goods/services:

	Revenue from external customers	
	1.4.2009 to 28.9.2009 <i>HK\$'000</i>	1.4.2008 to 31.3.2009 <i>HK\$'000</i>
Hong Kong and other regions in the PRC	2,891,874	5,834,945
North America	830,551	1,605,458
Europe	1,007,976	2,320,013
East Asia	659,351	1,278,887
Others	167,009	128,470
	<u>5,556,761</u>	<u>11,167,773</u>

Information about major customers

There is no customers with revenue more than 10% of the Group's total revenue.

4. PROFIT BEFORE TAXATION

	1.4.2009 to 28.9.2009 HK\$'000	1.4.2008 to 31.3.2009 HK\$'000
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	6,269	6,864
Depreciation of property, plant and equipment	139,524	189,676
Amortisation of prepaid lease payments (included in administrative expenses)	462	925
Amortisation of deferred charter hire (included in cost of sales)	85,360	172,640
Loss on disposal of property, plant and equipment	1,755	3,130
Operating lease rentals in respect of:		
– rented premises	1,518	9,234
– charter hire	188,931	455,516
Cost of inventories included in cost of sales	4,468,534	8,692,522
Directors' emoluments	9,260	23,805
Staff cost	85,710	163,647
Crew wages	235,338	433,856
Retirement benefits scheme contributions	5,571	9,285
Total staff costs	326,619	606,788
and after crediting:		
Net rental income after outgoings of HK\$2,767,000 (1.4.2008 to 31.3.2009: HK\$6,643,000)	7,913	13,981

5. TAXATION

	1.4.2009 to 28.9.2009 HK\$'000	1.4.2008 to 31.3.2009 HK\$'000
The charge comprises:		
Profit for the period/year		
– Hong Kong	1,480	2,907
– other jurisdictions	37,148	59,734
	38,628	62,641
(Over) underprovision in prior period/year		
– Hong Kong	2,317	968
– other jurisdictions	(2,509)	(33,941)
	(192)	(32,973)
Deferred taxation	(4,318)	(28,790)
Tax charge for the period/year	34,118	878

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years.

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

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

6. 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:–

	1.4.2009 to 28.9.2009 HK\$'000	1.4.2008 to 31.3.2009 HK\$'000
Earnings attributable to the owners of the Company for the purposes of calculation of basic earnings per share	173,793	516,794
Effect of dilution arising on potential conversion of convertible bonds issued by a subsidiary	–	(9,025)
	<u>173,793</u>	<u>507,769</u>
Earnings for the purpose of calculation of diluted earnings per share	173,793	507,769
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	2,462,643,539	2,008,763,466
Effect of dilutive potential ordinary shares in respect of – share award	3,371,850	1,560,401
	<u>2,466,015,389</u>	<u>2,010,323,867</u>

The weighted average number of ordinary shares outstanding during the current period and prior year have been adjusted for the effect of rights issue in June 2009.

For the six months period ended 28 September 2009, the computation of diluted earnings per share does not assume the conversion of the Group's outstanding convertible bonds since their exercise would result an increase in profit per share.

7. TRADE, BILLS AND OTHER RECEIVABLES

	28.9.2009 HK\$'000	31.3.2009 HK\$'000
Trade receivables	1,325,124	1,543,804
Bills receivables	29,787	107,168
	<u>1,354,911</u>	<u>1,650,972</u>
Other receivables and prepayments	3,286,552	2,427,204
	<u>4,641,463</u>	<u>4,078,176</u>

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

	28.9.2009 <i>HK\$'000</i>	31.3.2009 <i>HK\$'000</i>
Less than 30 days	742,200	961,076
31 – 60 days	199,164	312,814
61 – 90 days	64,056	60,465
91 – 120 days	174,667	37,071
Over 120 days	174,824	279,546
	1,354,911	1,650,972

8. TRADE RECEIVABLES WITH INSURANCE COVERAGE

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

	28.9.2009 <i>HK\$'000</i>	31.3.2009 <i>HK\$'000</i>
Less than 30 days	185,179	145,305
31 – 60 days	65,579	59,331
61 – 90 days	16,674	9,817
91 – 120 days	8,475	6,262
Over 120 days	1,544	2,438
	277,451	223,153

9. TRADE, BILLS AND OTHER PAYABLES

The aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

	28.9.2009 <i>HK\$'000</i>	31.3.2009 <i>HK\$'000</i>
Less than 30 days	496,699	186,022
31 – 60 days	7,981	39,961
61 – 90 days	3,036	11,193
Over 90 days	8,187	15,406
	515,903	252,582

MANAGEMENT DISCUSSION AND ANALYSIS

The financial results presented herewith cover 6MFY2009. Accordingly, the comparative figures presented have been prepared for the six month period ended 30 September 2008 (“6MFY2008”).

FINANCIAL REVIEW

On 26 August 2009, the Group announced the change of its financial year-end date from 31 March to 28 September. The change brings the year-end of the Group’s Singapore listed subsidiaries, namely Pacific Andes Resources Development Limited (“PARD”) and China Fishery Group Limited (“China Fishery”), into line with the Group’s year end, facilitating efficient preparation of the Company’s consolidated accounts. This will minimise audit fees and other administrative costs.

For 6MFY2009, Group turnover increased 1.8% to HK\$5,556.8 million (approximately US\$712.4 million) from HK\$5,460.1 million (approximately US\$700.0 million) in the comparable period of 2008. The fishing division accounted for 30.1% of total turnover, the frozen fish SCM division for 37.0% and the processing division 32.6%.

In terms of geographical markets, with the exception of Europe and East Asia, sales to all major markets worldwide recorded positive underlying growth. The PRC was once again the main market for the Group, with sales growing 10.5% to reach HK\$2,891.9 million, representing 52.0% of total turnover, on the back of continued rising demand for frozen fish products to meet domestic consumption and raw material needs. Sales to North America increased 18.7% to HK\$830.6 million, accounting for 14.9% of total turnover. Sales to Europe decreased 12.2% to HK\$1,008.0 million. Since the EU export license for the Group’s new production facilities was only granted in August 2009, shipments to Europe during the period were temporarily delayed. Sales to East Asia decreased by 22.7% to HK\$659.4 million as the Group reduced sales of higher-priced fish premium products in view of the challenging economic environment.

The fishing division, which operates through its Singapore-listed subsidiary China Fishery, recorded a drop in turnover of 4.5% to HK\$1,670.4 million (approximately US\$214.1 million). This was mainly attributable to the partial shift of fishing activities in the North Pacific from first quarter to the fourth quarter of calendar year 2009, and the softening of fishmeal prices during the period under review.

The frozen fish SCM division, which operates through its Singapore-listed subsidiary PARD, continued to deliver stable and consistent returns. In view of the lower purchasing power as a result of uncertain economic conditions, the Group increased sales of lower-priced fish. This led to level sales for the division with a 0.7% increase in turnover to HK\$2,057.2 million (approximately US\$263.7 million) despite an increase in trading volume.

The processing and distribution division recorded a 9.1% increase in turnover to HK\$1,811.0 million (approximately US\$232.2 million), due mainly to continuous increase in market demand for lower-priced fish fillets and portions. However, sales volume decreased during the period as shipments to Europe from the new processing plant were temporarily delayed due to the fact that the EU export license for the new production facilities were only granted in August 2009.

The Group's gross profit increased by 5.6% to HK\$915.6 million and gross profit margin increased to 16.5% from 15.9%. This is due to a higher contribution from our fishing division.

Selling and distribution expenses increased 20.6% to HK\$163.3 million due to higher sales volume of fishmeal products. Administrative expenses increased 24.7% to HK\$200.7 million mainly due to higher operational expenses on the new production facilities. Other operating expenses were HK\$26.3 million, compared with HK\$7.4 million for the same period last year, which included one-off Rights Issue expenses of HK\$24.5 million.

Finance costs decreased 15.5% to HK\$214.9 million due to lower market interest rates and interest savings from the repurchase of convertible bonds and senior notes.

Including exceptional items, net profit after tax decreased 2.8% to HK\$359.6 million (approximately US\$46.1 million). If expenses of PARD's Rights Issue are excluded, profit after tax and minority interests actually increased 7.8% to HK\$198.3 million from HK\$184.0 million. Earnings per share were HK 7.1 cents, based on weighted average of 2,462.6 million shares after taking the effect of the Rights Issue (6MFY2008: HK 9.6 cents based on 1,980.5 million shares as restated for the Rights Issue).

Financial Position

Despite the global financial crisis, which created difficult economic conditions worldwide, the Group's financing and liquidity improved significantly and remains sound.

Net assets of the Group improved to HK\$7,912.0 million as of 28 September 2009 compared to HK\$6,648.6 million as of 31 March 2009.

Property, plant and equipment increased 17.8% to HK\$4,654.2 million. During the period under review, the Group invested HK\$522.1 million in the construction of a factory trawler and acquisition of several catcher vessels, and a further HK\$67.6 million on the Hongdao processing complex.

Current assets increased 11.3% to HK\$7,383.4 million. The increase was mainly the result of higher trade accounts receivables and inventories. Current liabilities increased 10.7% to HK\$5,228.6 million. The increase in trade payables and short term bank borrowings was in line with the increase in trade receivables and inventories. Non-current liabilities decreased 6.9% to HK\$3,996.2 million, due mainly to the repurchase of senior notes and convertible bonds.

As at 28 September 2009, total equity increased 19.0% to HK\$7,912.0 million mainly attributable to the Rights Issue completed in July 2009.

Liquidity and Capital Resources

During the period, the Group further improved its financial position. The Company completed an issue of 944 million new ordinary shares at HK\$0.6 each by way of rights to raise net proceeds of HK\$555 million (approximately US\$71 million). The proceeds were primarily used for the pro rata subscription of rights shares of PARD in July 2009.

PARD's Rights Issue in July 2009 raised a total of HK\$1,092.0 million, with proceeds used for:

1. increasing its stake in the Group's upstream fishing division – China Fishery (HK\$37.0 million) from 41.7% to 42.1%;
2. the repurchase of convertible bonds and senior notes (HK\$72.0 million);
3. the balance of payment for the acquisition of China Fishery (HK\$416.5 million) in 2007;
4. the balance is to be used for general working capital.

As of 28 September 2009, total borrowings of the Group amounted to HK\$7,764.3 million, of which 47% were long term borrowings. The net debt-to-equity ratio, defined as a percentage of net interest bearing borrowings over shareholders' equity, improved from 108% to 93% as at the end of the reporting period.

The Group's borrowings are mainly in US Dollars and carry LIBOR plus rates. As its turnover is mainly denominated in US Dollars and major payments are made either in US Dollars or HK Dollars, it faces relatively low currency risk.

MANAGING DIRECTOR'S REPORT

I am pleased to report on a successful six months for Pacific Andes with significant progress in developing the business, coupled with satisfactory revenue growth across most sectors of the business, driven by rising global demand for fish.

Combining this with a strong focus on efficiency enhancement and cost management resulted in meaningful margin improvements for the Group. In spite of a challenging global economic environment, our business has proven to be resilient and we are now in an even stronger financial position than at the beginning of the period under review.

To ensure sustained long-term growth, the Group is committed to ongoing investment and development. This period was highlighted by the successful implementation of two major projects. First, our world class processing complex in Hongdao near Qingdao was completed and trial production commenced in February 2009. Full commercial production began in August 2009 after the plant successfully obtained its EU export certificate. Second, trial fishing started in the South Pacific in July 2009. A fleet of seven catcher vessels and one factory trawler were added to the Group's South Pacific trawling operations towards the end of 2009.

The key to our long-term success is a solid financial foundation. The Rights Issue completed in July 2009 provided a sound financial structure to support future expansion strategies. Results confirm that the growth strategies which have guided us in prior years have created a strong foundation which will help Pacific Andes to further capitalise on its strengths and secure long-term success.

FINANCIAL RESULTS

Despite uncertain economic conditions during the period, we achieved satisfactory growth on all fronts for the period ended 28 September 2009. Turnover increased by 1.8% to HK\$5,556.8 million (approximately US\$712.4 million). Gross profit grew 5.6% to HK\$915.6 million (approximately US\$117.4 million) while EBITDA rose 10.4% to HK\$857.7 million (approximately US\$110.0 million). Net profit decreased by 2.8% to HK\$359.6 million (approximately US\$46.1 million). Excluding the one-off expenses associated with the Rights Issue of its subsidiary of PARD, net profit attributable to shareholders went up 7.8% to HK\$198.3 million (approximately US\$25.4 million). Basic earnings per share were HK 7.1 cents (6MFY2008: HK 9.6 cents).

The Board has recommended a final dividend of HK1.7 cents per share, subject to approval by shareholders at the forthcoming annual general meeting. Shareholders are provided with an option to receive the final dividend in the form of Scrip Shares in lieu of cash. The Board has also proposed a bonus warrants issue of 5 existing shares for 1 bonus warrant, to subscribe for shares of the Company at HK\$1.80 per share. The proceeds from the bonus warrants issue enable the Company to subscribe for the warrants of PARD which will expire in July 2011.

BUSINESS REVIEW

Over the years, the Group has dedicated significant resources to increasing the production capacity of the processing and distribution division, while at the same time creating greater product and customer diversification. The Group's state-of-the-art, 333,000 square metre Hongdao Processing Complex in Qingdao commenced trial operations in February 2009. The new plant exemplifies our commitment to setting the highest standards for the industry. It enhances our service to our customers with fully traceable products, provide higher economies of scale and supports sustainable growth of the business. This division has helped the Group maintain its position as the world's largest white fish fillet producer.

During the period under review, our frozen fish SCM division expanded its market share and enhanced profitability by taking full advantage of economies of scale, meeting changing customer demands, adjusting product mix and diversifying geographical markets. Success in our established markets was amplified by significant expansion of our geographical reach to the burgeoning growth regions of Eastern Europe and Africa.

To further secure access to under-utilised and abundant ocean resources, our largest single project during the period is the expansion of our fishing fleet for the new South Pacific fishing operations. We expanded our fishing fleet in the South Pacific, adding seven catcher vessels and a factory trawler to the five super-trawlers that were re-deployed from North Pacific operations.

The implementation of the Individual Transferable Quota ("ITQ") system in Peru has allowed the Group to add to its fleet and enhance plants utilisation, improve product quality and achieve better product yield rates. All these validate our strategic decision to invest in the Peruvian fishmeal business. Although fishmeal prices softened during the period, the Group is now witnessing a significant rebound in price due to stronger market demand since October 2009.

RESPONSIBILITIES IN THE COMMUNITY

As one of the world's largest integrated frozen seafood enterprises, the Group believes strongly in taking an active role in making improvements to our products, the livelihood of our employees, our shareholders, our environment, and the society in which we live.

Commitment to sustainable development

Sustainable development is a responsibility shared in common by every entity within the Group. As an integrated seafood company with worldwide operations all around the world, we are keenly aware of our social, environmental, and corporate responsibilities to ensure the sustainability of fisheries. We are constantly examining ways to reduce our carbon and energy footprint in each of our operations.

The new Hongdao processing complex, with its modern, eco-friendly processing facilities, have enabled the Group to develop an integrated sustainability strategy that targets constantly improving efficiency across areas ranging from carbon to energy, water, waste, to socio-economic issues and biodiversity.

In keeping with our commitment to improve the work-life balance of our Hongdao employees and encourage the development of healthy lifestyles, we have built a dedicated 6-floor recreational complex with comprehensive facilities including gymnasium, internet café, library and supermarket for all our employees in Hongdao.

Key features of the Hongdao processing complex

<p>Computerised temperature control</p>	<ul style="list-style-type: none"> • Improves material and product handling capacity • Optimises process stability
<p>Wireless inventory management system</p>	<ul style="list-style-type: none"> • Allows a higher level of product safety/quality
<p>Seawater & waste water treatment system</p>	<ul style="list-style-type: none"> • Conserves freshwater resources • Uses treated seawater in the initial washing/cleaning of raw materials • Treats waste water based on international norms with disposal by specialist contractors
<p>Energy-efficient equipment and centralised cooling system</p>	<ul style="list-style-type: none"> • Reduces energy consumption e.g. lighting, electricity, air-con and ventilation, hot water, freezers and refrigerators, central heating, etc.
<p>Integrated by-product processing facilities</p>	<ul style="list-style-type: none"> • Reduces waste levels • Converts normally discarded fish parts into marketable by-products such as fishmeal

Modern and comprehensive employee facilities	<ul style="list-style-type: none"> • Provide a comfortable working environment, promote work/life balance, and enhance job satisfaction
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Education for our future generations

At Pacific Andes, we believe that the competence and commitment of our employees are essential for the sustainability of the Group’s success. Apart from offering a wide range of training and development programs for our production staff in the PRC, the Group initiated the “Pacific Andes Sunshine Education Program” in Qingdao at the end of 2009. The Group is not only investing in the present but also in the promise of a better life for our future generations. Through this program, student aid will be awarded to the siblings of eligible production workers. In addition, the Group will make donations to local secondary schools in the hometowns of our workers. In order to further enhance staff morale and pride, the donations will be made on behalf of the respective team of workers.

LOOKING AHEAD INTO 2010

Market Outlook

Global demand for fish is expected to continue to increase steadily, supported by increasing population, rising affluence in developing countries, and growing health consciousness among consumers, leading to preference for more seafood-rich diets. Currently about one third of the world’s ocean resources are under-utilised, with these resources being used to produce fishmeal for aquaculture and animal farming industries instead of for human consumption. As global consumption of fish is expected to continue to rise, there is a trend towards maximising the use of fish catch to satisfy the demand for human consumption.

In light of uncertain economic conditions, consumption of frozen ready-meals has risen across the global retail industry. Increasing food safety awareness, coupled with rising demand for environmentally-friendly products, has led to a rising preference for seafood products.

Such market trends are favorable for the Group and bode well for the Group’s core strategy of developing under-utilised fish species and providing affordable and quality frozen fish products with full traceability to consumers worldwide.

Company Outlook

Our outlook is encouraging. The strategies to explore new fishing grounds and to construct world-class production facilities have supported and reinforced our core strengths. By creating a stronger and more focused company, we have been able to optimise shareholders’ return in the frozen seafood industry.

New revenue stream from South Pacific operations

In line with our core development strategy to tap and commercialise under-utilised fish resources for higher-value human consumption, we will commence our South Pacific fishing operations in 2010. The Group’s South Pacific operations boast the most efficient fishing fleet, a comprehensive logistics support system, and a high caliber fishing crew and management.

Benefit from strong fishmeal price

Toward the end of the reporting period, stronger demand in the aquaculture industry and low inventory levels in the PRC had driven up prices for fishmeal products. With our continued efforts to optimise efficiency and enhance fleet and plant utilisation, we expect good performance from the Peruvian fishmeal operations in the year to come.

Breadth and depth our sales network

The frozen fish SCM division has a very strong presence in the PRC and is currently the country's largest supplier of imported frozen fish. We will continue to give priority to the important PRC market. In addition, we are expanding our market presence, particularly in Eastern Europe and Africa. For markets where we already have an established presence, we plan to drive product diversification with the aim of increasing market share.

Drive greater operating efficiency at the Hongdao processing complex

In the coming year, we will further streamline and optimise the operating efficiencies of our production plants in the PRC. We expect full-scale operations at the Hongdao processing complex within fiscal year 2010. Our modern and efficient production facilities as well as motivated employees point to constantly improving productivity at our processing plants. This gives the processing and distribution division good prospects to further solidify its leading position in the market.

Fortify capital structure to provide financial strength and flexibility

China Fishery intends to seek secondary listing of all of its ordinary shares on the Oslo Børs ASA of Norway. The listing is intended to further raise the profile and status of China Fishery within the global investment community and to better reflect its shareholder value.

In addition, we believe that the proposed secondary listing on Oslo Børs, a globally recognised exchange for the fishing and seafood industry, will:

- increase access to European institutional investors who have appetite and in depth knowledge of the fishing and seafood industry;
- increase China Fishery's ability to access international capital markets in the future should it be required;
- provide additional liquidity for China Fishery's current and future Shareholders; and
- help broaden the marketing reach of the Group.

As a result of our global orientation and vertically integrated operations, we are well-placed to exploit existing opportunities for growth in the highly fragmented fishing and seafood processing industry. Management will take advantage of opportunities in order to further extend our value chain.

In spite of the uncertain global economic climate, Pacific Andes enjoys robust health as it looks to the future. With a stronger equity base and infrastructure, the management is well-prepared and determined to continue the Group's growth and create fruitful returns to shareholders.

DIVIDEND

The Board has resolved to recommend the declaration of a final dividend of HK1.7 cents (twelve months ended 31 March 2009: HK5.9 cents) per share for the six months period ended 28 September 2009 payable to the shareholders of the Company whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on 15 March 2010. The Group will also continue to offer a scrip alternative for shareholders to elect to receive such final dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash (the "2009 Final Scrip Dividend Scheme"). The final dividend is expected to be paid on or about 12 May 2010.

The 2009 Final Scrip Dividend Scheme is conditional upon: (i) the approval of the proposed final dividend at the Company's annual general meeting tentatively scheduled to be held on 22 March 2010 ("2010 AGM"); and (ii) the granting of the approval by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the listing of and permission to deal in the new shares to be issued under the 2009 Final Scrip Dividend Scheme. In the unlikely event that either of the condition set out in (ii) above is not satisfied, shareholders will receive the final dividend for the six months period ended 28 September 2009 wholly in cash. After the Company's 2010 AGM, a press announcement setting out the basis of allotment of new shares under the 2009 Final Scrip Dividend Scheme will be published and unless further resolved by the Board to the otherwise, the issue price of each new share to be issued pursuant to the 2009 Final Scrip Dividend Scheme will be HK\$1.43, being the average of the closing prices per share traded on the Stock Exchange for the 5 consecutive trading days up to and including 21 January 2010 with a discount of 20%. A circular containing details of the 2009 Final Scrip Dividend Scheme together with the relevant election form, where applicable, will be sent to each shareholder of the Company on or about 12 April 2010.

The Company will make enquiries with legal counsels where its overseas shareholders, if any, are based regarding legal and regulatory restrictions in allowing such overseas shareholders to participate in the 2009 Final Scrip Dividend Scheme as required by Rule 13.36(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and may only exclude such overseas shareholders on the basis that, having made such enquiries, it would be necessary or expedient to do so.

BONUS ISSUE OF WARRANTS

At a token of gratitude to shareholders, the Board is declaring a bonus issue of new warrants (the “Bonus Warrants”) to the shareholders as referred to below. The Bonus Warrants will be issued under the authority of the general mandate to be granted to the Board by shareholders of the Company at the 2010 AGM to issue and allot new shares equal to in aggregate up to 20 percent of the issued share capital of the Company as at the 2010 AGM (“2010 Allotment Mandate”). The Board proposes the Bonus Warrants to shareholders whose names appear on the register of members of the Company (the “Register of Members”) as at the close of business on 15 March 2010 on the basis of 1 Bonus Warrant for every 5 shares held by such shareholders (the “Bonus Warrant Issue”), except those shareholders whose registered addresses are outside Hong Kong.

Subject to the fulfillment of the conditions of the Bonus Warrants Issue stated herein below, and unless further resolved by the Board to the otherwise, each Bonus Warrant will entitle the holder thereof to subscribe for one new share at an initial subscription price of HK\$1.80, subject to adjustment in accordance with the terms of the Bonus Warrants.

No shareholder shall be entitled to be issued any fraction of a share under the issue of the Bonus Warrants. Fractional entitlements to the Bonus Warrants will not be issued but will be aggregated and sold for the benefit of the Company.

Conditions of the Bonus Warrants Issue

The issue of the Bonus Warrant will be conditional upon: (i) the Shareholders have granted the 2010 Allotment Mandate to the Board and have approved the increase of authorised share capital of the Company at the 2010 AGM; (ii) the Listing Committee of the Stock Exchange granting listings of, and permission to deal in, the Bonus Warrants and the shares falling to be issued upon the exercise of the subscription rights attached to the Bonus Warrants; and (iii) if necessary, the Bermuda Monetary Authority granting approval for the issue of the Bonus Warrants pursuant to the Bonus Warrant Issue and the shares falling to be issued upon the exercise of the subscription rights attached to the Bonus Warrants. The Board believes that the Bonus Warrant Issue will provide shareholders with the opportunity to participate further in the future growth of the Group.

A further announcement setting details and the terms of the issue of Bonus Warrants will be released, and a circular with respect to the Bonus Warrants Issue and the 2010 AGM will also be despatched to shareholders, as soon as possible.

Closure of the Register of Members

The Register of Members will be closed from Wednesday, 10 March 2010 to Monday, 15 March 2010 both dates inclusive, in order to determine (1) entitlement of shareholders to vote at the 2010 AGM, (2) entitlements of shareholders to the 2009 Final Scrip Dividend Scheme and (3) the proposed issue of the Bonus Warrants, during which period no transfer of Shares may be registered.

To qualify for the above proposed entitlements, all transfers of Shares accompanied by the relevant share certificates, must be lodged with the Company's branch registrars in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong by not later than 4:30 p.m. on Tuesday, 9 March 2010.

EMPLOYEES AND REMUNERATION

As at 28 September 2009, the Group had a total of approximately 12,000 employees. Remuneration packages offered to employees are in line with industry standards and reviewed annually. The award of bonuses is discretionary and based on the performance of, firstly, the individual employee, and secondly, the Group.

The Company and its non-wholly owned subsidiaries, PARD and CFGL, each has an employee share option scheme and an employee share award plan to allow for granting of share options and share awards to eligible employees based on their contribution to the Group.

PURCHASE, SALE OR REDEMPTION

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months period ended 28 September 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") 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 six months period ended 28 September 2009.

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 six months period ended 28 September 2009.

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months period ended 28 September 2009 with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

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

CG Code Provision A.3 and B1.1 and Rule 3.10(1) of the Listing Rules, provides that every board of directors of the Company must include at least three independent non-executive directors and a majority of the members of the remuneration committee should be independent non-executive directors. The number of independent non-executive directors of the Company has fallen short by one with effect from 16 August 2008. On 6 August 2009, Mr. Tao Kwok Lau, Clement has been appointed as an independent non-executive director to fill the vacancy. He has also been appointed as a member of the Audit Committee and Remuneration Committee.

PUBLICATION OF ANNUAL REPORT

A full text of the Company's Annual Report for the six months period ended 28 September 2009 will be sent to the shareholders and published on the website of The Stock Exchange of Hong Kong Limited and the Company in due course.

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

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

Hong Kong, 21 January 2010