



**CHINA
FISHERY**
GROUP LIMITED



Annual Report **2010**

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A close-up, high-angle photograph of a fishing net. The net is made of thick, light-brown rope, forming a consistent diamond-shaped mesh pattern. The background is a deep, dark blue, suggesting the ocean. The lighting is bright, highlighting the texture and three-dimensional quality of the rope.

CORPORATE MISSION

As a leading global industrial fishing company, China Fishery Group Limited (“China Fishery”) is committed to securing access to under-utilised and abundant ocean resources to meet the growing needs of health and value-conscious consumers worldwide. We are committed to offering responsibly-derived range of quality staple food products via our fishing, on-board processing and fishmeal production operations.

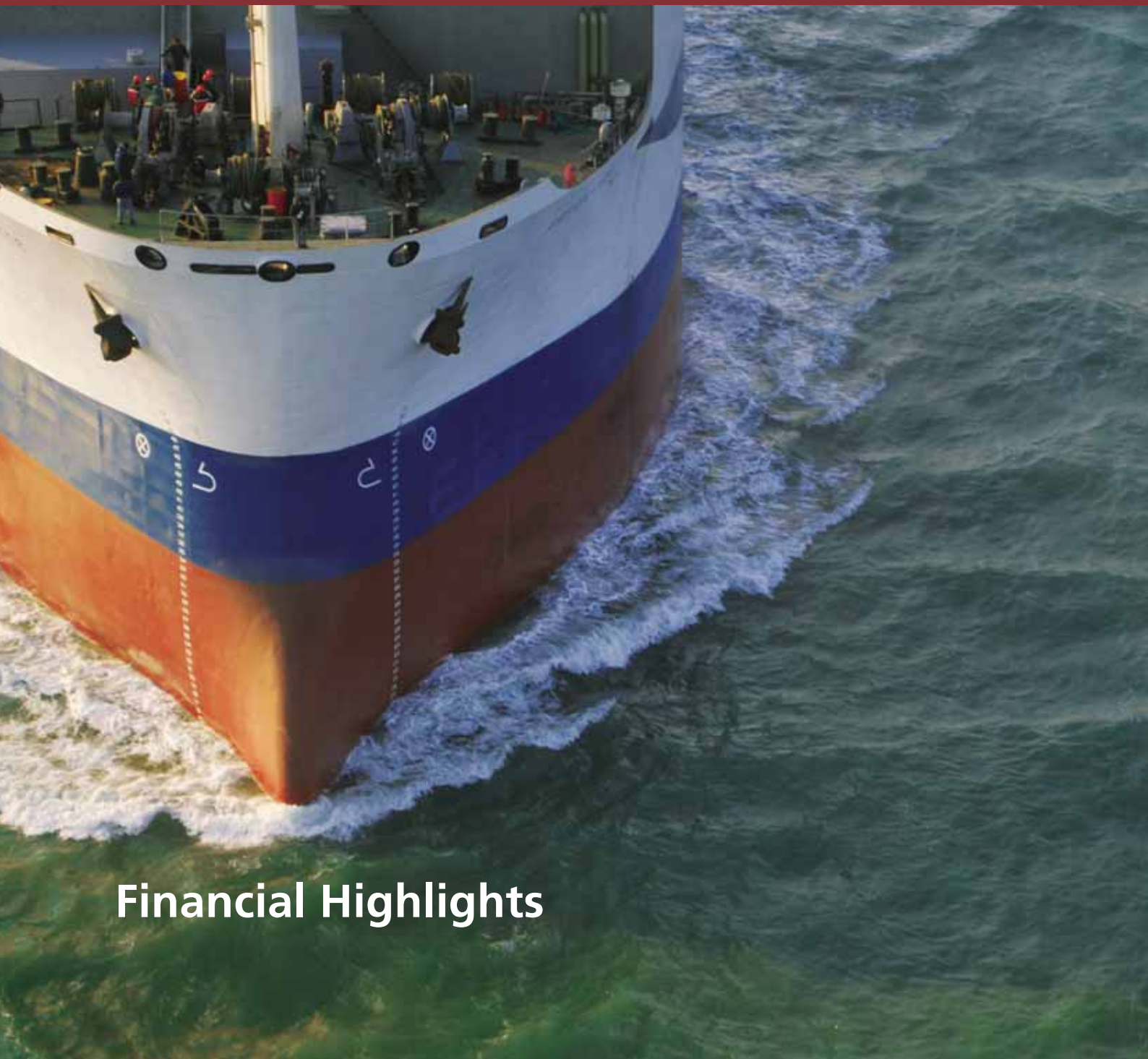


CORPORATE PROFILE

Listed on the Mainboard of Singapore Exchange since 2006, China Fishery is a global integrated industrial fishing company with access to fish in some of the world's most important fishing grounds.

Employing new catch and processing solutions, China Fishery harvests, onboard-processes and delivers high quality catch to consumers the world over. China Fishery is also established with purse seine fishing vessels and fishmeal processing plants deployed strategically along Peru's coastal areas.

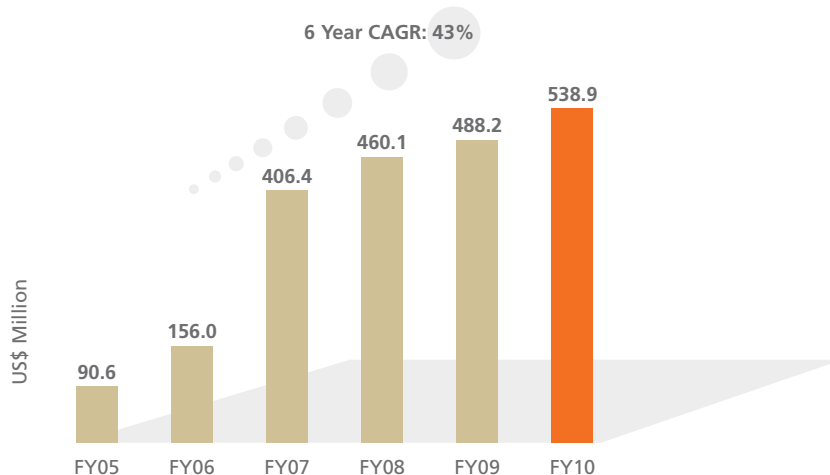
In response to an ever-growing global demand for fish, China Fishery is committed to continually securing access to under-utilised and abundant ocean resources, and fulfilling the needs of the health and value-conscious consumer through sustainable fishing practices.



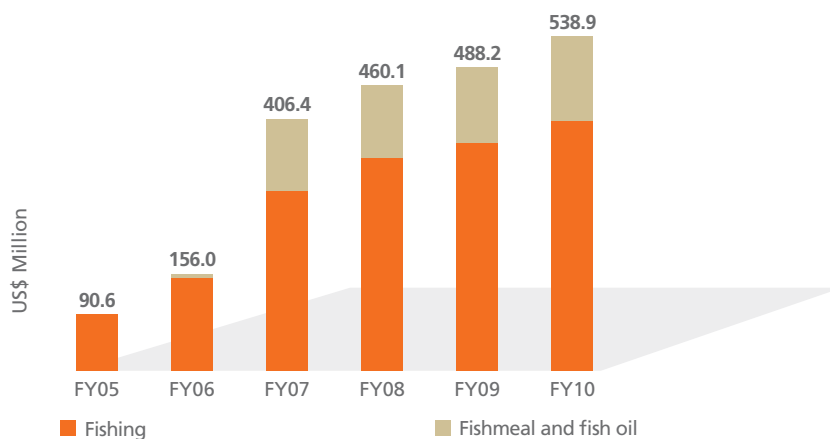
Financial Highlights

Note: Year end changed from December 31 to September 28 in August 2009. FY05 to FY08 represents 12 months ended December 31, while FY09 and FY10 represents 12 months ended September 28.

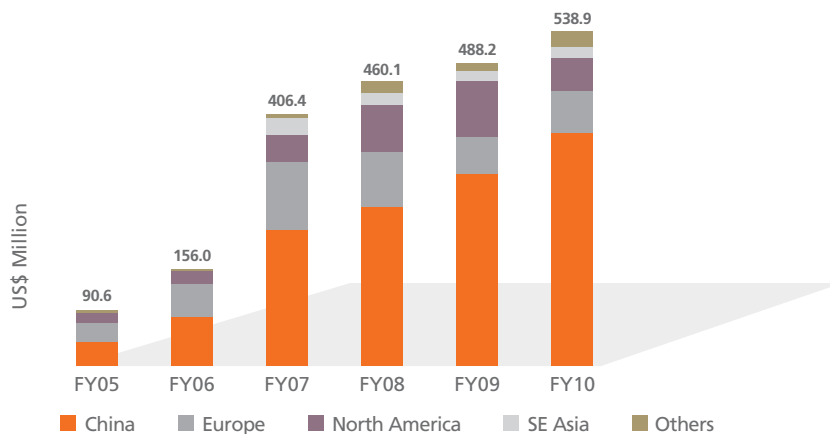
Revenue



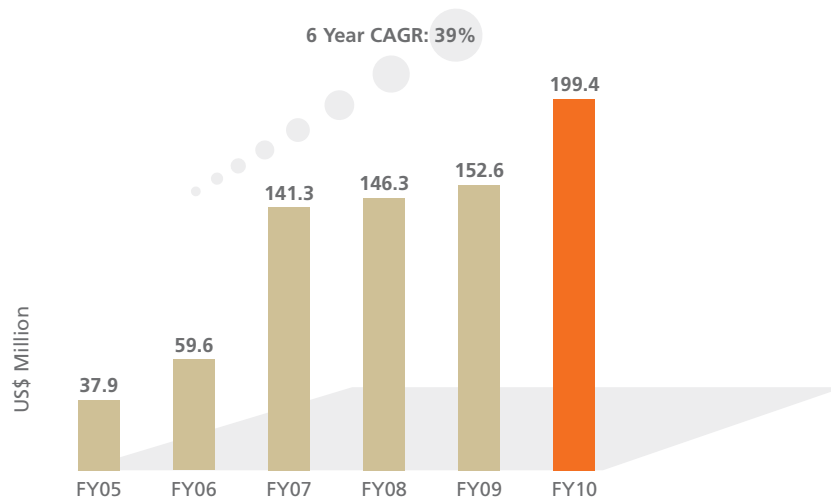
Revenue by business



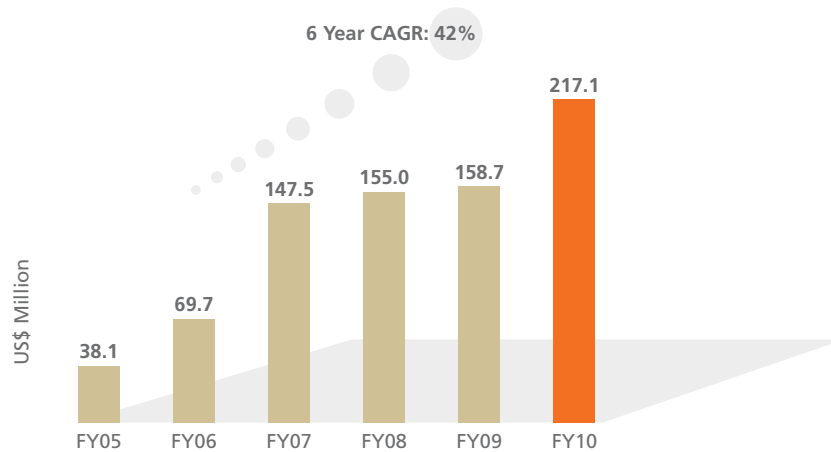
Revenue by market



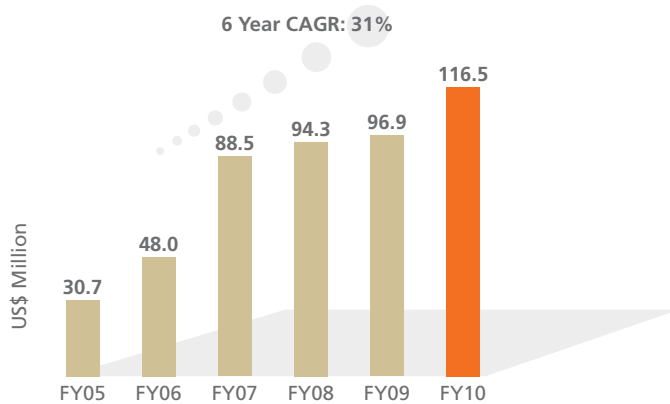
Gross profit



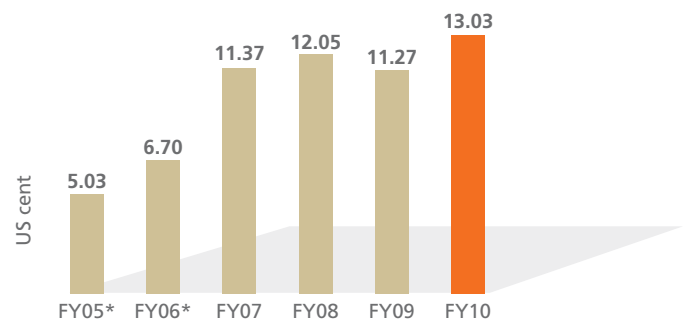
EBITDA



Net profit

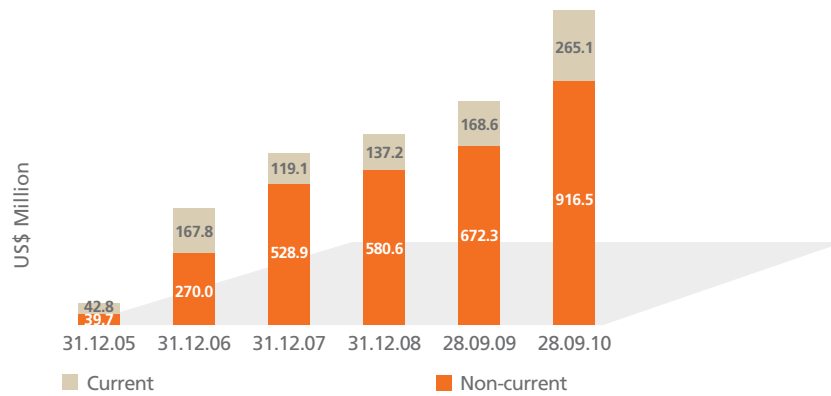


Basic earnings per share

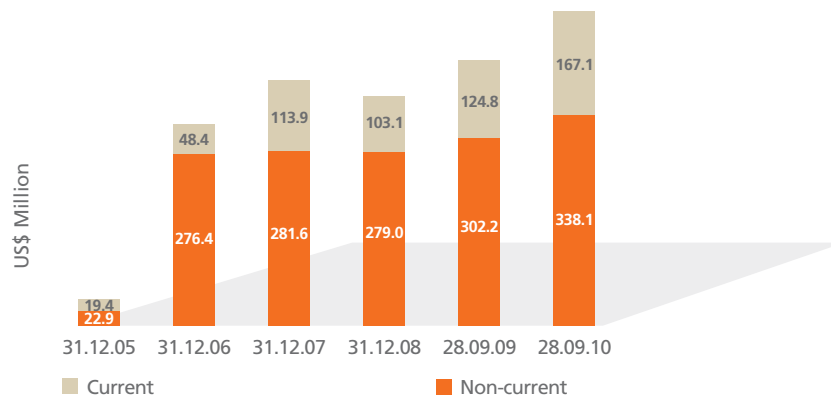


* Basic earnings per share for FY05 and FY06 were adjusted for the effect of the sub-division of shares in 2007.

Assets



Liabilities



Key ratios

Ratio \ Year	FY05	FY06	FY07	FY08	FY09	FY10
Net debt to equity	70.0%	183.4%	108.3%	92.2%	84.3%	54.8%
Long term debt to total debt	57.1%	95.1%	83.8%	78.1%	73.5%	66.8%

A Message to Investors

Dear Investor,

On behalf of your Board of Directors (“Board”), I am pleased to deliver the annual report of China Fishery Group Limited (“China Fishery” or “the Company”) and its subsidiaries (collectively “China Fishery Group” or “the Group”) for the financial year ended September 28, 2010 (“FY2010”).

I am pleased to report that China Fishery was able to achieve continuous profitable growth and improved margins in FY2010 to deliver yet another year of record profit. This is a clear testament to the success of the Group’s 3-pronged growth strategy of increasing market share, improving efficiency and utilisation of its vessels, and increasing its equity base.

During the year, the Group also welcomed The Carlyle Group as a strategic shareholder following its US\$150 million investment in July 2010. The Carlyle Group is highly regarded globally for its long-term outlook and investment philosophy based on shareholder value creation. The Board and management strongly believe that Carlyle’s investment will underscore the integrity and dynamism of China Fishery among its key stakeholders, whether customers, investors or regulators.

Financial Review (12 months ended September 28, 2010 versus 12 months ended September 28, 2009)

In FY2010, China Fishery achieved revenue growth in all three of its operations – the North Pacific trawling, South Pacific trawling and its Peruvian fishmeal and fish oil operation. The Group also benefited from steadily rising demand for its products. As a result, revenue grew by 10.4% from US\$488.2 million to US\$538.9 million.

In line with the Group’s development strategy and the strong competitive edge of its unique business model, China Fishery has also made good progress in further enhancing operating efficiencies and improving utilisation of its vessels. This has enabled the Group to achieve higher operating margins. During the year under review, the Group lifted gross profit by 30.7% from US\$152.6 million to US\$199.4 million. Net profit increased by 20.2% from US\$96.9 million to US\$116.5 million in FY2010. Earnings per share also increased from 11.27 US cents to 13.03 US cents despite an enlarged equity base after the share placement to The Carlyle Group. With the Group’s continuous growth in FY2010, as well as its efforts to enlarge its equity base, China Fishery ended the year in a stronger financial position with net debt to equity ratio reduced from 84.3% to 54.8%.

A more detailed review of the results for the year and the operating performance of the Group is contained in the Management Discussion on Financials section on pages 10 – 11 of this report.

The Board of Directors has proposed a first and final dividend of 5.0 Singapore cents per share (9 months ended September 28, 2009: 4.2 Singapore cents), subject to shareholders’ approval at the forthcoming Annual General Meeting. This amounts to a total dividend payout of US\$38.7 million, compared to US\$25.9 million in 9 months ended September 28, 2009, and a dividend payout ratio of 33.2% for FY2010 (9 months ended September 28, 2009: 33.2%). Shareholders will be offered the opportunity of receiving dividends in the form of cash or shares.

Operations review

In FY2010, the Group continued to enhance the operating efficiencies of its North Pacific fishing fleet by streamlining the number of vessels in operation. This allowed the Group to lower its cost of sales and vessel-operating expenses while still fishing its entire quota share for the year.

In Peru, a keen focus on improved efficiency allowed the closure of 2 fishmeal plants and a reduction in the number of vessels in operation during the year. This enabled the Group to improve utilisation and lower operating costs. In May 2010, the Group strategically acquired 2 Peruvian fishing companies, increasing its fishing quota share to 6.05% in North of Peru and 10.91% in South of Peru. The increased fishing quota will enable the Group to raise fishmeal and fish oil production by approximately 20%, enhancing economies of scale and operating efficiencies.

Meanwhile, the Group’s South Pacific operating model has successfully enabled the Group to operate more efficiently with fewer crew and lower energy consumption. We are optimistic that the catch results in the South Pacific will improve further in 2011 as the Group’s catcher vessels continue to benefit from the experience gained in fleet management and operations.



The Group is committed to managing its business activities in a responsible and sustainable manner, benchmarking operations against internationally recognised best practice, and applying a vision that combines sustainability with continuous profitability. With the establishment of the Corporate Social Responsibility Advisory Committee, the Group will monitor and enhance its operations to support marine sustainability, environmental best practices and safe food practices. It will also endeavour to set higher standards in sustainable practices for the industry as a whole.

Outlook and Prospects

The Group is confident that global demand for food and animal protein will continue to grow in response to population growth and rising living standards. The price of fish, a healthy source of animal protein, is also expected to rise in the long run. Management remains positive on the growth prospects of the Group's business divisions.

In recent years, the Group has made good progress in enhancing its operating efficiency. This process is ongoing, and the Group will continue to identify opportunities for further efficiency improvement in FY2011. To this end, during the South Pacific non-fishing season, the Group plans to deploy its South Pacific fleet to Mauritania – a fishing ground in Africa rich in target species such as horse mackerel and sardines, to further enhance fleet utilisation. As a result of this deployment, the Group will review opportunities to increase its fleet of catcher vessels in order to maximise utilisation of the Group's factory vessel, a mainstay of the Group's operations.

In Peru, costs will steadily be lowered by continually streamlining the fishing fleet and fishmeal processing plants, particularly in view of its higher quota share in Peru. The Group also plans to improve further the operating efficiency of its North Pacific fleet.

Given China Fishery's continuous growth record and its position as the largest industrial fishing company in the world, the Group is well-positioned to capture growth opportunities going forward. The Group will continue to explore acquisition and consolidation opportunities in new geographical markets, as well as in existing markets.

On November 17, 2010, the Group signed a US\$425 million club loan facility agreement with five international banks to refinance existing debts and also to finance the Group's general working capital needs. With the placement to The Carlyle Group and the recent club loan facility, the Board and Management believe that the Group is well positioned to expand.

Acknowledgements

Upon completion of the share placement exercise on July 28, 2010, Mr. Patrick Thomas Siewert, Senior Director of The Carlyle Group, joined the Board of Directors as non-executive director and a member of the Audit and Risk Management Committee, while Ms. Janine Feng Junyuan was appointed as the Alternate Director to Mr. Patrick Thomas Siewert. I would like to extend a warm welcome to our new Directors and thank all the Board members for their contribution, commitment and dedication during the year.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, business partners, advisers and bankers for their unflagging support. The deepest appreciation of all goes to our employees who deserve enormous credit for their commitment and hard work over the years. With your continued support, we look forward to delivering another year of growth.

Ng Joo Kwee
Executive Chairman

January 5, 2011

Management Discussion on Financials

12 months ended September 28, 2010 versus 12 months ended September 28, 2009

Income Statement

Group revenue increased by 10.4% from US\$488.2 million to US\$538.9 million.

Revenue from the North Pacific trawling operations increased by 7.9% from US\$359.1 million to US\$387.3 million, this was due primarily to higher catch volumes. The North Pacific operations contributed 71.9% to Group revenue.

The South Pacific trawling operations made its maiden full year contribution of US\$17.2 million in revenue, up from US\$7.8 million for a 9 months ended September 28, 2009. This operation contributed 3.2% to Group revenue.

Revenue from the Peruvian fishmeal operations, which accounted for 24.9% of Group revenue, increased by 10.7% from US\$121.3 million to US\$134.4 million on the back of higher fishmeal selling prices for fishmeal.

Sales to the PRC accounted for 69.6% of the Group's revenue. Japan & Korea accounted for 12.8%, Europe accounted for 9.8% and South East Asia, West Africa and other markets accounted for the remaining 7.8%.

Gross profit increased by 30.7% from US\$152.6 million to US\$199.4 million due mainly to higher overall operational efficiency. With enhanced efficiency, the Group was able to close 2 fishmeal processing plants in Peru and reduce the size of its operating fleet leading to improved utilisation and lower costs of sales and vessel operating expenses.

In line with the higher sales volume in the North Pacific trawling operations and higher per unit freight costs in the South Pacific operations, overall selling expenses increased by 41.8% from US\$24.6 million to US\$34.9 million. Administrative expenses increased by 9.5% from US\$12.7 million to US\$13.9 million, due mainly to higher personnel numbers in the South Pacific trawling operations.

EBITDA was up 36.8% from US\$158.7 million to US\$217.1 million and EBITDA margin rose from 32.5% to 40.3%.

Finance costs increased by 10.6% from US\$29.7 million to US\$32.9 million as a result of higher interest expenses from bank borrowings to finance South Pacific trawling operations and quota acquisitions in Peru. During the year, the Group incurred one-off costs of US\$5.0 million in relation to the closure of the fishmeal plants in Peru and costs associated with the proposed secondary listing in Oslo.

Net profit increased by 20.2% from US\$96.9 million to US\$116.5 million. Net profit margin increased from 19.9% to 21.6%.

September 28, 2010 versus September 28, 2009

Statement of financial position

Non-current assets increased 36.3% from US\$672.3 million to US\$916.5 million due mainly to the acquisition of an additional 1.02% fishing quota in Peru, which enabled the Group to increase its Peruvian anchovy catch quota by approximately 20%. With a higher fishing quota, fishmeal production capability and overall efficiency also improved. The Group also acquired 2 new catcher vessels for its South Pacific operations which will further enhance the overall catch capacity as well as the operational efficiency of the Group's factory vessel.

Current assets increased by 57.3% from US\$168.6 million to US\$265.1 million, due mainly to higher receivables and inventory on board the vessels in line with higher sales and the enlarged North Pacific trawling operations. The Group also incurred higher working capital for its South Pacific operations, where fishing grounds are far from shore. Additional working capital was also incurred in preparation for the launch of fishing operations in Mauritania.

Current liabilities increased 33.9% from US\$124.8 million to US\$167.1 million due mainly to higher bank borrowings to fund the Group's acquisitions during the year.

Total equity increased by 63.4% from US\$413.9 million to US\$676.4 million due primarily to the US\$150 million placement to The Carlyle Group in July 2010 and higher retained earnings. The placement to The Carlyle Group also improved the Group's capital structure and lowered the Group's net debt to equity ratio from 84.3% to 54.8%.

Directors and Senior Management Profile

Executive Directors

MR NG JOO KWEE

50, is the Executive Chairman of the Company, responsible for the overall management and strategic development of the Company. Mr Ng joined the Group in 2005 and was appointed to the Board of the Company on October 31, 2005 and last re-elected as a Director of the Company on April 30, 2009. He is also an Executive Director of Pacific Andes International Holdings Limited ("PAIH"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), as well as an Executive Director of Pacific Andes Resources Development Limited ("PARD"), a company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). In 1989, Mr Ng joined PAIH as General Manager of its China operations, overseeing the daily operations, trading and sourcing activities. Mr Ng is a brother of Mr Ng Joo Siang, Executive Director of the Company.

MR SUNG YU CHING

65, is the Managing Director of the Company, oversees the operational management and business development of the Group. Mr Sung joined the Group in 2005 and was appointed to the Board of the Company on October 31, 2005 and last re-elected as a Director of the Company on January 22, 2010. He is also the Chairman of Chuan-Chuan Yoo International Trade Ltd ("Chuan-Chuan"), a company engaged in the trading of seafood products, vessel spare parts and appliances, and provision of ship repairing and construction agency services. Mr Sung graduated from the marine engineering department of National Taiwan Ocean College and was a marine engineer in Taiwan from 1983 to 1988. In 1997, Mr Sung started his trading business and became a shareholder in Chuan-Chuan.

MR NG JOO SIANG

51, is an Executive Director of the Company, oversees the general management, sales and business development as well as strategic planning of the Group. Mr Ng joined the Group in 2006 and was appointed to the Board of the Company on April 25, 2006 and last re-elected as a Director of the Company on January 22, 2010. He is also the Managing Director of PAIH and an Executive Director of PARD, responsible for the overall strategic planning, development, corporate policy formulation, investment and management of the Pacific Andes Group. Mr. Ng is Chairman of the Investment Committee and a member of the Corporate Social Responsibility Advisory Committee. Mr Ng graduated from the Louisiana State University in Baton Rouge, Louisiana, with a Bachelor's degree in International Trade and Finance, and has over 20 years of experience in the trading of seafood products. Mr Ng is a brother of Mr Ng Joo Kwee, Executive Chairman of the Company.

MR CHAN TAK HEI

41, is the Finance Director of the Company, responsible for the overall financial management and corporate planning of the Group. Mr Chan joined the Group in 2005 and was appointed to the Board of the Company on February 15, 2005 and was last re-elected as a Director of the Company on January 22, 2010. Mr Chan graduated from the Hong Kong Polytechnic University with a Bachelor's degree in Accountancy and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in February 2005, Mr Chan was working with PAIH as its Financial Controller from 1995 to 2005.

Non-Executive Directors

MR PATRICK THOMAS SIEWERT

55, was appointed as a Non-Executive Director of the Company on July 28, 2010. He is also a member of the Audit and Risk Management Committee, Investment Committee and Corporate Social Responsibility Advisory Committee. Mr. Siewert is a senior director of the Carlyle Group, focused on investments in consumer and retail businesses across Asia since April 2007.

Prior to joining the Carlyle Group, he held various positions in Asia including group president and president and chief operating officer and corporate executive committee member of the Coca-Cola Company during the period from 2001 to 2007. Mr. Siewert attended the Rochester Institute of Technology in Service Management and received a Bachelor of Science in Business Administration from Elmhurst College, Illinois and a Master of Science from Rochester Institute of Technology. He currently serves as a director of Avery Dennison Corporation, Computime Group Limited, Kbro Co., Ltd., Eastern Broadcasting Company, Coates Group Holdings PTY Limited, Natural Beauty Bio-Technology Limited, Zhejiang Kaiyuan Hotel Investment & Management (Group) Company Limited.

MS JANINE FENG JUNYUAN

41, was appointed as an Alternate Director to Mr. Patrick Thomas Siewert, a Non-Executive Director of the Company on July 28, 2010. Apart from her position with the Company, Ms. Feng also serves as a non-executive director of other listed companies including China Pacific Insurance (Group) Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange and Natural Beauty Bio-Technology Limited, the shares of which are listed on the Stock Exchange. Ms. Feng received a master's degree in Business Administration from Harvard Business School in 1996.

Independent Directors

MR LIM SOON HOCK

60, was appointed as an Independent Director of the Company on January 16, 2006 and was last re-elected as a Director on April 28, 2008. He is also the Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee and Remuneration Committee. Mr Lim has more than 25 years of experience as a board member, chief executive officer, technopreneur and private investor, across a variety of industries. He is best known for his work as the Vice President and Managing Director of Compaq Computer Asia Pacific ("Compaq"), where he was also the first Asian appointed to the position. He is currently the Managing Director of PLAN-B ICAG Pte Ltd, which is a boutique corporate advisory firm. Since stepping down from Compaq, he has been involved in taking 3 companies public, one each on SGX, ASX and AIM as well as 8 mergers and acquisitions. He continues to sit on the boards of directors of several government agencies, public listed and private companies. He is the Deputy Chairman and Executive Director of Stratech Systems Limited. Mr Lim is active in community work and currently chairs the National Family Council and Centre for Fathering. He holds a Bachelor of Engineering degree with Honours in Electrical Engineering from the University of Singapore and is a Fellow of the Institution of Engineers Singapore, Institution of Engineering and Technology, UK and the Singapore Institute of Directors. Mr. Lim was appointed a Justice of the Peace in May 2008. In 2009, he was awarded the Public Service Medal and the NUS Distinguished Alumni Service Award."

MR TSE MAN BUN

67, was appointed as an Independent Director of the Company on January 16, 2006 and was last re-elected as a Director of the Company on April 30, 2009. He is also the Chairman of the Nominating Committee and Corporate Social Responsibility Advisory Committee, and a member of the Audit and Risk Management Committee, Remuneration Committee and Investment Committee. Mr. Tse has over 40 years of working experience in the banking industry. He joined The Hongkong and Shanghai Banking Corporation Limited in 1968 and retired from the bank in December 2002. Mr. Tse is currently a director of CDRS Development Group Limited and an independent non-executive director of Crystal International Limited, HSBC Insurance (Asia) Limited and HSBC Life (International) Limited, both are subsidiaries of HSBC which is listed in Hong Kong, London and New York, and Tysan Holdings Limited which is listed on the Stock Exchange.

MR TAN NGIAP JOO

64, was appointed as an Independent Director of the Company on January 12, 2009 and was last re-elected as a Director on April 30, 2009. He is also the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and Nominating Committee. Mr. Tan was previously the deputy president of Oversea-Chinese Banking Corporation Limited, which is listed on the main board of the SGX-ST and was a director of British and Malayan Trustees Limited, which is also listed on the main board of the SGX-ST. Prior to this, he was a chief executive officer of Bank of Singapore (Australia) Limited. Presently, he sits on the boards of several listed companies. He is the chairman and director of United Engineers Limited, which is listed on the main board of the SGX-ST, an independent non-executive director of Kian Ann Engineering Ltd, which is listed on the main board of the SGX-ST and Tan Chong International Limited, which is listed on the Stock Exchange and also an independent director of Mapletree Logistics Trust Management Ltd, the manager of Mapletree Logistics Trust which is listed on the main board of the SGX-ST. Mr. Tan holds a Bachelor of Arts degree from the University of Western Australia.

Senior Management

MR ROMAN EMELYANOV

39, is our Chief Port Engineer. He is responsible for the technical aspects of the fishing vessels, including the maintenance and repair of the fishing vessels. He graduated from Kamchatka State Marine University in 1994 with a Master's degree in Marine Engineering. He joined our Group as a mechanical engineer in 2001. He was promoted to the position of Chief Port Engineer of the Company in 2002.

MR WONG MAN YUK RAYMOND

34, is the Financial Controller for our Group. He is responsible for the financial management of the Group. He graduated from Hong Kong Baptist University with a Bachelor's degree in Accountancy in 1998 and is a fellow member of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants. He worked at Deloitte Touche Tohmatsu from 1998 to 2003 and immediately prior to leaving the firm, he held the position of Audit Senior. From 2003 until he joined the Group in October 2005, Mr Wong was with Pacific Andes International Holdings Limited as its Deputy Financial Controller.

MR JOSE MIGUEL TIRADO MELGAR

44, is a general manager of CFG Investment S.A.C. and has been brought in to run our Peru operations. He is responsible for the overall management of CFG Investment S.A.C. and supervision of the key managers of CFG Investment S.A.C. Prior to joining the Company in 2006, he was an independent investor owning fishing vessels, processing plants and a fishing vessel shipyard in Peru. Mr. Tirado graduated from Bentley College in Boston, Massachusetts in 1990 with a Bachelor's degree in Management.

MR FRANCISCO JAVIER PANIAGUA JARA

40, is a general manager of CFG Investment S.A.C. Mr. Paniagua is responsible for all corporate, legal and regulatory matters relating to our Peruvian operations. Prior to joining the Company in 2006, Mr. Paniagua was an attorney with Estudio Ehecopar and in-house counsel with Banco Latino, both in Lima, Peru. He was also an attorney with Cleary, Gottlieb, Steen & Hamilton in New York, New York. Mr. Paniagua holds a Bachelor's degree in General Studies and a Law degree, both from Pontificia Universidad Catolica del Peru, and an L.L.M. degree from Cornell Law School in Ithaca, New York.

MR ISAAC FINGER

40, is the chief financial officer of CFG Investment S.A.C., a position he has held since April 2008. Prior to joining the Company in 2008, he worked as chief financial officer at Hochschild Mining PLC for four years. Mr. Finger graduated from Universidad de Lima with a Bachelor's degree in Industrial Engineering and has a Master of Science in Finance from the University of Rochester in New York, New York.



Corporate Information

Board of Directors

EXECUTIVE:

Ng Joo Kwee (Executive Chairman)
Sung Yu Ching (Managing Director)
Ng Joo Siang
Chan Tak Hei

NON-EXECUTIVE:

Patrick Thomas Siewert (appointed on July 28, 2010)
Janine Feng Junyuan
(alternate to Patrick Thomas Siewert)
(appointed on July 28, 2010)

NON-EXECUTIVE INDEPENDENT:

Lim Soon Hock
Tse Man Bun
Tan Ngiap Joo

Audit and Risk Management Committee

Lim Soon Hock (Chairman)
Tse Man Bun
Tan Ngiap Joo
Patrick Thomas Siewert (appointed on July 28, 2010)

Nominating Committee

Tse Man Bun (Chairman)
Lim Soon Hock
Tan Ngiap Joo

Remuneration Committee

Tan Ngiap Joo (Chairman)
Lim Soon Hock
Tse Man Bun

Investment Committee

Ng Joo Siang (Chairman)
Patrick Thomas Siewert
Tse Man Bun
Ng Joo Thieng (alternate to Ng Joo Siang)
Janine Feng Junyuan (alternate to Patrick Thomas Siewert)
Tan Ngiap Joo (alternate to Tse Man Bun)

Corporate Social Responsibility

Advisory Committee

Tse Man Bun (Chairman)
Ng Joo Siang
Patrick Thomas Siewert
Ng Puay Yee
Tan Ngiap Joo (alternate to Tse Man Bun)
Lt-Gen (Ret) Ng Jui Ping (alternate to Ng Joo Siang)
Janine Feng Junyuan (alternate to Patrick Thomas Siewert)
Ng Joo Thieng (alternate to Ng Puay Yee)

Principal Bankers

CITIC Bank International Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Rabobank International, Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited

Company Secretaries

Yvonne Choo
Busarakham Kolsikaporn

Registered Office

Clifton House,
75 Fort Street,
P.O. Box 1350 GT,
George Town,
Grand Cayman, Cayman Islands

Principal Office

Room 3312-3314, Hong Kong Plaza,
188 Connaught Road West, Hong Kong
Tel: 852-2548 2666
Fax: 852-2548 9666
Email: ir@chinafish.com

Cayman Islands Share Registrar and Share Transfer Agent

Appleby Corporate Services (Cayman) Ltd
Clifton House, 75 Fort Street,
P.O. Box 1350 GT, George Town,
Grand Cayman, Cayman Islands

Singapore Share Transfer Agent

B.A.C.S. Private Limited
63 Cantonment Road,
Singapore 089758
Tel: 65-6323 6200
Fax: 65-6323 6990

Company Registration Number

99414

Auditors

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way #32-00,
DBS Building, Tower Two,
Singapore 068809

Audit Partner-in-Charge

Tsia Chee Wah
Date of Appointment: September 2, 2008

Report on Corporate Governance

The Directors are committed to maintaining a high standard of corporate governance within China Fishery Group Limited (the "Company" or "China fishery") & its subsidiaries (the "Group") and confirm that the Company has adhered to the principles and guidelines as set out in the Code of Corporate Governance 2005 (the "Code") unless otherwise specified.

Board Matters

Principle 1: Board's Conduct of its Affairs

The Board oversees the business affairs of the Company and assumes responsibility for the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices.

The Board is supported by the Audit and Risk Management Committee ("ARMC") (formerly known as Audit Committee), Remuneration Committee ("RC"), Nominating Committee ("NC"), Investment Committee ("IC") and Corporate Social Responsibility Advisory Committee ("CSRAC").

The Board conducts regular scheduled meetings at least four times a year and meets as and when warranted by particular circumstances between these scheduled meetings. The Company's Articles of Association provide for meetings to be held via telephone and video conferencing.

The Company has in place orientation programmes for newly-appointed Directors to ensure that they are familiar with the Group's structure, its business and operations. Newly-appointed Directors are expected to participate in the orientation programmes which include meetings with the Chairman/Managing Director and the Finance Director to obtain in-depth information and an understanding of the Group's business.

The Company has also set aside a training budget for its Directors to attend relevant courses and seminars. The Directors are provided with updates on changes in the relevant laws and regulations, where appropriate, to enable them to make well-informed decisions and to discharge their duties responsibly.

Board approval is required for matters likely to have a material impact on the Group's operations as well as matters other than in the ordinary course of business.

Details of Directors' attendance at Board and Board committee meetings held in the year ended September 28, 2010 ("FY2010") are summarised in the table below:

	Board	ARMC	RC	NC
Ng Joo Kwee	4	–	–	–
Sung Yu Ching	3	–	–	–
Ng Joo Siang	4	–	–	–
Chan Tak Hei	4	–	–	–
Lim Soon Hock	4	4	2	2
Tse Man Bun	4	4	2	2
Tan Ngiap Joo	4	4	2	2
Patrick Thomas Siewert (i)				
Janine Feng Junyuan (ii) (alternate to Patrick Thomas Siewert)	1	1	–	–
Total held in FY2010	4	4	2	2

Notes:

- (i) Patrick Thomas Siewert was appointed a Non-Executive Director and a member of ARMC on July 28, 2010.
- (ii) Janine Feng Junyuan was appointed Alternate Director to Patrick Thomas Siewert, Non-Executive Director, on July 28, 2010.

Principle 2: Board Composition

The Board comprises 8 Directors. The Board is of the view that its current size is appropriate, taking into account the nature and scope of the Group's operations.

As at the date of this report, the Board comprises the following Directors:

Executive Directors:

Ng Joo Kwee (Executive Chairman)
Sung Yu Ching (Managing Director)
Ng Joo Siang
Chan Tak Hei

Non-Executive Independent Directors:

Lim Soon Hock
Tse Man Bun
Tan Ngiap Joo

Non-Executive Directors:

Patrick Thomas Siewert
Janine Feng Junyuan (alternate to Patrick Thomas Siewert)

The NC, which reviews the independence of each Director on an annual basis, adopts the Code's definition of what constitutes an independent Director.

As a group, the Directors bring with them a broad range of expertise and experience in areas such as accounting, finance, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. The diversity of the Directors' experience allows for the useful exchange of ideas and views. The profile of all Board members is set out in the section entitled 'Directors' Profile' of this Annual Report.

The Non-Executive Directors constructively challenge Management and assist in the development of proposals on strategy. The Non-Executive Directors also review the performance of Management at meetings.

Principle 3: Chairman and Managing Director

Ng Joo Kwee is the Executive Chairman of the Company. Mr Ng is one of the founders of the Group and plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. Mr Ng is responsible for the workings of the Board and ensures the integrity and effectiveness of the governance process of the Board.

The Company's Managing Director ("MD") is Sung Yu Ching, who is responsible for the day-to-day running of the Group and the quality, quantity and timeliness of information flow between the Board and Management.

Ng Joo Siang is an Executive Director of the Company and a founder of the Hong Kong-listed and Singapore-listed holding company, Pacific Andes International Holdings Limited and Pacific Andes Resources Development Limited respectively. Mr Ng is responsible for the overall management of the Company, including implementing major business strategies and co-ordinating the business and operations of both Pacific Andes Group and China Fishery Group.

Report on Corporate Governance

There is a clear division of responsibilities between the Chairman and the MD. This ensures a balance of power and authority at the top such that there is no concentration of power in any single individual. The roles of Chairman and MD are separate in line with good corporate governance practices. This also ensures increased accountability and provides the Board with greater capacity for independent decision making.

All major decisions made by the Executive Chairman and MD are endorsed by the Board. Their performance and remuneration packages are reviewed periodically by the NC and the RC respectively. The NC and RC comprise Non-Executive Independent Directors. As such, the Board believes that there are adequate safeguards in place against an unbalanced concentration of power and authority in any single individual.

Principle 4: Board Membership

The Directors who held office in FY2010 and as at the date of this report are disclosed on page 16 (Corporate Information) and page 28 (Report of the Directors) of this Annual Report respectively. Profiles of Directors as at the date of this report are disclosed on pages 12 to 14 (Directors and Senior Management Profile) of this Annual Report.

Principle 5: Board Performance

Nominating Committee

The NC, regulated by a set of written terms of reference, comprises 3 members, all of whom are Non-Executive Independent Directors, as follows:

Tse Man Bun (Chairman)
Lim Soon Hock
Tan Ngiap Joo

The NC is chaired by Tse Man Bun, a Non-Executive Independent Director not associated with any substantial shareholder.

The principle functions of the NC stipulated in its terms of reference are summarised as follows:

- (a) Reviews and makes recommendations to the Board on all Board appointments;
- (b) Reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustment that are deemed necessary;
- (c) Determines the independence of each Director;
- (d) Makes recommendations to the Board for the continuation of services by any Director who has reached the age of 70 (seventy) years or otherwise;
- (e) Assesses the effectiveness of the Board and the performance and contribution of each Director;
- (f) Decides whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple Board representations; and
- (g) Reviews and recommends newly-appointed Directors and Directors retiring by rotation for re-election at each Annual General Meeting ("AGM").

The NC had reviewed the independence of each Director for FY2010 in accordance with the Code's definition of independence and is satisfied that at least one-third of the Board comprise Non-Executive Independent Directors.

The NC had adopted a formal process of evaluating the performance of the Board as a whole. This process involves the completion of a questionnaire by Board members. A summary of findings is prepared based on the completed questionnaires and is reviewed and deliberated by the NC. The Chairman of the NC confers with the Chairman of the Board on the findings and appropriate follow-up actions are taken as necessary. A Board performance evaluation was carried out to assess and evaluate amongst other things, the Board's composition, size and expertise, timeliness of Board information accountability and processes. Quantitative financial criteria such as the Company's share price performance, return on equity (ROE), return on assets (ROA), and earnings per share (EPS) were also considered in the evaluation.

The NC also has in place a process for the selection and appointment of Directors. The process provides procedures for the identification of potential candidates, a review of their skills, knowledge and experience, an assessment of the candidates suitability and finally recommending their appointments or otherwise for consideration by the Board.

In accordance with the Company's Articles of Association, each Director retires at least once every three years by rotation and all newly-appointed Directors retire at the next AGM following their appointments. The retiring Directors are eligible to offer themselves for re-election.

The NC had recommended the re-appointment of the following Directors who will be retiring at the forthcoming AGM, following a review of their performance and contributions:

- (1) Ng Joo Kwee
- (2) Lim Soon Hock
- (3) Tse Man Bun
- (4) Patrick Thomas Siewert

The Board had accepted the NC's recommendation and accordingly, the above-named Directors will be offering themselves for re-election.

Principle 6: Access to Information

All Directors have independent access to the Group's senior management and the Company Secretary. Directors are provided with complete and adequate information prior to Board meetings and on an ongoing basis.

The Company Secretary provides secretarial support and assistance to the Board and ensures adherence to Board procedures and relevant rules and regulations applicable to the Company. The Company Secretary or her representative attends all Board and Board committee meetings.

The Directors may seek independent professional advice to fulfill their duties and such cost will be borne by the Company.

Report on Corporate Governance

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The RC, regulated by a set of written terms of reference, comprises 3 members, all of whom are Non-Executive Independent Directors, as follows:

Tan Ngiap Joo (Chairman)
Lim Soon Hock
Tse Man Bun

The RC reviews:

- (a) the remuneration package of each Director and senior executives of the Group;
- (b) fees for Non-Executive Independent Directors subject to shareholders' approval at the AGM;
- (c) all service contracts and terms of employment of the Executive Directors;

and makes the necessary recommendation to the Board.

For administrative efficiency, the RC has delegated the review of the remuneration of senior executives to Ng Joo Siang, an Executive Director, but retains its oversight responsibility.

The RC also has access to external professional advice on remuneration matters, if required.

The RC had recommended to the Board an amount of HK\$720,000 (equivalent to US\$92,308 or S\$122,280) as Directors' fees for the year ending September 28, 2011, to be paid monthly in arrears. The Board will table this recommendation at the forthcoming AGM for shareholders' approval.

Directors' fees payable to the Non-Executive Independent Directors are set in accordance within a remuneration framework and in consideration of the contribution, effort, time incurred and responsibilities of the Non-Executive Independent Directors.

All Executive Directors and Patrick Thomas Siewert, a Non-Executive Director, do not receive Directors' fees.

The remuneration for the Executive Directors and senior executives comprises a basic salary plus any other fixed allowances and an annual performance bonus tied to individual performance as well as the Group's performance.

Directors' Remuneration

The remuneration paid for the financial year ended September 28, 2010 is set out below:

Name of Director	Director's fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
S\$500,000 and above					
Chan Tak Hei	–	54	24	22	100
S\$250,000 to below S\$500,000					
Nil					
Below S\$250,000					
Ng Joo Kwee	–	78	15	7	100
Sung Yu Ching	–	83	17	–	100
Ng Joo Siang	–	78	15	7	100
Lim Soon Hock	92	–	–	8	100
Tse Man Bun	98	–	–	2	100
Tan Ngiap Joo	92	–	–	8	100
Patrick Thomas Siewert	–	–	–	–	–

Employees' Remuneration

The annual remuneration paid to each of the top five executives (who are not Directors of the Company) is as set out below:

Name of Executive	Salary (%)	Bonus (%)	Others (%)	Total (%)
S\$500,000 and above				
Nil				
S\$250,000 to below S\$500,000				
Francisco Paniagua	93	–	7	100
José Miguel Tirado Melgar	93	–	7	100
Below S\$250,000				
Isaac Finger Kogan	92	–	8	100
Wong Man Yuk Raymond	73	26	1	100
Roman Emelyanov	100	–	–	100

Report on Corporate Governance

The existing service agreements for each of the Executive Directors (except for Ng Joo Siang who has an on-going service agreement with the Company's holding company), which commenced on January 25, 2006, are for a period of 5 years. Upon its expiry in January 2011, the service agreements would be renewed for such period as the Board, in consultation with the RC, may decide. The existing service agreement provides for termination by the Executive Directors or the Company upon giving not less than 6 months' notice in writing.

With the exception of Ng Joo Siang and Ng Joo Kwee, there were no employees of the Company who are immediate family members of a Director or the Chairman or the MD and whose remuneration exceeds S\$150,000 during the financial period under review. Ng Joo Siang, Executive Director, is the brother of Ng Joo Kwee, Executive Chairman.

The Company has in place a Share Awards Scheme (the "Scheme") administrated by the RC.

All the Executive Directors, Non-Executive Directors and employees of the Group, except for those who are controlling shareholders or their associates, are eligible to participate in the Scheme. No grants of awards have been made under the Scheme for the financial year under review.

Details of the Scheme are disclosed under Report of the Directors on page 29 of this Annual Report.

Principle 10: Accountability

The Board provides shareholders with a detailed and balanced explanation and analysis of the Company's performance, financial position and prospects on a quarterly basis in the Group's quarterly and full-year results announcements.

Management provides the Board with financial statements of the Group's performance, position and prospects on a regular basis.

Principle 11: Audit and Risk Management Committee

The ARMC, regulated by a set of written terms of reference, comprises 3 Non-Executive Independent Directors and 1 Non-Executive Director as follows;

Lim Soon Hock (Chairman)
Tse Man Bun
Tan Ngiap Joo
Patrick Thomas Siewert

The Board is of the view that the ARMC members have adequate accounting or related financial management expertise and experience to discharge the ARMC's functions.

The ARMC meets at least four times a year and as and when deemed appropriate, to carry out its functions.

The ARMC has full access to and receives the co-operation of Management. The ARMC also has full discretion to invite any Director or executive officer to attend its meetings and has been given adequate resources to enable it to discharge its functions.

The ARMC performs the following functions:

- Reviews the annual and quarterly financial statements of the Company and the Group before submission to the Board for adoption;
- Reviews with the external and internal auditors, their audit plans and audit reports;
- Reviews the co-operation given by Management to the external and internal auditors;
- Reviews and nominates the appointment or re-appointment of external auditors;
- Reviews the scope and findings of the internal audit including the effectiveness of the Company's internal audit function;
- Reviews interested person transactions;
- Reviews the independence of the external auditors annually; and
- Reviews hedging policies of the Company with regard to the costs of bunkers and foreign exchange, if any.

The ARMC reviews arrangements by which the staff may, in confidence, report possible improprieties which may cause financial or non-financial loss to the Company. The objective is to ensure that arrangements are in place, for the independent investigation of such concerns and for appropriate follow-up action.

The ARMC had reviewed the non-audit services provided by the external auditors, Deloitte & Touche LLP and is of the opinion that the provision of such services does not affect their independence.

Annually, the ARMC meets with the external and internal auditors without the presence of Management. The Group has an in-house internal audit functions.

The ARMC had recommended the re-appointment of Deloitte & Touche LLP as the Company's auditors at the forthcoming AGM.

Principle 12: Internal Controls

The Board ensures that Management maintains a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The ARMC reviews the adequacy of financial, operational and compliance controls and risk management policies.

The ARMC is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interest and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and management of business risks.

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks and takes appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the ARMC and the Board. The Group's financial risk management objectives and policies are outlined in the financial statements. Risk management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This helps to protect and also create shareholders' value.

Based on the information provided to the ARMC, nothing has come to the ARMC's attention to cause the ARMC to believe that the Group's system of internal controls and risk management processes are inadequate. The Board supports this observation.

Principle 13: Internal Audit ("IA")

The Board understands the importance of maintaining a sound system of internal controls and audit. The Company has an internal audit function which reports directly to the ARMC. The internal auditor has adopted the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The ARMC, on an annual basis, assesses the effectiveness of the IA function by examining the scope of the internal audit work, the independence of areas reviewed and the internal audit reports on the state of the Group's internal controls.

The ARMC is satisfied that the IA function is adequately resourced and has the appropriate standing within the Company to undertake its activities independently and objectively.

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

Report on Corporate Governance

In line with continuous disclosure obligations, the Company is committed to regular and proactive communication with its shareholders. It is the Board's policy that shareholders are informed of all major developments within the Group.

Information is communicated to shareholders on a timely basis through:

- (a) Announcements and press releases made via SGXNET on major developments of the Group;
- (b) Financial statements containing a summary of the financial information and affairs of the Group for the respective quarters and full-year which are released via SGXNET;
- (c) Annual reports sent to all shareholders; and
- (d) Notices of and explanatory notes for annual general meetings and extraordinary general meetings.

At the AGM, shareholders are given opportunities to communicate their views on matters pertaining to the Group and to participate in the meeting. Issues seeking approval of shareholders, if any, are usually tabled as separate resolutions.

The Chairmen of the ARMC, RC and NC as well as the external auditors will be available at the forthcoming AGM to address any queries raised by shareholders.

Investment Committee ("IC")

The IC was established in August 2010 primarily to evaluate proposed investments in excess of US\$20 million and submitting its recommendation to the Board.

The IC, regulated by a set of written terms of reference, comprises 3 members, a majority of whom are Non-Executive Directors, as follows:

Ng Joo Siang (Chairman) – Executive Director
Tse Man Bun – Non-Executive Independent Director
Patrick Thomas Siewert – Non-Executive Director
Ng Joo Thieng (alternate to Ng Joo Siang) – General Manager
Tan Ngiap Joo (alternate to Tse Man Bun) – Non-Executive Independent Director
Janine Feng Junyuan (alternate to Patrick Thomas Siewert) – Alternate Director to Patrick Thomas Siewert

Since its establishment in August 2010, the IC had met once in FY2010 to carry out its function.

Corporate Social Responsibility Advisory Committee ("CSRAC")

The CSRAC was formally established in November 2010 comprising the following:

Tse Man Bun (Chairman) – Non-Executive Independent Director
Ng Joo Siang – Executive Director
Patrick Thomas Siewert – Non-Executive Director
Ng Puay Yee – Executive Director of Pacific Andes International Holdings Limited ("PAIH")
Tan Ngiap Joo (alternate to Tse Man Bun) – Non-Executive Independent Director
Lt-Gen (Ret) Ng Jui Ping (alternate to Ng Joo Siang) – Non-Executive Independent Director of Pacific Andes Resources Development Limited, the Company's holding company
Janine Feng Junyuan (alternate to Patrick Thomas Siewert) – Alternate Director to Patrick Thomas Siewert
Ng Joo Thieng (alternate to Ng Puay Yee) – General Manager

Note: China Fishery is an indirect non-wholly owned subsidiary of PAIH.

The CSRAC, regulated by a set of written terms of reference, was set up to monitor and evaluate corporate social responsibility matters (including but without limitation to fishery sustainability, environmental compliance and food safety) arising from the business and operations of the Company & its subsidiaries.

The CSRAC had, prior to its formal establishment, met once in FY2010 to discuss corporate social responsibility and sustainability matters related to the Group's business.

Securities Transactions

The Company has adopted an internal code governing dealings in securities by Directors and key officers of the Company and its subsidiaries. This code provides guidance on dealing in the Company's securities. Directors and key officers of the Company and its subsidiaries are required to comply with this code.

Directors and key officers have been informed not to deal in the Company's securities at all times whilst in possession of unpublished price sensitive information and during the periods commencing at least 31 days and 14 days prior to the announcement of the Company's results for the full-year and for the three quarters respectively.

Directors and key officers are also encouraged not to deal in the Company's securities on short-term considerations.

Interested Person Transactions

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the ARMC.

Interested person transactions for FY2010 undertaken pursuant to the shareholders' general mandate under Rule 920 of the Listing Manual of the SGX-ST are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST) US\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST (excluding transactions less than S\$100,000) US\$'000
Pacific Andes Resources Development Limited and its subsidiaries:		
Sales of catches	Nil	Nil
Sales of fishmeal products	Nil	Nil
Purchase of bunker and other vessel supplies	Nil	Nil

Material Contracts

Except for the service agreements entered into with Ng Joo Kwee, Sung Yu Ching and Chan Tak Hei and the interested person transactions conducted under the general mandate given by shareholders (if any), no material contract involving the interests of any Director or controlling shareholders of the Company has been entered into by the Company or any of its subsidiary companies in FY2010.

Use of proceeds from the placement of shares to CAP III-A Limited (the "Placement")

In July 2010, the Company successfully raised total gross proceeds of US\$150 million from the Placement. The Group intends to use the proceeds to pursue strategic acquisitions and improve operational efficiency through vessel upgrades in future.

Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended September 28, 2010.

1 Directors

The directors of the Company in office at the date of this report are:

Executive Directors:

Ng Joo Kwee – Executive Chairman
Sung Yu Ching – Managing Director
Ng Joo Siang
Chan Tak Hei

Non-Executive Independent Directors:

Lim Soon Hock
Tse Man Bun
Tan Ngiap Joo

Non-Executive Directors:

Patrick Thomas Siewert (Appointed on July 28, 2010)
Janine Feng Junyuan (Alternate to Patrick Thomas Siewert) (Appointed on July 28, 2010)

In accordance with Articles 107 and 111 of the Company's Articles of Association, Ng Joo Kwee, Lim Soon Hock, Tse Man Bun and Patrick Thomas Siewert, are subject to retirement and re-election at the forthcoming Annual General Meeting respectively.

2 Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 Directors' Interests in Shares and Debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of Directors' shareholdings kept by the Company except as follows:

Name of director and company in which interest is held	Direct	
	At beginning of year	At end of year
The Company	Ordinary shares of US\$0.05 each	
Tan Ngiap Joo	20,000	20,724

The director's interests in the shares of the Company at October 19, 2010 were the same at September 28, 2010.

4 Directors' Receipt and Entitlement to Contractual Benefits

Since the beginning of the financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 Share Options

a. Options to take up unissued shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

b. Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

c. Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

6 Share Awards Scheme

The CFGL Share Awards Scheme ("CFGL SAS") in respect of ordinary shares in the Company was approved by the shareholders on April 30, 2007.

The CFGL SAS is administered by the Remuneration Committee, currently comprising Tan Ngiap Joo, Lim Soon Hock and Tse Man Bun.

The Company would at its discretion and on a free-of-charge basis grant shares under the CFGL SAS to participants of the scheme. The shares will vest 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 participants 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.

No share awards have been granted under CFGL SAS during the current financial year. There were an aggregate of 1,180,776 share awards which have not been released as at September 28, 2010. No share award will vest until February 16, 2012.

Report of the Directors

During the current financial year:

- (i) no directors or employees of the Company and its subsidiaries has received shares pursuant to the release of awards granted under CFGL SAS which, in aggregate, represent 5% or more of the aggregate of (a) total number of new shares available under CFGL SAS, and (b) total number of existing shares purchased for delivery of awards released under CFGL SAS; and
- (ii) no Common Parent Participants has received 5% or more of the total number of shares available to Common Parent Participants under CFGL SAS.

Since the commencement of CFGL SAS to the end of the current financial year, there were no grants of share awards to Common Parent Participants.

The aggregate number of ordinary shares which may be issued under the CFGL SAS shall not exceed 15% of the issued share capital of the Company from time to time.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

7 Audit and Risk Management Committee (formerly known as Audit Committee), Nominating Committee and Remuneration Committee

Details of the Company's Audit and Risk Management Committee, Nominating Committee and Remuneration Committee are set out in the Report on Corporate Governance on page 18 of the Annual Report.

8 Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Sung Yu Ching
Managing Director

Chan Tak Hei
Finance Director

Date: January 5, 2011

Statement of the Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 33 to 94 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at September 28, 2010, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Sung Yu Ching
Managing Director

Chan Tak Hei
Finance Director

Date: January 5, 2011

Deloitte.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHINA FISHERY GROUP LIMITED

We have audited the accompanying financial statements of China Fishery Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at September 28, 2010, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 94.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the 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 of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at September 28, 2010 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Deloitte & Touche LLP

Public Accountants and Certified Public Accountants

Singapore

Date: January 5, 2011

Statements of Financial Position

Year ended September 28, 2010

	Note	Group		Company	
		2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
ASSETS					
Current assets					
Cash and bank balances	7	29,119	17,254	125	34
Pledged deposits	7	5,712	5,679	–	–
Trade receivables	8	38,664	31,746	–	–
Other receivables and prepayments	9	95,576	45,346	–	–
Prepaid income tax		5,028	5,902	–	–
Deferred expenses	10	55,415	32,716	–	–
Inventories	11	13,482	7,816	–	–
Current portion of deferred charter hire	12	22,133	22,133	–	–
Total current assets		<u>265,129</u>	<u>168,592</u>	<u>125</u>	<u>34</u>
Non-current assets					
Deferred charter hire	12	157,990	180,123	–	–
Property, plant and equipment	13	482,717	349,947	–	–
Investment properties	14	2,910	2,423	–	–
Goodwill	15	86,869	64,102	–	–
Fishing permits	16	184,511	74,189	–	–
Associate	17	1,500	1,500	–	–
Subsidiaries	18	–	–	374,210	186,840
Total non-current assets		<u>916,497</u>	<u>672,284</u>	<u>374,210</u>	<u>186,840</u>
Total assets		<u><u>1,181,626</u></u>	<u><u>840,876</u></u>	<u><u>374,335</u></u>	<u><u>186,874</u></u>

Statements of Financial Position

Year ended September 28, 2010

	Note	Group		Company	
		2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	19	15,067	6,851	–	–
Other payables and accrued expenses	20	13,630	18,998	208	162
Derivative financial instruments	21	1,586	–	–	–
Income tax payable		2,018	432	–	–
Financial guarantee contract		–	–	525	525
Current portion of finance leases	22	3,989	4,807	–	–
Current portion of bank loans	23	130,791	93,705	–	–
Total current liabilities		<u>167,081</u>	<u>124,793</u>	<u>733</u>	<u>687</u>
Non-current liabilities					
Financial guarantee contract		–	–	1,181	1,706
Finance leases	22	12,195	10,423	–	–
Bank loans	23	37,899	43,210	–	–
Senior notes	24	220,841	219,562	–	–
Deferred tax liabilities	25	67,203	29,011	–	–
Total non-current liabilities		<u>338,138</u>	<u>302,206</u>	<u>1,181</u>	<u>1,706</u>
Capital and reserves					
Share capital	26	50,121	43,014	50,121	43,014
Share premium		251,784	101,325	251,784	101,325
Warrants reserve	27	12,714	–	12,714	–
Revaluation reserve	27	4,323	2,720	–	–
Merger reserve	27	(30,503)	(30,503)	–	–
Retained earnings		<u>387,968</u>	<u>297,321</u>	<u>57,802</u>	<u>40,142</u>
Net equity		<u>676,407</u>	<u>413,877</u>	<u>372,421</u>	<u>184,481</u>
Total liabilities and equity		<u><u>1,181,626</u></u>	<u><u>840,876</u></u>	<u><u>374,335</u></u>	<u><u>186,874</u></u>

See accompanying notes to the financial statements.

Consolidated Income Statement

Year ended September 28, 2010

		Group	
		September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
	Note		
Revenue	28 & 29	538,931	383,449
Cost of sales		(46,921)	(47,960)
Charter hire expenses		(83,422)	(60,920)
Vessel operating costs		<u>(209,155)</u>	<u>(146,923)</u>
Gross profit		199,433	127,646
Other operating income	30	6,543	3,556
Selling expenses		(34,882)	(21,394)
Administrative expenses		(13,869)	(9,497)
Other operating expenses		(5,028)	–
Finance costs	31	<u>(32,890)</u>	<u>(20,992)</u>
Profit before tax		119,307	79,319
Income tax expense	32	<u>(2,768)</u>	<u>(1,196)</u>
Profit for the year	33	<u><u>116,539</u></u>	<u><u>78,123</u></u>
Basic earnings per share (US cents)	34	<u><u>13.03</u></u>	<u><u>9.08</u></u>
Diluted earnings per share (US cents)	34	<u><u>13.01</u></u>	<u><u>9.07</u></u>

See accompanying notes to the financial statements.

Consolidated Statement Of Comprehensive Income

Year ended September 28, 2010

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Profit for the year	116,539	78,123
Revaluation of properties, representing other comprehensive income for the year	<u>1,603</u>	<u>(18)</u>
Total comprehensive income for the year, attributable to the owners of the Company	<u><u>118,142</u></u>	<u><u>78,105</u></u>

See accompanying notes to the financial statements.

Statements of Changes in Equity

Year ended September 28, 2010

	Share capital US\$'000	Share premium US\$'000	Warrants reserve US\$'000	Revaluation reserve US\$'000	Merger reserve US\$'000	Retained earnings US\$'000	Total US\$'000
Group							
Balance at January 1, 2009	39,104	105,235	–	2,738	(30,503)	219,198	335,772
Total comprehensive income for the year	–	–	–	(18)	–	78,123	78,105
Bonus issue of shares (Note 26)	3,910	(3,910)	–	–	–	–	–
Balance at September 28, 2009	43,014	101,325	–	2,720	(30,503)	297,321	413,877
Total comprehensive income for the year	–	–	–	1,603	–	116,539	118,142
Issue of shares	5,676	144,324	–	–	–	–	150,000
Share issue expense	–	(3,509)	–	–	–	–	(3,509)
Issue of warrants	–	(12,714)	12,714	–	–	–	–
Final dividend of 4.2 Singapore cents per ordinary share in respect of financial year 2009 (Note 35)	1,431	22,358	–	–	–	(25,892)	(2,103)
Balance at September 28, 2010	<u>50,121</u>	<u>251,784</u>	<u>12,714</u>	<u>4,323</u>	<u>(30,503)</u>	<u>387,968</u>	<u>676,407</u>

	Share capital US\$'000	Share premium US\$'000	Warrants reserve US\$'000	Retained earnings US\$'000	Total US\$'000
Company					
Balance at January 1, 2009	39,104	105,235	–	7,662	152,001
Total comprehensive income for the year	–	–	–	32,480	32,480
Bonus issue of shares (Note 26)	3,910	(3,910)	–	–	–
Balance at September 28, 2009	43,014	101,325	–	40,142	184,481
Total comprehensive income for the year	–	–	–	43,552	43,552
Issue of shares	5,676	144,324	–	–	150,000
Share issue expense	–	(3,509)	–	–	(3,509)
Issue of warrants	–	(12,714)	12,714	–	–
Final dividend of 4.2 Singapore cents per ordinary share in respect of financial year 2009 (Note 35)	1,431	22,358	–	(25,892)	(2,103)
Balance at September 28, 2010	<u>50,121</u>	<u>251,784</u>	<u>12,714</u>	<u>57,802</u>	<u>372,421</u>

See accompanying notes to the financial statements.

Consolidated Statement of Cash Flows

Year Ended September 28, 2010

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Operating activities		
Profit before tax	119,307	79,319
Adjustments for:		
Amortisation of deferred charter hire	22,133	16,477
Amortisation of senior notes issuing expenses	1,279	960
Depreciation expense	41,504	12,204
Fair value gain on revaluation of investment properties	(487)	(194)
Loss (Gain) on disposal of property, plant and equipment	25	(8)
Impairment loss of property, plant and equipment	1,253	–
Interest expense	31,611	20,032
Interest income	(262)	(48)
Provision for claims	–	699
	<hr/>	<hr/>
Operating cash flows before movements in working capital	216,363	129,441
Trade receivables	(6,629)	(12,875)
Other receivables and prepayments	(44,663)	(24,290)
Deferred expenses	(22,699)	(6,806)
Inventories	(5,618)	25,533
Trade payables	7,970	(7,196)
Other payables and accrued expenses	(2,404)	(5,579)
Derivative financial instruments	1,586	–
	<hr/>	<hr/>
Cash generated from operations	143,906	98,228
Interest paid	(31,908)	(16,581)
Income tax refund (paid)	1,271	(1,593)
	<hr/>	<hr/>
Net cash from operating activities	113,269	80,054

		Group	
		September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
	Note		
Investing activities			
Purchase of property, plant and equipment (Note A)		(140,193)	(118,883)
Proceeds from disposal of property, plant and equipment		23	625
Acquisition of subsidiaries	36	(114,672)	–
Consideration payable	36	(5,108)	–
Interest received		262	48
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(259,688)</u>	<u>(118,210)</u>
Financing activities			
Issue of shares		146,491	–
Additions of bank loans		72,001	62,461
Repayment of bank loans		(45,350)	(5,625)
Repayment of obligations under finance lease		(12,722)	(3,368)
Pledged deposits		(33)	(5,679)
Dividends paid		(2,103)	–
		<u> </u>	<u> </u>
Net cash from financing activities		<u>158,284</u>	<u>47,789</u>
Net increase in cash and cash equivalents		11,865	9,633
Cash and cash equivalents at beginning of year		17,254	7,621
		<u> </u>	<u> </u>
Cash and cash equivalents at end of year		<u><u>29,119</u></u>	<u><u>17,254</u></u>
Cash and cash equivalents consist of:			
Cash at banks	7	28,811	16,125
Cash on hand	7	308	1,129
		<u> </u>	<u> </u>
		<u><u>29,119</u></u>	<u><u>17,254</u></u>
Note A			
Purchase of property, plant and equipment		153,869	120,777
Less: Finance cost capitalised as construction-in-progress		–	(1,894)
Less: Obligations under finance lease		(13,676)	–
		<u> </u>	<u> </u>
Cash payments on purchase of property, plant and equipment		<u><u>140,193</u></u>	<u><u>118,883</u></u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

September 28, 2010

1 GENERAL

The Company is incorporated in Cayman Islands with its principal place of business in the Republic of China and registered office at Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands. The Company's shares are listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in United States dollars and all values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

The principal activity of the Company is that of investment holding. The principal activities of the associate and subsidiaries are disclosed in Notes 17 and 18 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended September 28, 2010 were authorised for issue by the Board of Directors on January 5, 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the financial statements and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS").

The financial statements are also prepared in accordance with International Financial Reporting Standards.

ADOPTION OF NEW AND REVISED STANDARDS – In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after September 29, 2009. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as discussed below:

FRS 103 (2009) – Business Combinations

FRS 103 (2009) has been adopted in the current year and is applied prospectively to business combinations for which the acquisition date is on or after January 1, 2010. The main impact of the adoption of FRS 103 (2009) Business Combinations on the Group has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in consolidated profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FRS 103 (2009) – Business Combinations (continued)

FRS 103 (2009) has also required additional disclosures in respect of business combinations in the period (Note 36).

Results in future periods may be affected by future impairment losses relating to the increased goodwill, and by changes in the fair value of contingent consideration recognised as a liability.

The change in accounting policy has no impact on the earnings per share as reported in the consolidated income statement.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- Improvements to Financial Reporting Standards (issued in October 2010)
- FRS 24 (Revised) Related Party Disclosures

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above amendments to FRSs issued but not effective at the date of authorisation of these financial statements in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 24 (Revised) – Related Party Disclosures

FRS 24 (Revised) Related Party Disclosures is effective for annual periods beginning on or after January 1, 2011. The revised Standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity.

In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

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 statement of comprehensive income from the effective date of acquisition and 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 in full on consolidation.

In the Company's financial statements, investment in subsidiaries is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

COMMON CONTROL BUSINESS COMBINATION OUTSIDE THE SCOPE OF FRS 103 – A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The restructuring exercise in 2005 resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of FRS 103 *Business Combinations*. For such common control business combinations, merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COMMON CONTROL BUSINESS COMBINATION OUTSIDE THE SCOPE OF FRS 103 (continued)

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the financial statements of the constituent entities prior to the common control combination. The carrying amounts are included as if consolidated financial statements had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

Merger reserve represents the difference between the nominal amount of the share capital of the combining entities at the date on which it was acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

BUSINESS COMBINATIONS WITHIN THE SCOPE OF FRS 103 – Where there is no common control prior to acquisition, the acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

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

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS WITHIN THE SCOPE OF FRS 103 (continued)

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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 below), 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.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, 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 60 days, as well as 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 is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables when the recognition of interest would be immaterial.

Interest-bearing bank loans and senior notes are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision and the amount initially recognised less, when appropriate, cumulative amortisation. The amount amortised on a straight-line basis over the period of the guarantee is the deemed guarantee income for the issuer.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 21 to the financial statements.

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 each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

LEASES – 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 on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Company 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 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 charges are charged directly to profit or loss.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

The Group as lessee (continued)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

DEFERRED EXPENSES – Expenses incurred in catching fish and other marine catches during voyages are deferred in the statement of financial position and released to profit or loss as expenses when the fish and marine catches are sold and revenue is recognised for the sale. Expenses on each voyage are 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 as an expense in profit or loss immediately.

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 the Arrangers (Note 12). 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 to profit or loss and does not include this cost in deferred expenses. Variable charter hire costs are determined when the revenue from the sale of fish and marine products can be determined. Variable charter hire cost is accrued as an expense at the same time when revenue is recognised.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of processing and costs to be incurred in marketing, selling and distribution.

DEFERRED CHARTER HIRE – Deferred charter hire represents future charter hire expense for fishing vessels which have been prepaid or contractually agreed to be prepaid. They are amortised and charged to profit or loss as charter hire expense proratably over the period for which the prepayment is made and the benefits are expected to accrue.

PROPERTY, PLANT AND EQUIPMENT – Leasehold buildings held for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for 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 carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation on revalued buildings is charged to profit or loss. On subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

Properties, plant and equipment with the exception of leasehold building are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method on the following bases:

Freehold buildings	–	33 years
Leasehold buildings	–	25 years upon every revaluation or the lease term, if shorter
Fishing vessels	–	10 to 17 years
Factory vessel	–	20 years
Fishing nets	–	4 years
Plant and machinery	–	2 to 10 years
Vehicles	–	20 years
Furniture, fittings and office equipment	–	4 to 10 years

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceed and the carrying amounts of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. 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.

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOODWILL (continued)

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

ASSOCIATES – An associate is an entity over which the Group 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 the associate are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSOCIATES (continued)

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 the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part 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.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

IMPAIRMENT OF ASSETS EXCLUDING GOODWILL – At the end of each 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). Where 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 annually, and whenever there is an indication that the asset 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

The amount recognised as a provision is 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.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROVISIONS (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of fishes and related products are 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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income is recognised on a straight-line basis over the term of the relevant lease.

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.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYMENT LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX – Income tax expense 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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate 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 each 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in United States dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Notes to the Financial Statements

September 28, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in a separate component of equity, shall be reclassified from equity to income statement (as a reclassification adjustment) when the gain or loss on disposal is recognised.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) are recognised in other comprehensive income and accumulated in foreign currency translation reserves (attributed to minority interest, as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the Financial Statements

September 28, 2010

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the Group's accounting policies

Management did not make any material judgements that have a significant effect on the amounts recognised in the financial statements except for those affecting accounting estimates as disclosed in Note 3(ii).

(ii) Key sources of estimation uncertainty

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

Carrying amount of deferred charter hire

As at September 28, 2010, the carrying amount of deferred charter hire (Note 12) was US\$180,123,000 (2009 : US\$202,256,000). The operation of vessels under the vessel operating agreements with the Arrangers (Note 12) have been profitable after deducting amortisation of the deferred charter hire over the periods for which the charter hires have been prepaid. Management expects the operations to remain profitable in the foreseeable future and the carrying amount of the deferred charter hire to be recoverable from future operations.

Carrying amount of fishing vessels and fishing permits

The carrying amount of factory vessel, fishing vessels (in use and construction-in-progress) and fishing permits was US\$207,948,000 and US\$184,511,000, respectively, as at September 28, 2010 (2009 : US\$148,105,000 and US\$74,189,000, respectively). Determining whether the carrying amount of these assets can be realised requires an estimation of the value in use of the cash-generating units and a suitable discount rate in order to calculate present value. Management has evaluated these projections using assumptions on catch quantities, prices of catch and operating costs after considering efficiencies that can be achieved when the operations become part of the Group's larger operations. With effect from January 2009, the fishing system in Peru changed from the previous "Olympic" system to "Individual Transferable Quota ("ITQ")" system which entitles fishing companies holding valid licensed fishing vessels to a share of fishing quotas determined by the authorities. Management has evaluated the impact of the quota allocation under the ITQ system and included such consideration in the estimation of the value in use. Based on these evaluations, management is of the view that the carrying amounts of the fishing vessels and fishing permits are realisable through future operations.

Carrying amount of goodwill

Information relating to the carrying amount and management's assessment of goodwill is provided in Notes 15 and 36. Based on the assessment as noted in Note 15, management expects the carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

Useful lives of property, plant and equipment

The carrying amounts of property, plant and equipment amounting to US\$482,717,000 (2009 : US\$349,947,000) have been determined after charging depreciation on a straight-line basis over the estimated useful lives of these assets.

Components of these carrying amounts are detailed in Note 13.

Management reviews the estimated useful lives of these assets at the end of each annual reporting period and has determined that the useful lives as stated in Note 2 remain appropriate.

Notes to the Financial Statements

September 28, 2010

4 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:

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Financial assets				
Loans and receivables (including cash and bank balances)	<u>146,714</u>	<u>83,680</u>	<u>370,660</u>	<u>183,199</u>
Financial liabilities				
Financial guarantee contract	–	–	1,706	2,231
Amortised cost	432,645	395,303	208	162
Derivative financial instrument	<u>1,586</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>434,231</u>	<u>395,303</u>	<u>1,914</u>	<u>2,393</u>

(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, credit and liquidity. The Group does not enter into any significant financial derivative contracts, except for forward foreign exchange contracts to manage its exposure to Japanese Yen and Euro.

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

i) Foreign exchange risk management

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

Notes to the Financial Statements

September 28, 2010

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(i) Foreign exchange risk management (continued)

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

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2010	2009	2010	2009	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Peruvian Nuevos Soles	7,349	5,851	8,711	6,144	-	-	-	-
Chinese Renminbi	643	141	278	1,359	-	-	-	-
Hong Kong dollar	418	184	131	99	195	80	21	16
Euro	1,342	454	909	1,400	-	-	-	-
Singapore dollar	73	52	137	26	3	42	84	5

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 period end for a 10% change in foreign currency rates.

If Peruvian Nuevos Soles, the major currency, weakens or strengthens by 10% against the functional currency of each Group entity, Group profit will increase or decrease by US\$136,000 (2009 : increase or decrease by US\$29,000), respectively. For other foreign currencies, the management considers that the amounts involved are insignificant and accordingly no sensitivity analysis is presented.

(ii) Interest rate risk management

Interest-earning financial assets comprise bank balances (Note 7). Summary quantitative data of the Group's interest-bearing financial liabilities can be found in section (iv) of this Note.

The Group mitigates its exposure to changes in interest rates by locking in fixed rate borrowings through the issue of senior notes (Note 24) and use of finance leases for which rates are fixed at inception of the finance leases (Note 22). The Group's policy is to obtain the most favourable interest rates available and also by reviewing the terms of the interest-bearing liabilities to minimise the adverse effects of changes in interest rates.

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group and Company profit for the year ended September 28, 2010 would decrease/increase by approximately US\$734,000 and US\$1,853,000 (2009 : decrease/increase by US\$394,000 and US\$627,000) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Notes to the Financial Statements

September 28, 2010

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(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.

Sales of fish and other marine catches and fishmeals are made to companies which the Group has assessed 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. Sales of fishmeals are covered by letters of credit issued by reputable financial institutions. Trade debtors that are neither past due nor impaired are substantially companies with good collection track record 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 estimated irrecoverable amount.

There is no concentration of credit risk except that 56% (2009 : 70%) of the Group's receivables at the end of the financial year relate to 3 entities (2009 : 3 entities).

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

The maximum amount the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed by the counterparty to the guarantee is US\$386.5 million (2009 : US\$350.7 million). Based on expectations at the end of the reporting period, the Company 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.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, and the exposure to defaults from financial guarantees above, represents the Group's maximum exposure to credit risk.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 respectively.

Notes to the Financial Statements

September 28, 2010

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(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

Non-derivative financial liabilities

The following tables detail the contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of financial position.

	Weighted average effective interest rate %	On demand or within 1 year US\$'000	Within 2 to 5 years US\$'000	Adjustment US\$'000	Total US\$'000
Group					
September 28, 2010					
Non-interest bearing	–	26,930	–	–	26,930
Finance lease liabilities	9.26%	6,189	16,415	(6,420)	16,184
Variable interest rate instruments	3.39%	126,962	38,271	(2,437)	162,796
Fixed interest rate instruments	9.21%	25,437	247,957	(46,659)	226,735
		<u>185,518</u>	<u>302,643</u>	<u>(55,516)</u>	<u>432,645</u>
September 28, 2009					
Non-interest bearing	–	23,596	–	–	23,596
Finance lease liabilities	8.88%	7,159	13,918	(5,847)	15,230
Variable interest rate instruments	3.69%	91,247	44,340	(4,616)	130,971
Fixed interest rate instruments	9.26%	26,676	298,178	(99,348)	225,506
		<u>148,678</u>	<u>356,436</u>	<u>(109,811)</u>	<u>395,303</u>
Company					
September 28, 2010					
Non-interest bearing	–	208	–	–	208
Financial guarantee contract		525	1,181	–	1,706
		<u>733</u>	<u>1,181</u>	<u>–</u>	<u>1,914</u>
September 28, 2009					
Non-interest bearing	–	162	–	–	162
Financial guarantee contract		525	1,706	–	2,231
		<u>687</u>	<u>1,706</u>	<u>–</u>	<u>2,393</u>

The maximum amount that the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed by the counterparty to the guarantee, is US\$386.5 million (2009 : US\$350.7 million). The earliest period that the guarantee could be called is within 1 year (2009 : 1 year) from the end of the reporting period. As mentioned in Note 4(iii), the Company considers that it is more likely than not that no amount will be payable under the arrangement.

Notes to the Financial Statements

September 28, 2010

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(iv) Liquidity risk management (continued)

Liquidity and interest risk analyses (continued)

Non-derivative financial assets

	Weighted average effective interest rate %	On demand or within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	Total US\$'000
Group						
September 28, 2010						
Non-interest bearing	–	141,002	–	–	–	141,002
Variable interest rate instruments	0.23%	5,712	–	–	–	5,712
		<u>146,714</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>146,714</u>
September 28, 2009						
Non-interest bearing	–	78,001	–	–	–	78,001
Variable interest rate instruments	0.78%	5,679	–	–	–	5,679
		<u>83,680</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>83,680</u>
Company						
September 28, 2010						
Non-interest bearing	–	125	–	–	–	125
Variable interest rate instruments	3.29%	–	–	382,726	(12,191)	370,535
		<u>125</u>	<u>–</u>	<u>382,726</u>	<u>(12,191)</u>	<u>370,660</u>
September 28, 2009						
Non-interest bearing	–	34	–	–	–	34
Variable interest rate instruments	3.74%	–	–	190,015	(6,850)	183,165
		<u>34</u>	<u>–</u>	<u>190,015</u>	<u>(6,850)</u>	<u>183,199</u>

Notes to the Financial Statements

September 28, 2010

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(iv) *Liquidity risk management (continued)*

Liquidity and interest risk analyses (continued)

Derivative financial liabilities

At September 28, 2010, the undiscounted contractual net cash outflows on foreign exchange forward contracts that settle on a net basis within 1 year from the end of the reporting date were US\$1,586,000 (2009 : Nil). The carrying amount of financial derivatives in the consolidated statement of financial position has been determined by reference to the quoted market prices for equivalent instruments at the end of the reporting period.

(v) *Other risk management*

The Group prepaid US\$288 million (2009 : US\$288 million) of charter hire fees for 17 (2009 : 17) fishing vessels, the benefits of which are to be realised over 10 to 18 years up to 2025 (2009 : 2009 : 10 to 18 years up to 2025). The Group mitigates the risk relating to obligations of the counterparties in respect of the prepayment arrangements and the vessel operating agreements through the security documents described in Note 12.

(vi) *Fair values of financial asset and financial liabilities*

The carrying amounts of cash and bank balances, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Notes to the Financial Statements

September 28, 2010

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(vi) Fair values of financial asset and financial liabilities (continued)

Financial instruments measured at fair value

	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
Group				
Financial Liabilities				
2010				
Derivative financial instruments	<u>1,586</u>	<u>–</u>	<u>1,586</u>	<u>–</u>
2009				
Derivative financial instruments	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Group has no financial assets carried at fair value in 2009 and 2010.

Company

The Company had no financial assets or liabilities carried at fair value in 2009 and 2010.

(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 debt, which comprises the borrowings disclosed in Notes 22 to 24, 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 each class of 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 redemption of existing debt.

Management also ensures that the Group maintains gearing ratios within a set range to comply with the loan covenants imposed by banks.

The Group's overall strategy remains unchanged from September 28, 2009. The Group is in compliance with externally imposed capital requirements for the financial years ended September 28, 2010 and September 28, 2009.

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5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Super Investment Limited, a company incorporated in Cayman Islands. Its intermediate holding company is Pacific Andes Resources Development Limited ("PARD"), a company incorporated in Bermuda with its shares listed on the Singapore Exchange Securities Trading Limited. Its penultimate holding company is Pacific Andes International Holdings Limited, a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is N.S. Hong Investment (BVI) Limited, a company incorporated in the British Virgin Islands.

Some of the Company's transactions are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of trading transactions entered between the Group and other related companies that are not members of the Group are disclosed below:

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Sale of marine products to related companies	–	2,651

Sale of marine products to related companies were transacted at prevailing market prices.

6 OTHER RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year comprise:

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Short-term benefits	1,571	1,031
Post-employment benefits	80	44
	<u>1,651</u>	<u>1,075</u>

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Notes to the Financial Statements

September 28, 2010

7 CASH AND BANK BALANCES

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Cash at banks	28,811	16,125	125	34
Cash on hand	308	1,129	-	-
	<u>29,119</u>	<u>17,254</u>	<u>125</u>	<u>34</u>
Pledged fixed deposit	5,712	5,679	-	-
	<u>34,831</u>	<u>22,933</u>	<u>125</u>	<u>34</u>

Cash at banks bears interest at rates ranging from 0.001% to 0.01% (2009 : 0.001% to 0.01%) per annum.

The pledged fixed deposit, which bears interest ranging from 0.22% to 0.54% (2009 : 0.14% to 1.42%) per annum, is held as security for term loans granted to the Group (Note 23b).

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

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Euro	711	597	-	-
Chinese Renminbi	183	370	-	-
Hong Kong dollar	130	98	21	16
Peruvian Nuevos Soles	886	830	-	-
Singapore dollar	135	22	84	5

8 TRADE RECEIVABLES

	Group	
	2010 US\$'000	2009 US\$'000
Outside parties	<u>38,664</u>	<u>31,746</u>

An allowance for estimated irrecoverable amount from the sale of goods to third parties of US\$758,000 (2009 : US\$1,375,000) has been determined by reference to management's estimation of irrecoverable amounts. The Group has provided for receivables over 180 days based on historical experience.

Notes to the Financial Statements

September 28, 2010

8 TRADE RECEIVABLES (continued)

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

	2010 US\$'000	2009 US\$'000
Less than 30 days past due	1,267	–
Over 30 days past due	851	5
	<u>2,118</u>	<u>5</u>

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.

The remaining trade receivables balance of US\$36,546,000 (2009 : US\$31,741,000) is neither past due nor impaired.

The credit period granted on sale of goods in the Pacific Ocean and Peruvian Waters are up to 30 days and 60 days (2009 : 30 days and 60 days), respectively. No interest is charged on overdue balances.

Movement in the allowance for doubtful debts:

	Group	
	2010 US\$'000	2009 US\$'000
Balance at beginning of the year	1,375	3,031
Written off against trade receivables during the year	(617)	(1,656)
Balance at end of the year	<u>758</u>	<u>1,375</u>

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

	Group	
	2010 US\$'000	2009 US\$'000
Euro	–	134
Chinese Renminbi	41	–
Peruvian Nuevos Soles	1,933	3
	<u>1,933</u>	<u>3</u>

Notes to the Financial Statements

September 28, 2010

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group	
	2010 US\$'000	2009 US\$'000
Arrangers (Note 12)	66,411	23,724
Prepayments for fishmeal and operating expenses	22,357	16,345
Value added tax recoverable	4,119	3,882
Others	2,689	1,395
	<u>95,576</u>	<u>45,346</u>

The balances with the Arrangers as of September 28, 2009 and 2010 are secured, interest-free and represent advances to the Arrangers for fishing tickets so as to be able to fish in the Pacific Ocean, which are obtained after payment of a resources utilisation fee based on the planned catch volume. Balances also consist of working capital advances for the operation of the vessels under the vessel operating agreements (Note 12).

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

The other receivables balances are neither past due nor impaired.

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

	Group	
	2010 US\$'000	2009 US\$'000
Chinese Renminbi	54	989
Euro	198	669
Singapore dollar	2	4
Hong Kong dollar	1	1
Peruvian Nuevos Soles	5,892	5,311
	<u>5,892</u>	<u>5,311</u>

10 DEFERRED EXPENSES

This comprises costs incurred in operating the fishing vessels to be recovered through subsequent sales of fish and other marine products.

11 INVENTORIES

	Group	
	2010 US\$'000	2009 US\$'000
Fishmeal	8,734	3,671
Frozen fish	865	-
Packing materials	251	439
Supplies	3,632	3,706
	<u>13,482</u>	<u>7,816</u>

Fishmeal with carrying amounts of US\$1,646,000 (2009 : US\$3,615,000) have been pledged as security for the Group's bank overdrafts and inventory loans totalling US\$2,222,000 (US\$5,230,000) (Note 23e).

Notes to the Financial Statements

September 28, 2010

12 DEFERRED CHARTER HIRE

	Group	
	2010	2009
	US\$'000	US\$'000
Total deferred charter hire	288,000	288,000
Less accumulated amortisation	<u>(107,877)</u>	<u>(85,744)</u>
	180,123	202,256
Included as current asset	<u>(22,133)</u>	<u>(22,133)</u>
	157,990	180,123
Included as non-current asset	<u>157,990</u>	<u>180,123</u>
Accumulated amortisation:		
At beginning of year	85,744	69,267
Amortisation during the year charged as charter hire expenses	<u>22,133</u>	<u>16,477</u>
	107,877	85,744
At end of year	<u>107,877</u>	<u>85,744</u>

A subsidiary, China Fisheries International Limited ("CFIL"), entered into vessel operating agreements with two companies, Perun Limited ("Perun") and Alatir Limited ("Alatir") (collectively as "Arrangers"), to prepay fixed charter hire for 17 (2009 : 17) vessels for 10 to 18 years (2009 : 10 to 18 years) up to 2025 (2009 : 2025). To secure the benefits from the prepayments and to ensure that the counterparties comply with their obligations under the vessel operating agreements, the counterparties executed the following documents in favour of CFIL:

- (i) charges of all the issued shares of Perun and Alatir (the "Charges");
- (ii) debentures over all the present and future assets of Perun and Alatir (the "Debentures"); and
- (iii) entrusted management agreements to vest upon the nominees of CFIL, the management and control of Perun and Alatir in respect of and limited to the performance and obligations of the vessel operating agreements.

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

- (i) any default by the counterparties in the due performance of any undertaking, condition or obligation on its part to be performed and observed in the vessel operating agreements, the Charges, the Debentures or any other instruments or agreements entered into 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 vessel operating agreements, the Charges, the Debentures or any other security granted in favour of CFIL by each of Perun and Alatir.

Notes to the Financial Statements

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13 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land US\$'000	Freehold buildings US\$'000	Leasehold buildings US\$'000	Factory vessel US\$'000	Fishing vessels US\$'000	Fishing nets US\$'000	Plant and machinery US\$'000	Vehicles US\$'000	Furniture, fittings and office equipment US\$'000	Construction-in-progress US\$'000	Total US\$'000
Cost or valuation:											
At January 1, 2009	5,529	21,172	8,437	-	62,773	8,591	141,953	995	3,987	36,871	290,308
Additions	-	-	-	-	14,546	-	13,837	170	151	92,073	120,777
Disposals	(37)	(72)	-	-	(333)	-	(312)	(122)	(22)	-	(898)
Reclassifications	(182)	635	-	-	283	-	4,873	-	-	(5,609)	-
Reclassification to investment properties (Note 14)	-	-	(2,229)	-	-	-	-	-	-	-	(2,229)
Adjustment on asset revaluation	-	-	(324)	-	-	-	-	-	-	-	(324)
At September 28, 2009	5,310	21,735	5,884	-	77,269	8,591	160,351	1,043	4,116	123,335	407,634
Additions	-	-	-	-	29,929	-	68,430	-	1,021	54,489	153,869
Acquisition of subsidiaries	624	594	-	-	10,941	1,338	6,511	-	95	-	20,103
Disposals	-	-	-	-	-	-	(71)	(11)	(40)	-	(122)
Reclassifications	-	-	-	79,033	28,268	-	48,156	-	-	(155,457)	-
Adjustment on asset revaluation	-	-	1,353	-	-	-	-	-	-	-	1,353
At September 28, 2010	5,934	22,329	7,237	79,033	146,407	9,929	283,377	1,032	5,192	22,367	582,837
Comprising:											
September 28, 2009											
At cost	5,310	21,735	-	-	77,269	8,591	160,351	1,043	4,116	123,335	401,750
At valuation	-	-	5,884	-	-	-	-	-	-	-	5,884
	5,310	21,735	5,884	-	77,269	8,591	160,351	1,043	4,116	123,335	407,634
September 28, 2010											
At cost	5,934	22,329	-	79,033	146,407	9,929	283,377	1,032	5,192	22,367	575,600
At valuation	-	-	7,237	-	-	-	-	-	-	-	7,237
	5,934	22,329	7,237	79,033	146,407	9,929	283,377	1,032	5,192	22,367	582,837
Accumulated depreciation:											
At January 1, 2009	-	3,068	86	-	12,575	4,487	23,659	621	1,574	-	46,070
Depreciation	-	408	220	-	3,210	898	7,012	120	336	-	12,204
Disposals	-	(15)	-	-	(58)	-	(88)	(115)	(5)	-	(281)
Eliminated on revaluation	-	-	(306)	-	-	-	-	-	-	-	(306)
At September 28, 2009	-	3,461	-	-	15,727	5,385	30,583	626	1,905	-	57,687
Depreciation	-	431	250	2,305	7,110	1,650	29,171	150	437	-	41,504
Disposals	-	-	-	-	-	-	(29)	(11)	(34)	-	(74)
Eliminated on revaluation	-	-	(250)	-	-	-	-	-	-	-	(250)
At September 28, 2010	-	3,892	-	2,305	22,837	7,035	59,725	765	2,308	-	98,867
Impairment:											
At January 1, 2009 and September 28, 2009											
Impairment during the year	-	-	-	-	-	-	1,253	-	-	-	1,253
At September 28, 2010	-	-	-	-	-	-	1,253	-	-	-	1,253
Carrying amount:											
At September 28, 2009	5,310	18,274	5,884	-	61,542	3,206	129,768	417	2,211	123,335	349,947
At September 28, 2010	5,934	18,437	7,237	76,728	123,570	2,894	222,399	267	2,884	22,367	482,717

Notes to the Financial Statements

September 28, 2010

13 PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amount of the Group's property, plant and equipment includes an amount of US\$17,219,000 (2009: US\$45,730,000) in respect of assets held under finance leases (Note 22).

The leasehold buildings situated in Hong Kong and Singapore were revalued by BMI Appraisals Limited, independent valuers not connected with the Group, on an open market value basis as at September 28, 2010 (2009: September 28, 2009).

At September 28, 2010, had the leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately US\$3,721,000 (2009: US\$3,894,000).

At September 28, 2010, a fishing vessel amounted to US\$125.7 million (2009: US\$86.6 million, included in construction-in-progress) is pledged as security for term loans granted to the Group (Note 23b).

During the year, the Group closed 2 fishmeal plants, the closure led to the recognition of impairment loss of US\$1,253,000 that had been recognised in the consolidated income statement and included in the line item other operating expenses. The recoverable amount of the relevant assets has been determined on the basis of their value in use.

14 INVESTMENT PROPERTIES

	Group	
	2010	2009
	US\$'000	US\$'000
Balance at beginning of year	2,423	–
Transfer from property, plant and equipment (Note 13)	–	2,229
Fair value gain on investment properties (Note 30)	487	194
	<u>2,910</u>	<u>2,423</u>
Balance at end of year	<u>2,910</u>	<u>2,423</u>

The investment properties in Singapore, leased out under operating leases, were valued at US\$2,910,000 (2009: US\$2,423,000) by BMI Appraisals Limited, a firm of independent professional valuers, on an open market value basis as at September 28, 2010 (2009: September 28, 2009).

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15 GOODWILL

	Group	
	2010 US\$'000	2009 US\$'000
Cost:		
At beginning of year	64,102	64,102
Arising on acquisition of subsidiaries (Note 36)	<u>22,767</u>	<u>–</u>
At end of year	<u><u>86,869</u></u>	<u><u>64,102</u></u>

Goodwill acquired in a business combination is allocated, at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the Peruvian operations.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For year ended September 28, 2009 and 2010 the Group engaged an independent financial advisor located in Hong Kong, BMI Appraisals Limited, to determine the value of the Peruvian operations as of September 28, 2009 and 2010 respectively. Based on the report of the advisor, dated December 17, 2010 and December 11, 2009, management updated their assessment as of September 28, 2010 and 2009 respectively.

With effect from January 2009, the fishing system in Peru changed from the previous "Olympic" system to "Individual Transferable Quota ("ITQ")" system which entitles fishing companies holding valid licensed fishing vessels to a share of fishing quotas determined by the authorities. Management has evaluated the impact of the quota allocation under the ITQ system and included such consideration in the estimation of the value in use. Based on these evaluations, management is of the view that the carrying amounts of the fishing vessels and fishing permits are realisable through future operations.

The assessment of recoverability of the carrying amount of goodwill includes:

- (i) forecasted projected cash flows up to 2020 (2009: 2017) and projection of terminal value using the perpetuity method;
- (ii) growth rate of 3.3% up to 2017 (2009: 3.3%); and
- (iii) use of 17.44% and 8.07% for the fishmeal and trawling businesses respectively (2009: 14.03% and 12.31%) to discount the projected cash flows to net present values.

As at September 28, 2010, any reasonably possible change to key assumptions applied are not likely to cause the recoverable amounts to be below the carrying amount of goodwill.

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

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16 FISHING PERMITS

	Group	
	2010 US\$'000	2009 US\$'000
Cost:		
At beginning of year	74,189	74,189
From acquisition of subsidiaries (Note 36)	<u>110,322</u>	<u>–</u>
At end of year	<u><u>184,511</u></u>	<u><u>74,189</u></u>

Fishing permits are granted by the authority in Peru. The fishing permits are attached to fishing vessels and are transferable to other vessels of no bigger capacity should the original vessels become obsolete or sink. For the financial year ended September 28, 2010, the cost of purchase of a fishing vessel with the attached fishing permit and the cost of acquiring the subsidiary which owns the fishing vessels and attached fishing permits (Note 36) are allocated to the respective component of assets acquired on the basis of valuation reports dated April 16, 2010 and April 29, 2010 respectively prepared by independent third party valuer in Peru, J.R.Z. Adjustadores y Peritos de Seguros S.A.C..

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

As stated in Note 15, the Group has engaged independent valuer to determine the value of the Peruvian operations. Based on the report and management's assessment of business prospects, management expects the carrying amount of fishing permits to be recoverable and there is no impairment in value of the fishing permits.

17 ASSOCIATE

	Group	
	2010 US\$'000	2009 US\$'000
Unquoted equity shares, at cost	<u><u>1,500</u></u>	<u><u>1,500</u></u>

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17 ASSOCIATE (continued)

Details of the associate are as follows:

Name of associate	Country of incorporation and operation	Principal activities	Effective proportion of ownership interest and voting power held	
			2010 %	2009 %
Servicios Pesqueros Chimbote S.A. ⁽¹⁾	Peru	Provision of logistic and warehousing services for fishing industry	50	50

⁽¹⁾ Not audited as the associate is deemed not material.

Summarised financial information in respect of the Group's associate is set out below:

	Group	
	2010 US\$'000	2009 US\$'000
Total assets	318	321
Total liabilities	(64)	(137)
Net assets	<u>254</u>	<u>184</u>
Group's share of associate's net assets	<u>127</u>	<u>92</u>

The Group did not account for its share of the associate's results from the date of acquisition to September 28, 2010 and September 28, 2009 as it is not material.

18 SUBSIDIARIES

	Company	
	2010 US\$'000	2009 US\$'000
Unquoted equity shares, at cost	*	*
Amount due from a subsidiary	370,535	183,165
Fair value of a financial guarantee contract	<u>3,675</u>	<u>3,675</u>
	<u>374,210</u>	<u>186,840</u>

* Amount less than US\$1,000.

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September 28, 2010

18 SUBSIDIARIES (continued)

The amount due from a subsidiary is unsecured and earns interest at 3% above the 3-months London Interbank Offer Rate. The interest earned ranged from 3.25% to 3.54% (2009: 3.32% to 5.81%) per annum.

Management considers the amount due from the subsidiary to approximate fair value as the interest charged is determined with reference to market rate.

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Country of incorporation and operation	Principal activities	Effective proportion of ownership interest and voting power held	
			2010 %	2009 %
Smart Group Limited ⁽¹⁾	Cayman Islands	Investment holding	100	100
Subsidiaries of Smart Group Limited				
China Fisheries International Limited ⁽¹⁾	Samoa/Worldwide	Management and operation of fishing vessels and sale of fish and other marine catches	100	100
CFG Peru Investments Pte Ltd ⁽²⁾	Singapore	Investment holding	100	100
CFGL (Singapore) Private Limited ⁽²⁾	Singapore	Property holding	100	100
Premium Choice Group Limited ⁽¹⁾	British Virgin Islands/Worldwide	Management of fishing vessels	100	100
South Pacific Shipping Agency Limited ⁽¹⁾	British Virgin Islands/Worldwide	Agent for procurement of provisions and supplies for the Group	100	100
Speedy Gain International Limited ⁽¹⁾	Cayman Islands	Inactive	100	100
Subsidiaries of China Fisheries International Limited				
Admired Agents Ltd ^{(1) (7)}	British Virgin Islands/Worldwide	Agent for procurement of provisions and supplies for the Group	80	80
Champion Maritime Ltd ⁽¹⁾	British Virgin Islands/Worldwide	Inactive	100	100
Chanery Investment Inc. ⁽¹⁾	British Virgin Islands/Worldwide	Property holding	100	100

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Name of subsidiary	Country of incorporation and operation	Principal activities	Effective proportion of ownership interest and voting power held	
			2010 %	2009 %
Subsidiaries of China Fisheries International Limited (continued)				
Chiksano Management Limited ⁽¹⁾	British Virgin Islands/Worldwide	Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group	100	100
Excel Concept Ltd ⁽¹⁾⁽⁷⁾	British Virgin Islands/Worldwide	Agent for sales of fish and other marine catches of the Group	80	80
Fortress Agents Ltd ⁽¹⁾	British Virgin Islands/Worldwide	Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group	100	100
Gain Star Management Limited ⁽¹⁾	British Virgin Islands/Worldwide	Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group	100	100
Growing Management Limited ⁽¹⁾	British Virgin Islands/Worldwide	Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group	100	100
Hill Cosmos International Limited ⁽¹⁾	British Virgin Islands/Worldwide	Inactive	100	100

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Name of subsidiary	Country of incorporation and operation	Principal activities	Effective proportion of ownership interest and voting power held	
			2010 %	2009 %
Subsidiaries of China Fisheries International Limited (continued)				
Loyal Mark Holdings Limited ⁽¹⁾	British Virgin Islands/Worldwide	Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group	100	100
Metro Island International Ltd ^{(1) (7)}	British Virgin Islands/Worldwide	Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group	80	80
Mission Excel International Limited ⁽¹⁾	British Virgin Islands/Worldwide	Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group	100	100
Nidaro International Ltd ⁽¹⁾	British Virgin Islands/Worldwide	Inactive	100	100
Nippon Fishery Holdings Limited ⁽¹⁾	British Virgin Islands/Worldwide	Inactive since being acquired	100	100
Ocean Expert International Limited ⁽¹⁾	British Virgin Islands/Worldwide	Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group	100	100
Pioneer Logistics Limited ⁽¹⁾	British Virgin Islands/Worldwide	Inactive	100	100
Sea Capital International Limited ⁽¹⁾	British Virgin Islands/Worldwide	Inactive	100	100

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Name of subsidiary	Country of incorporation and operation	Principal activities	Effective proportion of ownership interest and voting power held	
			2010 %	2009 %
Subsidiaries of China Fisheries International Limited (continued)				
Shine Bright Management Limited ⁽¹⁾	British Virgin Islands/Worldwide	Agent for sales of fish and other marine catches of the Group and procurement of provisions and supplies for the Group	100	100
Superb Choice International Limited ⁽¹⁾	British Virgin Islands/Worldwide	Inactive	100	100
Target Shipping Limited ^{(1) (5)}	Hong Kong/Worldwide	Investment holding	100	–
Toyama Holdings Limited ⁽¹⁾	British Virgin Islands/Worldwide	Procurement of provisions and supplies for the Group	100	100
Subsidiary of Chanery Investment Inc.				
Powertech Engineering (Qingdao) Co. Ltd ⁽⁶⁾	People's Republic of China	Agent for vessel repairing service for the Group	100	100
Subsidiaries of CFG Peru Investments Pte Limited				
CFG Investment S.A.C. ⁽³⁾	Peru	Investment holding, operation of fishing vessel, operation of fishmeal plants and sale of fish and marine catches, fishmeal and fishoil	100	100
CFG Investments (Hong Kong) Ltd ⁽¹⁾	Hong Kong	Investment holding	100	100
Protein Trading Limited ⁽¹⁾	Samoa	Procurement and marketing agent for fishmeal	100	100
Subsidiaries of CFG Peru Investments Pte Limited (continued)				
Sustainable Fishing Resources S.A.C. ⁽³⁾	Peru	Operation of fishing vessel	100	–
Sustainable Pelagic Fishery S.A.C. ⁽³⁾	Peru	Operation of fishing vessel	100	–

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Name of subsidiary	Country of incorporation and operation	Principal activities	Effective proportion of ownership interest and voting power held	
			2010 %	2009 %
Subsidiary of CFG Investments (Hong Kong) Limited				
CFG Investments (Shanghai) Ltd ⁽⁶⁾	People's Republic of China	Inactive	100	100
Subsidiaries of CFG Investment S.A.C.				
Corporacion Pesquera Frami S.A.C. ⁽³⁾	Peru	Vessel holding	100	100
Epesca Pisco S.A.C. ⁽³⁾	Peru	Investment holding, operation of fishmeal plant and fishmeal depot	100	100
Inmobiliaria Y Constructora Pahk S.A.C. ⁽³⁾	Peru	Investment holding	100	100
Macro Capitales S.A. ⁽³⁾	Panama	Investment holding	100	100
Pesquera Bari S.A.C. ⁽³⁾	Peru	Vessel holding	100	100
Sustainable Fishing Resources S.A.C. ⁽³⁾	Peru	Operation of fishing vessel	–	100
Sustainable Pelagic Fishery S.A.C. ⁽³⁾	Peru	Operation of fishing vessel	–	100
Subsidiaries of Dorbes Holding Corporation				
Bluefield Overseas Corporation ⁽³⁾⁽⁴⁾	British Virgin Islands	Investment holding	100	–
Pesquera Alejandria S.A.C. ⁽³⁾⁽⁴⁾	Peru	Vessel holding	100	–
Sunset Holdings Group S.A. ⁽³⁾⁽⁴⁾	Panama	Investment holding	100	–
Subsidiary of Epesca Pisco S.A.C.				
Dorbes Holding Corporation ⁽³⁾⁽⁴⁾	Panama	Investment holding	100	–
Subsidiary of Premium Choice Group Limited				
Ringston Holdings Limited ⁽¹⁾	Cyprus	Investment holding	100	100
Subsidiary of Ringston Holdings Limited				
CJSC Invest Group ⁽¹⁾	Russia	Investment holding	100	100
Subsidiary of CJSC Invest Group				
LLC Investment Company Kredo ⁽¹⁾	Russia	Operation of fishing vessel and sale of fish	100	100

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18 SUBSIDIARIES (continued)

- (1) Audited by Deloitte & Touche LLP, Singapore for sole purpose of inclusion of their financial position and operating results in the consolidated financial statements of the Group.
- (2) Audited by Deloitte & Touche LLP, Singapore.
- (3) Audited by overseas practices of Deloitte Touche Tohmatsu.
- (4) Acquired during the financial year.
- (5) Incorporated during the financial year.
- (6) Not audited as deemed not material to the Group.
- (7) The share of the non-controlling interests in the net assets and profit or loss of these subsidiaries are not material.

The subsidiaries have representatives in Hong Kong, People's Republic of China, Taiwan, Russia and Peru to perform various aspects of their activities.

19 TRADE PAYABLES

	Group	
	2010 US\$'000	2009 US\$'000
Outside parties	<u>15,067</u>	<u>6,851</u>

The average credit period on purchase of goods is 30 days (2009: 30 days). No interest is charged on overdue balances. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Trade payables principally comprise amounts outstanding for vessel operating costs and trade purchases.

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

	Group	
	2010 US\$'000	2009 US\$'000
Hong Kong dollar	114	22
Chinese Renminbi	643	141
Euro	1,342	454
Peruvian Nuevos Soles	<u>2,061</u>	<u>1,158</u>

Notes to the Financial Statements

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20 OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Accrued expenses	3,934	1,699	208	162
Interest payable	6,524	6,821	–	–
Provision for claims (Note 38)	1,767	2,253	–	–
Consideration payable (Note 36)	–	5,108	–	–
Statutory employees profit share ^(a)	812	1,269	–	–
Others	593	1,848	–	–
	<u>13,630</u>	<u>18,998</u>	<u>208</u>	<u>162</u>
Total	<u>13,630</u>	<u>18,998</u>	<u>208</u>	<u>162</u>

Movement in provision for claims:

	Group	
	2010 US\$'000	2009 US\$'000
At beginning of year	2,253	1,554
Provision during the year	–	699
Payments during the year	(486)	–
At end of year	<u>1,767</u>	<u>2,253</u>

(a) In accordance with Peruvian labour laws, employees of the Group's Peruvian subsidiaries are entitled to 10% share of the taxable profit of the Peruvian subsidiaries. The movements of the balance during the financial year are as follows:

	Group	
	2010 US\$'000	2009 US\$'000
At beginning of year	1,269	–
Payments during the year	(1,353)	–
Charged to profit or loss	896	1,269
At end of year	<u>812</u>	<u>1,269</u>

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20 OTHER PAYABLES AND ACCRUED EXPENSES (continued)

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

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Hong Kong dollar	304	162	195	80
Singapore dollar	73	52	3	42
Peruvian Nuevos Soles	<u>5,288</u>	<u>4,693</u>	<u>-</u>	<u>-</u>

21 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2010 US\$'000	2009 US\$'000
Forward foreign exchange contracts	<u>1,586</u>	<u>-</u>

During the year, the Group entered into foreign currency forward contracts with banks to reduce its exposure to currency fluctuation risk of contracted sales and purchases which are denominated in foreign currencies. These derivative contracts are not accounted for under hedge accounting.

At the end of the reporting period, the Group has outstanding forward foreign exchange contracts with notional amounts totaling US\$37,140,000 (2009: Nil).

At 28 September 2010, the fair value of the foreign currency forward contracts is US\$1,586,000, which is settled on a net basis. These amounts are based on quoted market prices for equivalent instruments at the end of the reporting period.

Changes in the fair value of non-hedging currency derivatives amounting to US\$1,586,000 have been charged to profit or loss in the year (2009: \$Nil) and included in the line item administrative expenses.

The following table details the forward foreign currency contracts outstanding as at the end of the reporting period.

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2010	2009	2010 FC'000	2009 FC'000	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Group								
Sell Japanese Yen								
less than 9 months	86.985	-	1,000,000	-	11,500	-	454	-
Sell Euro								
less than 6 months	1.337	-	10,000	-	13,370	-	(88)	-
Buy Euro								
less than 6 months	1.227	-	10,000	-	12,270	-	<u>1,220</u>	<u>-</u>
							<u>1,586</u>	<u>-</u>

Notes to the Financial Statements

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22 FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Amounts payable under finance leases:				
Within one year	6,189	7,159	3,989	4,807
In the second to fifth year inclusive	16,415	13,918	12,195	10,423
Less: Future finance charges	(6,420)	(5,847)	NA	NA
Present value of lease obligations	<u>16,184</u>	<u>15,230</u>	16,184	15,230
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(3,989)</u>	<u>(4,807)</u>
Amount due for settlement after 12 months			<u>12,195</u>	<u>10,423</u>

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in United States dollar, the functional currency of the respective Group entities.

The carrying amounts of the Group's lease obligations approximate their fair value.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 13).

Notes to the Financial Statements

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23 BANK LOANS

	Group	
	2010 US\$'000	2009 US\$'000
Bank loans	169,602	136,915
Less: term loans issuing cost	(912)	–
	<u>168,690</u>	<u>136,915</u>

The bank loans are repayable as follows:

On demand or within one year	130,791	93,705
In the second year	37,899	22,585
In the third year	–	20,625
	<u>168,690</u>	<u>136,915</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(130,791)</u>	<u>(93,705)</u>
Amount due for settlement after 12 months	<u>37,899</u>	<u>43,210</u>

The bank loans comprise the following:

- (a) Term loans of US\$9,375,000 (2009: US\$16,875,000) are unsecured and repayable in 5 remaining (2009: 9) equal quarterly instalments with the next instalment of US\$1,875,000 due in December 2010 (2009: US\$1,875,000 due in December 2009). Interest is charged on US\$437,500 (2009: US\$787,500) at 2.5% above the 3-months London Interbank Offer Rate and at 3% above the 3-months London Interbank Offer Rate for US\$8,937,500 (US\$16,087,500). The loans are guaranteed by the Company.
- (b) Secured term loans of US\$22,500,000 (2009: US\$30,000,000) and unsecured term loans of US\$11,250,000 (2009: US\$15,000,000) are repayable in 6 remaining (2009: 9) quarterly instalments with the next instalment of US\$2,500,000 (2009: US\$2,500,000) and US\$1,250,000 (2009: US\$1,250,000) respectively. Interest is charged at interest rates ranging from 3.26% to 3.45% per annum (2009: 3.27% to 4.30%). The secured term loans are secured over a fishing vessel (Note 13), ordinary shares of a subsidiary and a fixed deposit (Note 7). The loans are guaranteed by the Company.
- (c) Secured term loans of US\$39,900,000 are repayable in 7 quarterly instalments with the next instalment of US\$5,925,000. Interest is charged at 3.01% per annum. The secured term loan is secured over the ordinary shares of two subsidiaries and a fixed deposit (Note 7), and is guaranteed by the Company.
- (d) A bridging loan of US\$48,860,000 (2009: US\$40,000,000) is unsecured and has current maturity, bear variable interest rates ranging from 3.13% to 3.14% per annum (2009: 3.75%). The loan is guaranteed by the Company.
- (e) Inventory loans of US\$2,222,000 (2009: US\$5,230,000) have current maturities, bears variable interest rate ranging from 2.85% to 3.20% (2009: 4.95% to 7.00%) per annum and are secured over the Group's fishmeal (Note 11).

Notes to the Financial Statements

September 28, 2010

23 BANK LOANS (continued)

- (f) Revolving loans of US\$19,500,000 (2009: US\$12,700,000) are unsecured and repayable in October 2010 (2009: October 2009). Interest is charged at interest rates ranging from 2.25% to 2.63% (2009: from 2.23% to 2.88%) per annum. The loans are repriced on a monthly basis and are guaranteed by the Company.
- (g) Trust receipts of US\$10,095,000 (2009: US\$11,166,000) are unsecured and repayable between October 2010 to December 2010 (2009: October 2009 and January 2010). Interest is charged at interest rates ranging from 2.84% to 2.88% (2009: 2.04% to 2.74%) per annum. The trust receipts are guaranteed by the Company.
- (h) The remaining borrowings of US\$5,900,000 (2009: US\$5,944,000) are unsecured, bear fixed interest rates ranging from 5.25% to 8.50% (2009: 7.08% to 10.00%) per annum and repayable quarterly to semi-annually.

24 SENIOR NOTES

On December 19, 2006, the Group, through its subsidiary, CFG Investment S.A.C., issued guaranteed senior fixed rate notes with aggregate nominal value of US\$225,000,000 (the "Notes") which carry fixed interest of 9.25% per annum and will be fully repayable by December 19, 2013.

The Notes are listed on the Singapore Exchange Securities Trading Limited. They are unsecured and guaranteed by the Company and certain subsidiaries of the Group. The guarantees are effectively subordinated to secured obligations of each guarantor, to the extent of the value of assets serving as security. In 2007, the Company recognised the fair value of the above financial guarantee of US\$3,675,000 on the statement of financial position as additional investment in subsidiary and a financial guarantee contract liability. Amortisation of the financial guarantee obligation amounted to US\$525,000 (Nine months period ended 28 September 2009: US\$394,000) during the year.

At any time prior to December 19, 2010, the Group 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 of outstanding Notes. At any time prior to and up to December 19, 2010, the Group may redeem up to 35% of the Notes, with net cash proceeds from issue of ordinary shares of the Company or sale of ordinary shares of CFG Investment S.A.C., at the redemption price equal to 109.25% of the principal amount of the Notes plus accrued and unpaid interests, if any, as of the redemption date.

The Notes contain certain covenants that limit the Company's and certain subsidiaries' abilities 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 is stated net of issue expenses totalling US\$8,957,000. Such expenses are amortised over the life of the Notes by charging the expenses to profit or loss and increasing the net carrying amount of the Notes with the corresponding amount. As of September 28, 2010, accumulated amortisation amounted to US\$4,798,000 (2009: US\$3,519,000).

Management estimates the fair value of the Notes at September 28, 2010 to be approximately US\$250,565,448 (2009: US\$246,908,000). The fair value has been calculated by assuming redemption on December 19, 2013, using effective interest rate of 6.72% (2009: 5.15% to 7.51%) per annum with reference to the US Treasury Zero Coupon Bonds and holding the credit risk margin constant.

Notes to the Financial Statements

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25 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon during the current financial year:

	Accelerated tax depreciation US\$'000	Fair value adjustments ⁽¹⁾ US\$'000	Provisions US\$'000	Tax losses ⁽²⁾ US\$'000	Total US\$'000
At January 1, 2009	8,201	28,878	(2,695)	(3,133)	31,251
Credited to income statement (Note 32)	<u>(5,329)</u>	<u>–</u>	<u>131</u>	<u>2,958</u>	<u>(2,240)</u>
At September 28, 2009	2,872	28,878	(2,564)	(175)	29,011
Arising from acquisition of subsidiaries	–	36,613	–	–	36,613
Charged to income statement (Note 32)	<u>1,234</u>	<u>–</u>	<u>170</u>	<u>175</u>	<u>1,579</u>
At September 28, 2010	<u><u>4,106</u></u>	<u><u>65,491</u></u>	<u><u>(2,394)</u></u>	<u><u>–</u></u>	<u><u>67,203</u></u>

(1) Being deferred tax effect on fair value adjustments of property, plant and equipment and fishing permits on business combinations.

(2) Subject to agreement by the tax authorities, at September 28, 2009, the Group has unutilised tax losses of US\$583,000 available for offset against future profits. A deferred tax asset has been recognised in respect of US\$583,000 of unutilised tax losses. The Group has elected the option for the tax losses, which may be carried forward indefinitely subject to availability and the conditions imposed by law including the retention of majority shareholders defined, to be offset at 50% of profit before tax generated in subsequent financial years.

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26 SHARE CAPITAL

	Group and Company	
	Number of ordinary shares at US\$0.05 per share	Amount US\$'000
Authorised:		
At January 1, 2009, September 28, 2009 September 28, 2010	<u>1,600,000,000</u>	<u>80,000</u>
Issued and paid up:		
At January 1, 2009	782,080,000	39,104
Issue of bonus shares during the year ^(a)	<u>78,207,997</u>	<u>3,910</u>
At September 28, 2009	860,287,997	43,014
Issue of shares as a result of scrip dividend ^(b)	28,619,588	1,431
Issue of shares during the year ^(c)	<u>113,513,514</u>	<u>5,676</u>
At September 28, 2010	<u>1,002,421,099</u>	<u>50,121</u>

Fully paid ordinary shares carry one vote per ordinary share and carry a right to dividends.

- (a) On May 29, 2009, the Company issued 78,207,997 bonus shares of US\$0.05 each on the basis of one bonus share credited as fully paid for every ten existing shares of US\$0.05 each for the capital of the Company. For the purposes of effecting the bonus shares, a sum of US\$3,910,000 was transferred from share premium account.
- (b) On March 19, 2010, the Company issued 28,619,588 ordinary shares of US\$0.05 at an issue price of S\$1.16 per ordinary share as scrip dividend (Note 35).
- (c) On July 28, 2010, the Company issued 113,513,514 ordinary shares of US\$0.05 at an issue price of S\$1.85 (US\$1.32) per ordinary share in accordance with the subscription agreement entered into with an independent investor. In conjunction with the share issue, the Company also issued 26,666,666 warrants at a total consideration of US\$1 (Note 27). The fair value of the warrants of US\$12,714,000 is determined by an external valuer.

27 RESERVES

Revaluation reserve

The revaluation reserve arises on the revaluation of leasehold buildings. Where a revalued leasehold building is sold, the portion of the revaluation revenue that relates to that asset, and is effectively realised, is transferred directly to retained earnings. The revaluation reserve is not available for distribution to the Company's shareholders.

Merger reserve

Merger reserve represents the difference between the aggregate nominal amounts of the share capital of the combining entities and the nominal amount of share capital issued by the Company during the restructuring exercise undertaken in 2005.

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27 RESERVES (continued)

Warrants reserve

Warrants reserve represents the fair value of the warrants issued by the Company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

On July 28, 2010, the Company issued 26,666,666 warrants to an independent party at a total consideration of US\$1. Each warrant entitles the holder to subscribe for one ordinary share of US\$0.05 each at the exercise price of S\$2.10 (US\$1.50) per share at any time from the date of issue up to and including July 28, 2013. The warrants will not be listed or traded on the Main Board of the SGX.

No warrants were exercised as at the date of this report.

28 REVENUE

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Sale of fish and marine catches	388,622	271,925
Sale of fishmeal and fish oil	134,355	91,165
Rental of fishing quota	15,954	20,359
	<u>538,931</u>	<u>383,449</u>

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29 SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focused on the category of major fishing and production locations. The Group's reportable segments under FRS 108 are therefore as follows:

North Pacific Ocean
Peruvian Waters
South Pacific Ocean

Geographical segments

	North Pacific Ocean		Peruvian Waters		South Pacific Ocean ⁽¹⁾		Elimination		Total	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
External revenue	387,341	284,505	134,355	91,165	17,235	7,779	-	-	538,931	383,449
Intersegment revenue	-	-	-	-	3,061	-	(3,061)	-	-	-
Total revenue	387,341	284,505	134,355	91,165	20,296	7,779	(3,061)	-	538,931	383,449
Segment results	122,165	85,984	39,431	16,575	(8,762)	(1,861)	-	-	152,834	100,698
Corporate expenses	(637)	(387)	-	-	-	-	-	-	(637)	(387)
Finance costs	(1,871)	(902)	(27,300)	(20,090)	(3,719)	-	-	-	(32,890)	(20,992)
Profit (Loss) before tax	119,657	84,695	12,131	(3,515)	(12,481)	(1,861)	-	-	119,307	79,319
Income tax expense	-	-	(2,588)	(1,196)	(180)	-	-	-	(2,768)	(1,196)
Profit (Loss) for the year	119,657	84,695	9,543	(4,711)	(12,661)	(1,861)	-	-	116,539	78,123
Other information										
Segment assets	406,509	371,554	497,581	338,703	276,036	129,119	-	-	1,180,126	839,376
Interest in associate	-	-	1,500	1,500	-	-	-	-	1,500	1,500
Total assets									1,181,626	840,876
Segment liabilities	95,783	45,376	371,114	295,352	38,322	86,271	-	-	505,219	426,999
Capital expenditure	66,172	28,008	165,666	4,309	75,223	88,460	-	-	307,061	120,777
Depreciation and amortisation	37,374	19,321	13,860	9,545	13,682	775	-	-	64,916	29,641
Impairment of property, plant and equipment	-	-	1,253	-	-	-	-	-	1,253	-

⁽¹⁾ Excludes Peruvian Waters

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29 SEGMENT INFORMATION (continued)

Revenue based on locations of the customers (which are different from the fishing and production locations) are as follows:

	North Pacific Ocean		Peruvian Waters		South Pacific Ocean ⁽¹⁾		Total	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Revenue								
People's Republic of China	274,296	200,394	100,575	53,093	–	–	374,871	253,487
Japan and Korea	58,540	52,275	10,263	8,176	–	–	68,803	60,451
South East Asia	–	–	17,069	14,522	–	–	17,069	14,522
Europe	51,490	30,382	1,591	12,000	–	–	53,081	42,382
West Africa	–	–	–	–	17,235	7,779	17,235	7,779
Others *	3,015	1,454	4,857	3,374	–	–	7,872	4,828
	<u>387,341</u>	<u>284,505</u>	<u>134,355</u>	<u>91,165</u>	<u>17,235</u>	<u>7,779</u>	<u>538,931</u>	<u>383,449</u>
Non-current assets								
People's Republic of China	2,718	2,355	–	–	–	–	2,718	2,355
South East Asia	2,910	2,423	–	–	–	–	2,910	2,423
Europe	230,853	243,427	–	–	–	–	230,853	243,427
Others *	–	–	459,732	307,901	218,784	114,678	678,516	422,579
	<u>236,481</u>	<u>248,205</u>	<u>459,732</u>	<u>307,901</u>	<u>218,784</u>	<u>114,678</u>	<u>914,997</u>	<u>670,784</u>

⁽¹⁾ Excludes Peruvian Waters

* Others include North & South America

Information about major customers

Included in revenues arising from North Pacific Ocean to customers of US\$387,341,000 (2009: US\$284,505,000) are revenues of approximately US\$164,968,000 (2009: US\$149,156,000) and US\$54,247,000 (2009: US\$39,422,000) which arose from sales to the Group's 2 largest customers.

30 OTHER OPERATING INCOME

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Interest income	262	48
Gain on disposal of property, plant and equipment	–	8
Fair value gain on investment properties (Note 14)	487	194
Gain from forward foreign exchange contracts	–	809
Net foreign exchange gains	–	1,742
Rental income (Note 37)	252	370
Settlement from litigation	4,300	–
Others	1,242	385
	<u>6,543</u>	<u>3,556</u>

Notes to the Financial Statements

September 28, 2010

31 FINANCE COSTS

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Amortisation of senior notes issue expenses	1,279	960
Interest on:		
Bank loans	9,133	5,130
Finance leases	1,665	1,187
Senior notes	<u>20,813</u>	<u>15,609</u>
Total finance costs	32,890	22,886
Less: Finance costs capitalised in construction-in-progress (Note 13)	<u>–</u>	<u>(1,894)</u>
	<u><u>32,890</u></u>	<u><u>20,992</u></u>

32 INCOME TAX EXPENSE

(a) Operations excluding Hong Kong and Peruvian operations

The Group has no income tax liability from operations outside of Hong Kong and Peru as it fishes in international waters. Additionally, under the terms of the vessel operating agreements executed by the Group with the Arrangers, the Arrangers bear all tax consequences, if any, relating to the agreements.

(b) Hong Kong

Certain subsidiaries act as procurement and marketing agents for the Group and some administrative personnel are located in Hong Kong. Tax on agency income is considered immaterial and has not been provided for.

(c) Peruvian operations

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Current tax	1,189	3,436
Deferred tax (Note 25)	<u>1,579</u>	<u>(2,240)</u>
	<u><u>2,768</u></u>	<u><u>1,196</u></u>

Notes to the Financial Statements

September 28, 2010

32 INCOME TAX EXPENSE (continued)

(c) Peruvian operations (continued)

Income tax is calculated at the Peruvian tax rate of 30% applied to the estimated assessable profit for the year after deduction of statutory employees' profit share of 10% from the estimated assessable profit.

The total charge for the year can be reconciled to the accounting profit (loss) as follows:

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Profit (Loss) before tax of Peruvian operations	<u>12,131</u>	<u>(3,515)</u>
Tax benefit at Peruvian tax rate of 30% (2009: 30%)	3,639	(1,055)
Tax effect of expenses/income that are not deductible/taxable in determining taxable profit	(1,140)	1,870
Effect of employees' profit share	<u>269</u>	<u>381</u>
	<u>2,768</u>	<u>1,196</u>

Notes to the Financial Statements

September 28, 2010

33 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Depreciation and amortisation:		
Amortisation of deferred charter hire (Note 12)	22,133	16,477
Depreciation of property, plant and equipment (Note 13)	41,504	12,204
Amortisation of senior notes issue expenses (Note 24)	1,279	960
	<u>64,916</u>	<u>29,641</u>
Total depreciation and amortisation		
	<u>64,916</u>	<u>29,641</u>
Directors' remuneration of the Company	<u>868</u>	<u>443</u>
Non-audit fees paid to auditors of the Company	64	11
Crew wages and employee benefits expense (including Directors' remuneration)	66,951	45,491
Defined contribution plan expense	1,322	624
Cost of inventories recognised as expense *	42,926	41,145
Net foreign exchange losses (gains)	<u>1,186</u>	<u>(2,551)</u>

* This comprises cost of inventories relating to the operations in Peru, the nature of which is stated in Note 11. It excludes cost incurred in fishing in the North and South Pacific Ocean which are recorded as deferred expenses in Note 10.

34 EARNINGS PER SHARE

The basic earnings per ordinary share for the year ended September 28, 2010 is calculated based on the Group's profit attributable to shareholders of the Company US\$116,539,000 (2009: US\$78,123,000) for the year ended September 28, 2010 divided by the weighted average number of 894,702,842 (2009: 860,287,997) ordinary shares in issue for the year ended September 28, 2010.

The diluted earnings per ordinary share for the year ended September 28, 2010 is calculated based on the Group's profit attributable to shareholders of the Company US\$116,539,000 (2009: US\$78,123,000) for the year ended September 28, 2010 divided by the weighted average number of 895,889,030 (2009: 861,361,533) ordinary shares in issue for the year ended September 28, 2010.

35 DIVIDEND

On January 22, 2010, the Company declared a final dividend of 4.20 Singapore cents (3.17 US cents) per share for the period ended September 28, 2009 with a scrip alternative to offer the right to shareholders to elect to receive the final dividend by allotment of new shares in lieu of cash. Accordingly, on March 19, 2010, the Company issued 28,619,588 ordinary shares of US\$0.05 at an issue price of S\$1.16 per ordinary share (Note 26) and paid US\$2,103,000 as cash dividend.

The final dividend in respect of the year ended September 28, 2010 of 5.00 Singapore cents (3.77 US cents) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting and has not been included as a liability in these financial statements.

Notes to the Financial Statements

September 28, 2010

36 ACQUISITION OF SUBSIDIARIES

The Group acquired the following subsidiaries and accounted for these acquisitions using the purchase method of accounting:

September 28, 2010

Subsidiary incorporated in British Virgin Islands

Date of acquisition

Bluefield Overseas Corporation

May 18, 2010

Subsidiaries incorporated in Panama

Date of acquisition

Dorbes Holding Corporation

May 18, 2010

Sunset Holdings Group S.A.

May 18, 2010

Subsidiaries incorporated in Peru

Date of acquisition

Deep Sea Fishing S.A.C.

May 6, 2010

Pesquera Alejandria S.A.C.

May 18, 2010

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

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

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

	Deep Sea Fishing S.A.C. US\$'000	Dorbes Holding Corporation US\$'000	Total US\$'000
Cash consideration	<u>16,593</u>	<u>98,461</u>	<u>115,054</u>

Notes to the Financial Statements

September 28, 2010

36 ACQUISITION OF SUBSIDIARIES (continued)

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

	Deep Sea Fishing S.A.C. US\$'000	Dorbes Holding Corporation US\$'000	Total US\$'000
Current assets			
Cash and bank balances	–	382	382
Trade receivables	–	289	289
Other receivables and prepayments	–	5,567	5,567
Inventories	–	48	48
Non-current assets			
Property, plant and equipment	–	20,103	20,103
Fishing permits	21,497	88,825	110,322
Current liabilities			
Trade payables	–	(246)	(246)
Other payables	(1,407)	(1,034)	(2,441)
Bank loans	–	(5,124)	(5,124)
Non-current liabilities			
Deferred tax liabilities	(6,026)	(30,587)	(36,613)
Net assets acquired and liabilities assumed	<u>14,064</u>	<u>78,223</u>	<u>92,287</u>

(c) Goodwill arising on acquisition

	Deep Sea Fishing S.A.C. US\$'000	Dorbes Holding Corporation US\$'000	Total US\$'000
Cash consideration	16,593	98,461	115,054
Less: fair value of identifiable net assets acquired	<u>14,064</u>	<u>78,223</u>	<u>92,287</u>
Goodwill arising on acquisition	<u>2,529</u>	<u>20,238</u>	<u>22,767</u>

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

Notes to the Financial Statements

September 28, 2010

36 ACQUISITION OF SUBSIDIARIES (continued)

(d) Net cash outflow on acquisition of subsidiaries

	2010 US\$'000
Consideration paid in cash	115,054
Less: cash and cash equivalent balances acquired	<u>(382)</u>
	<u><u>114,672</u></u>

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

During the year, the acquisition of the subsidiaries resulted in inclusion of post-acquisition revenue of US\$693,000 (2009: US\$1,773,000) and losses of US\$343,000 (2009: US\$1,130,000) in the Group's financial statements.

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

September 28, 2009

Subsidiaries incorporated in Peru

Date of acquisition

Sustainable Pelagic Fishery S.A.C.

April 30, 2009

Sustainable Fishing Resources S.A.C.

May 14, 2009

Sustainable Pelagic Fishery S.A.C. and Sustainable Fishing Resources S.A.C. were inactive at the date of acquisition. They are acquired to carry out the operation of fishing vessels.

During the year, the Group settled US\$5,108,000 (2009: US\$7,488,000) of the consideration payable. As at end of the financial year, the consideration payable amounted to US\$Nil (2009: US\$5,108,000) (Note 20).

Notes to the Financial Statements

September 28, 2010

37 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
(a) Minimum lease expenditure under operating leases recognised as an expense in the year	<u>83,422</u>	<u>60,920</u>
Comprising:		
Amortisation of deferred charter hire (Note 12)	22,133	16,477
Variable charter hire	35,009	24,931
Fixed charter hire	<u>26,280</u>	<u>19,512</u>
(b) As at September 28, 2010 and September 28, 2009, the Group has 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 Alahir for a period of 10 to 18 years up to December 31, 2025. Variable charter hire is calculated at 20% of the net profit derived from operating the fishing vessels before deduction of amortisation of fixed deferred charter hire which has been prepaid.		
(c) As at September 28, 2010 and September 28, 2009, the Group has ongoing commitment to pay fixed charter hire of US\$12,000 per day per vessel, and variable charter hire for 6 fishing vessels under the fourth vessel operating agreement entered into with Perun up to December 31, 2011. Variable charter hire is calculated at 20% of the net profit derived from operating the fishing vessels after deduction of fixed charter hire payable annually.		

The Group as lessor

The Group rents out a portion of its freehold buildings in Peru and leasehold buildings in Singapore under operating leases. Property rental income earned during the year was US\$252,000 (2009: US\$370,000). At the end of reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	Group	
	September 29, 2009 to September 28, 2010 (12 months) US\$'000	January 1, 2009 to September 28, 2009 (9 months) US\$'000
Within one year	101	205
In the second to fifth year inclusive	–	94
	<u>101</u>	<u>299</u>

Notes to the Financial Statements

September 28, 2010

38 CONTINGENT LIABILITIES

- (a) Certain members of the Group are parties to legal processes in Peru amounting to approximately US\$3,032,000 (2009: US\$5,722,000). These relate to fishing compliance, former employees and miscellaneous claims. The Group's legal advisor has advised the Group that US\$1,767,000 (2009: US\$2,253,000) of these claims is likely to have unfavourable outcome for the Group and the outcome for claims of US\$1,265,000 (2009: US\$3,469,000) 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.

The Group made a provision of US\$1,767,000 (2009: US\$2,253,000) (Note 20) for those claims where the outcome is likely to be unfavourable to the Group.

- (b) At the end of the reporting period, the Company had contingent liabilities arising from unsecured guarantees given to banks in respect of banking facilities utilised by subsidiaries amounting to US\$161,480,000 (2009: US\$125,741,000) and unsecured guarantee given in respect of the issuance of senior fixed rate notes with aggregate nominal value of US\$225,000,000 (2009: US\$225,000,000).

39 COMMITMENTS

At as September 28, 2010, the end of the reporting period, the Group had approved and contracted commitments for the acquisition of property, plant and equipment that were not provided for in the financial statements amounting US\$29,260,000 (2009: US\$11,934,000).

40 SUBSEQUENT EVENT

On November 17, 2010, the Group entered into a US\$425 million club loan facility agreement with syndicate of lenders. This agreement provides for a term loan facility of US\$340 million and a revolving loan facility of US\$85 million. As of November 26, 2010, the Group has drawn down US\$200 million under these facilities, and US\$225 million remained available to be drawn down. These facilities bear interests at the prevailing market rate. The facility is to be repaid in 11 equal quarterly instalments and matures in November 2014.

On December 17, 2010, the Company announced that it intends to undertake a global offering of new ordinary shares (the "Proposed Global Offering") and seek a dual primary listing of all the new ordinary shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Company plans to allot and issue up to 175,000,000 new ordinary shares (the "Offer Shares") (subject to adjustment and the over-allotment option) pursuant to the Proposed Global Offering. The over-allotment option will be up to an aggregate of 25,000,000 new shares, representing 14.3% of the initial number of Offer Shares.

41 COMPARATIVES

The financial statements cover the financial year from September 29, 2009 to September 28, 2010. The comparative figures cover the financial year from January 1, 2009 to September 28, 2009.

Supplementary Information

The reporting currency of the Group is in United States Dollars. A Singapore Dollars equivalent of the statement of financial position and consolidated income statement of the Group is provided as Supplementary Information for shareholders and investors in Singapore.

Statement of Financial Position

September 28, 2010

	The Group (Unaudited)	
	September 28, 2010	September 28, 2009
	S\$'000	S\$'000
ASSETS		
Current assets		
Cash and bank balances	38,573	24,638
Pledged deposits	7,567	8,109
Trade receivables	51,217	45,332
Other receivables and prepayments	126,607	64,752
Prepaid income tax	6,660	8,428
Deferred expenses	73,407	46,717
Inventories	17,859	11,161
Current portion of deferred charter hire	29,319	31,605
	<hr/>	<hr/>
Total current assets	351,209	240,742
Non-current assets		
Deferred charter hire	209,286	257,208
Property, plant and equipment	639,445	499,710
Investment properties	3,855	3,460
Goodwill	115,074	91,535
Fishing permits	244,418	105,939
Associate	1,987	2,142
	<hr/>	<hr/>
Total non-current assets	1,214,065	959,994
	<hr/>	<hr/>
Total assets	1,565,274	1,200,736
LIABILITIES AND EQUITY		
Current liabilities		
Trade payables	19,959	9,783
Other payables and accrued expenses	18,055	27,128
Derivative financial instruments	2,101	–
Income tax payable	2,673	617
Current portion of finance leases	5,284	6,864
Current portion of bank loans	173,256	133,807
	<hr/>	<hr/>
Total current liabilities	221,328	178,199
Non-current liabilities		
Finance leases	16,154	14,884
Bank loans	50,204	61,702
Senior notes	292,543	313,526
Deferred tax liabilities	89,022	41,426
	<hr/>	<hr/>
Total non-current liabilities	447,923	431,538
Capital and reserve:		
Share capital	66,394	61,422
Reserves	829,629	529,577
	<hr/>	<hr/>
Net equity	896,023	590,999
	<hr/>	<hr/>
Total liabilities and equity	1,565,274	1,200,736
	<hr/>	<hr/>

Supplementary Information

Consolidated Income Statement

Year ended September 28, 2010

	The Group (Unaudited)	
	September 29, 2009 to September 28, 2010 (12 months) S\$'000	January 1, 2009 to September 28, 2009 (9 months) S\$'000
Revenue	713,910	547,550
Cost of sales	(62,155)	(68,485)
Charter hire expenses	(110,507)	(86,991)
Vessel operating costs	(277,063)	(209,800)
	<hr/>	<hr/>
Gross profit	264,185	182,274
Other operating income	8,667	5,078
Selling expenses	(46,207)	(30,550)
Administrative expenses	(18,372)	(13,561)
Other operating expenses	(6,660)	–
Finance costs	(43,569)	(29,976)
	<hr/>	<hr/>
Profit before tax	158,044	113,265
Income tax expense	(3,667)	(1,708)
	<hr/>	<hr/>
Profit for the year	<u>154,377</u>	<u>111,557</u>
	<hr/>	<hr/>
Basic earnings per share (Singapore cents)	<u>17.26</u>	<u>12.97</u>
	<hr/>	<hr/>
Diluted earnings per share (Singapore cents)	<u>17.23</u>	<u>12.95</u>
	<hr/>	<hr/>

* Exchange rate

September 28, 2010: S\$1 = US\$0.7549

September 28, 2009: S\$1 = US\$0.7003

Shareholders' Information

Shareholding and Warranholding Information

AUTHORISED SHARE CAPITAL	:	US\$80,000,000
ISSUED AND FULLY PAID-UP CAPITAL	:	US\$50,121,000
CLASS OF SHARES	:	ORDINARY SHARES OF US\$0.05 EACH
VOTING RIGHTS	:	ONE VOTE PER SHARE

Statistics of Shareholdings as at December 15, 2010

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 999	342	17.00	112,579	0.01
1,000 – 10,000	1,173	58.30	4,951,677	0.49
10,001 – 1,000,000	486	24.15	17,642,670	1.76
1,000,001 & ABOVE	11	0.55	979,714,173	97.74
TOTAL	2,012	100.00	1,002,421,099	100.00

Treasury Shares

The Company does not hold any Treasury Shares.

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Super Investment Limited	695,386,014	69.37	–	–
Zhonggang Fisheries Limited ⁽¹⁾	–	–	695,386,014	69.37
Pacific Andes Resources Development Limited ⁽²⁾	–	–	703,448,325	70.17
Golden Target Pacific Limited ⁽³⁾	8,062,311	0.80	695,386,014	69.37
CAP III-A Limited	113,513,514	11.32	–	–
Carlyle Asia Partners III, L.P. ⁽⁴⁾	–	–	113,513,514	11.32
CAP III General Partners, L.P. ⁽⁵⁾	–	–	113,513,514	11.32
CAP III Ltd ⁽⁶⁾	–	–	113,513,514	11.32
TC Group Cayman Investment Holdings, L.P. ⁽⁷⁾	–	–	113,513,514	11.32
TCG Holdings Cayman II, L.P. ⁽⁸⁾	–	–	113,513,514	11.32
Carlyle Offshore Partners II, Ltd ⁽⁹⁾	–	–	113,513,514	11.32

Notes:

- (1) Zhonggang Fisheries Limited ("Zhonggang Fisheries") owns 49.9% of the shares in Super Investment Limited ("Super Investment") and is therefore deemed to be interested in 695,386,014 shares in the Company held by Super Investment.
- (2) Pacific Andes Resources Development Limited ("PARD") owns 100% of the shares in Golden Target Pacific Limited ("Golden Target"). PARD is therefore deemed to be interested in 8,062,311 shares held by Golden Target and 695,386,014 shares in the Company held by Super Investment through Golden Target. PARD is also deemed to be interested in 695,386,014 shares held by Super Investment through Zhonggang Fisheries.
- (3) Golden Target owns 47% of the shares in Super Investment and 70% of the shares in Zhonggang Fisheries. Golden Target is therefore deemed to be interested in 695,386,014 shares in the Company held by Super Investment. Golden Target is also deemed to be interested in 695,386,014 shares held by Super Investment through Zhonggang Fisheries.

The 8,062,311 shares held by Golden Target are registered in the name of nominees, namely, HSBC (Singapore) Nominees Pte Ltd (144,032 shares) and Nomura Singapore Limited (7,918,279 shares).

- (4) CAP III-A Limited ("Carlyle") is a wholly-owned subsidiary of Carlyle Asia Partners III, L.P. ("Carlyle Asia"). By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, Carlyle Asia is deemed to be interested in the shares held by Carlyle.

Shareholders' Information

(5) Carlyle is a wholly-owned subsidiary of Carlyle Asia which acts in accordance with the instructions of its general partner, CAP III General Partners, L.P. ("CAP III GP"). By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, CAP III GP is deemed to be interested in the shares held by Carlyle.

(6) Carlyle is a wholly-owned subsidiary of Carlyle Asia which acts in accordance with the instructions of its general partner, CAP III GP. In turn, CAP III GP acts in accordance with the instructions of its general partner, CAP III Ltd ("CAP III"). By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, CAP III is deemed to be interested in the shares held by Carlyle.

(7) Carlyle is a wholly-owned subsidiary of Carlyle Asia which acts in accordance with the instructions of its general partner, CAP III GP. In turn, CAP III GP acts in accordance with the instructions of its general partner, CAP III.

CAP III is a wholly-owned subsidiary of TC Group Cayman Investment Holdings, L.P. ("TC Group"). By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, TC Group is deemed to be interested in the shares held by Carlyle.

(8) Carlyle is a wholly-owned subsidiary of Carlyle Asia which acts in accordance with the instructions of its general partner, CAP III GP. In turn, CAP III GP acts in accordance with the instructions of its general partner, CAP III.

CAP III is a wholly-owned subsidiary of TC Group which acts in accordance with the instructions of its general partner, TCG Holdings Cayman II, L.P. ("TCG Holdings"). By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, TCG Holdings is deemed to be interested in the shares held by Carlyle.

(9) Carlyle is a wholly-owned subsidiary of Carlyle Asia which acts in accordance with the instructions of its general partner, CAP III GP. In turn, CAP III GP acts in accordance with the instructions of its general partner, CAP III.

CAP III is a wholly-owned subsidiary of TC Group which acts in accordance with the instructions of its general partner, TCG Holdings. In turn, TCG Holdings acts in accordance with the instructions of its general partner, Carlyle Offshore Partners II, Ltd ("Carlyle Offshore"). By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, Carlyle Offshore is deemed to be interested in the shares held by Carlyle.

Twenty Largest Shareholders as at December 15, 2010

	NO. OF SHARES	%
1 SUPER INVESTMENT LIMITED	695,386,014	69.37
2 CAP III-A LIMITED	113,513,514	11.32
3 CITIBANK NOMINEES SINGAPORE PTE LTD	85,937,661	8.57
4 DBS NOMINEES PTE LTD	34,407,908	3.43
5 HSBC (SINGAPORE) NOMINEES PTE LTD	15,301,856	1.53
6 RAFFLES NOMINEES (PTE) LTD	9,385,109	0.94
7 NOMURA SINGAPORE LIMITED	7,918,279	0.79
8 UNITED OVERSEAS BANK NOMINEES PTE LTD	7,767,060	0.78
9 DBSN SERVICES PTE LTD	5,962,002	0.59
10 MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,809,511	0.28
11 LIM BEE LENG	1,325,259	0.13
12 DB NOMINEES (S) PTE LTD	622,250	0.06
13 BNP PARIBAS SECURITIES SERVICES SINGAPORE PTE LTD	552,700	0.06
14 KIM ENG SECURITIES PTE LTD	481,726	0.05
15 PETER LEONG KOCK WAH	472,922	0.05
16 MERRILL LYNCH (SINGAPORE) PTE LTD	447,450	0.04
17 YAP CHYE LEE OR SOH SWEE NGAN	441,431	0.04
18 NEO KA CHIAM	413,532	0.04
19 PHILLIP SECURITIES PTE LTD	394,985	0.04
20 OCBC SECURITIES PRIVATE LTD	363,815	0.04
	983,904,984	98.15

Percentage of Shareholding in Public's Hands

18.5% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Statistics of Warrantholdings as at December 15, 2010

No. of Warrants:	26,666,666
Expiry Date of Warrants:	July 28, 2013
No. of Warrants Exercised:	Nil

On July 28, 2010, the Company has issued 26,666,666 Warrants to CAP III-A Limited at a total consideration of US\$1. The Warrant each carries the right to subscribe to one new ordinary share in the Company of US\$0.05 each at an exercise price of S\$2.10 per Warrant which is payable in United States dollar based on a fixed exchange rate in accordance with the subscription agreement entered into with CAP III-A Limited. The Warrants will not be listed or traded on the Main Board of the SGX.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHINA FISHERY GROUP LIMITED (the "Company") will be held at Capricorn, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Friday, January 28, 2011 at 9:30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended September 28, 2010 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a first and final dividend of 5.00 Singapore cents per ordinary share (tax not applicable) for the year ended September 28, 2010 (2009: 4.20 Singapore cents per ordinary share (tax not applicable)).

See Explanatory Note (i)

(Resolution 2)

- 3 (i). To re-elect the following Directors retiring by rotation pursuant to Article 107 of the Company's Articles of Association:

Mr Ng Joo Kwee

(Resolution 3)

Mr Lim Soon Hock

(Resolution 4)

Mr Tse Man Bun

(Resolution 5)

Mr Lim Soon Hock will, upon re-election as a Director of the Company, remain as Chairman of the Audit and Risk Management Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Mr Tse Man Bun will, upon re-election as a Director of the Company, remain a member of the Audit and Risk Management Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

- (ii). To re-elect Mr Patrick Thomas Siewert, a Director retiring pursuant to Article 111 of the Company's Articles of Association.

See Explanatory Note (ii)

(Resolution 6)

Mr Patrick Thomas Siewert will, upon re-election as a Director of the Company, remain a member of the Audit and Risk Management Committee and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To approve the payment of Directors' fees of HK\$720,000 (equivalent to US\$92,308 or S\$122,280) for the year ending September 28, 2011, payable monthly in arrears (2010: HK\$720,000 or equivalent to US\$92,308 or S\$128,059).

(Resolution 7)

5. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.

(Resolution 8)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. SHARE ISSUE MANDATE

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force, provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty percent (20%) of the total number of issued shares in the capital of the Company;
- (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares shall be based on the total number of issued shares of the Company as at the date of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of convertible securities;
 - (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of such convertible securities.

See Explanatory Note (iii)

(Resolution 9)

8. AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE CFGL SHARE AWARDS SCHEME

That authority be given to the Directors of the Company to allot and issue from time to time such number of fully-paid shares in the Company as may be required to be issued pursuant to the vesting of the awards under the CFGL Share Awards Scheme (the "Scheme"), provided that the aggregate number of new shares to be issued pursuant to:

- (a) the Scheme, shall not exceed ten percent (10%) of the total number of issued shares in the capital of the Company as at the date of approval of the Scheme by the shareholders; and

Notice of Annual General Meeting

- (b) the Scheme and any other share scheme which the Company may have in place, shall not exceed fifteen percent (15%) of the total number of issued shares in the capital of the Company from time to time.

See Explanatory Note (iv)

(Resolution 10)

9. CHINA FISHERY GROUP LIMITED SCRIP DIVIDEND SCHEME

That authority be given to the Directors of the Company to allot and issue from time to time such number of new fully-paid shares in the Company as may be required to be allotted and issued pursuant to the China Fishery Group Limited Scrip Dividend Scheme (the "Scrip Dividend Scheme").

See Explanatory Note (v)

(Resolution 11)

By Order of the Board

Yvonne Choo

Company Secretary

Singapore, January 5, 2011

Explanatory Notes:

- (i) The Directors have announced on November 25, 2010 via SGXNet that the Scrip Dividend Scheme which was adopted by the Company in November 2009, shall apply to the first and final dividend of 5.00 Singapore cents per ordinary share (tax not applicable) for the year ended September 28, 2010.
- (ii) Ms Janine Feng Junyuan is Alternate Director to Mr Patrick Thomas Siewert. Upon re-election of Mr Patrick Thomas Siewert, Ms Janine Feng Junyuan will ipso facto remain as Alternate Director to Mr Patrick Thomas Siewert.
- (iii) The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro-rata basis.
- (iv) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors to allot and issue new fully-paid shares pursuant to the vesting of the awards under the Scheme (which was approved by shareholders at the Extraordinary General Meeting held on April 30, 2007), provided that the aggregate number of shares to be issued pursuant to (a) the Scheme shall not exceed ten percent (10%) of the total number of issued shares in the capital of the Company as at the date of approval of the Scheme by the shareholders and (b) the Scheme and any other share scheme which the Company may have in place, shall not exceed fifteen percent (15%) of the total number of issued shares in the capital of the Company from time to time.
- (v) The Ordinary Resolution 11 proposed in item 9 above, if passed, will empower the Directors to allot and issue new fully-paid shares pursuant to the Scrip Dividend Scheme, which was adopted by the Company in November 2009, to shareholders who, in respect of a qualifying dividend, have elected to receive their dividends in the form of shares in lieu of the cash amount of that qualifying dividend.

Notes:

1. A Shareholder is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. If a Depositor wishes to appoint a proxy/proxies to attend the Annual General Meeting (the "Meeting"), then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758, at least forty-eight (48) hours before the time of the Meeting.
3. If the Depositor is a corporation, then the Depositor Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney and must be deposited at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758, at least forty-eight (48) hours before the time of the Meeting.



CHINA FISHERY GROUP LIMITED

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