



EXPANDING ACCESS IN FISHERY RESOURCES

Annual Report 2013



**CHINA
FISHERY**
GROUP LIMITED

INFORMATION FOR INVESTORS

Listing Information

Listing: Singapore Exchange

Stock code: B0Z.SI

Ticker Symbol

Reuters: CNFG.SI

Bloomberg: CFG:SP

Key Dates

| | |
|--------------------------------------|-------------------|
| Announcement of 1Q FY2013 Results | February 6, 2013 |
| Announcement of 2Q FY2013 Results | May 8, 2013 |
| Announcement of 3Q FY2013 Results | August 7, 2013 |
| Announcement of FY2013 Final Results | November 25, 2013 |
| Annual General Meeting | January 27, 2014 |
| Financial Year End | September 28 |

Share Information (as at September 28, 2013)

Board lot size: 1,000 shares

Nominal value per share: US\$0.05

Outstanding shares: 2,046,354,546 shares

Public float: 376,314,084 shares (18.4%)

Market capitalisation: S\$736,687,637

Earnings per share for FY2013: 5.36 US cents

Proposed dividend per share for FY2013: 1.0 Singapore cent

Share Registrar & Share Transfer Offices

Principal

Appleby Trust (Cayman) Ltd

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Branch

B.A.C.S. Private Limited

63 Cantonment Road

Singapore 089758

Tel: 65-6593 4848

Fax: 65-6593 4847

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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
Janine Feng Junyuan
(Alternate to Patrick Thomas Siewert)

Independent Non-Executive:

Tse Man Bun (Lead Independent Director)
Lim Soon Hock
Tan Ngjap Joo

Audit and Risk Management Committee

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

Nominating Committee

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

Remuneration Committee

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

Investment Committee

Ng Joo Siang (Chairman)
Patrick Thomas Siewert
Tse Man Bun
Janine Feng Junyuan
(Alternate to Patrick Thomas Siewert)
Tan Ngjap Joo (Alternate to Tse Man Bun)

Corporate Social Responsibility Committee

Tse Man Bun (Chairman)
Ng Joo Siang
Patrick Thomas Siewert
Ng Puay Yee
Tan Ngjap 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)
Keith Sainsbury (Advisor)

Principal Bankers

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

Company Secretaries

Yvonne Choo
Busarakham Kohsikaporn

Registered Office

Clifton House,
75 Fort Street,
P.O. Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

Principal Office

Room 3312-3314, Hong Kong Plaza,
188 Connaught Road West, Hong Kong
Tel: 852-2548 2666
Fax: 852-2548 9666

Auditors

Deloitte & Touche LLP
Public Accountants and Chartered Accountants,
Singapore
6 Shenton Way,
OUE Downtown 2 #32-00,
Singapore 068809

Audit Partner-in-Charge

Jeremy Toh Yew Kuan
Date of Appointment: June 3, 2013

Company Registration Number

99414

Website

<http://www.chinafisherygroup.com>



VISION

To be a world leader in the sourcing, processing, distribution and sales of seafood products, providing millions of people throughout the world with a natural source of healthy protein every day.

MISSION

To secure access to under-utilised and abundant ocean resources to meet the growing nutritional needs of consumers worldwide.

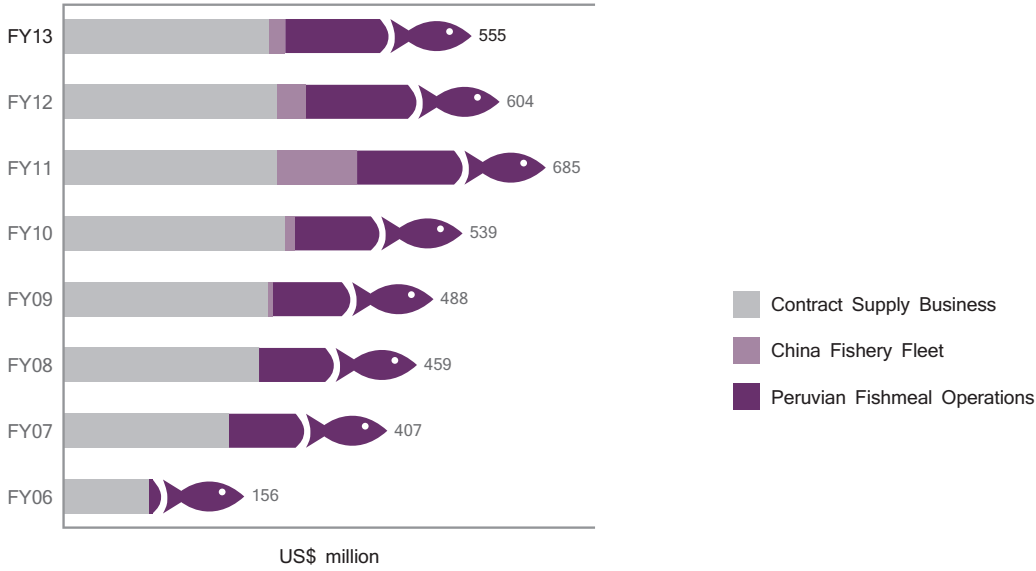
To offer world class seafood products of the highest quality and safety, while remaining firmly committed to the sustainability of seafood resources and the environment.

CORPORATE PROFILE

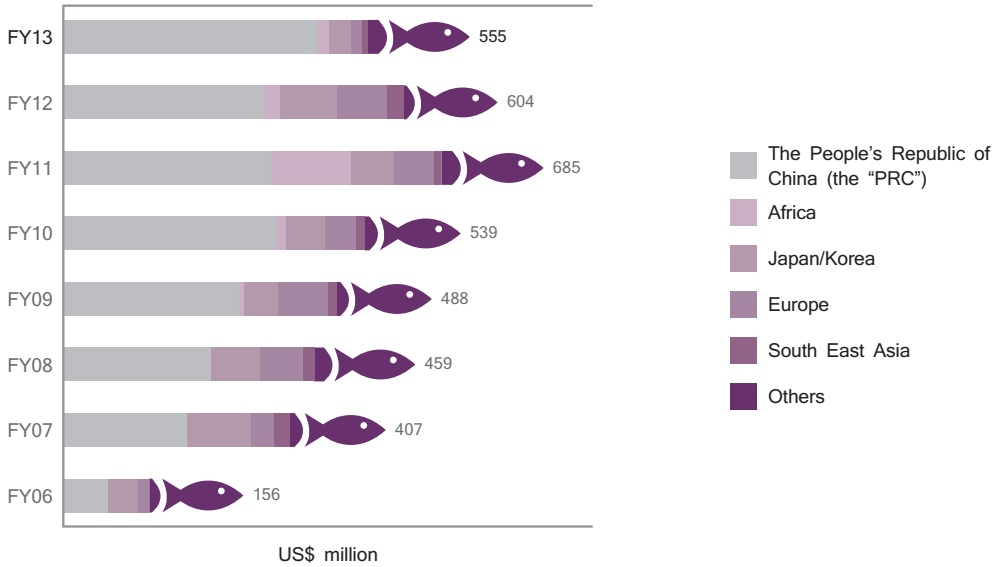
Listed on the Mainboard of Singapore Exchange since 2006, China Fishery is a global integrated industrial fishing company with access to fish in some of the world's most important fishing grounds, including the Anchovy fishery in Peru. Employing the latest catch and processing solutions, China Fishery sources, harvests, onboard-processes and delivers high quality catch to consumers the world over. China Fishery is also one of the world's leading producers of fishmeal and fish oil through its processing plants located strategically along Peru's coastal areas.

FINANCIAL HIGHLIGHTS

Revenue

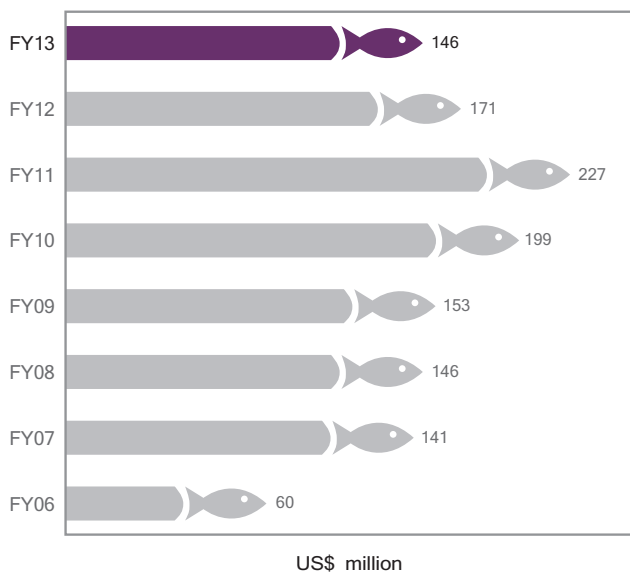


Revenue by market

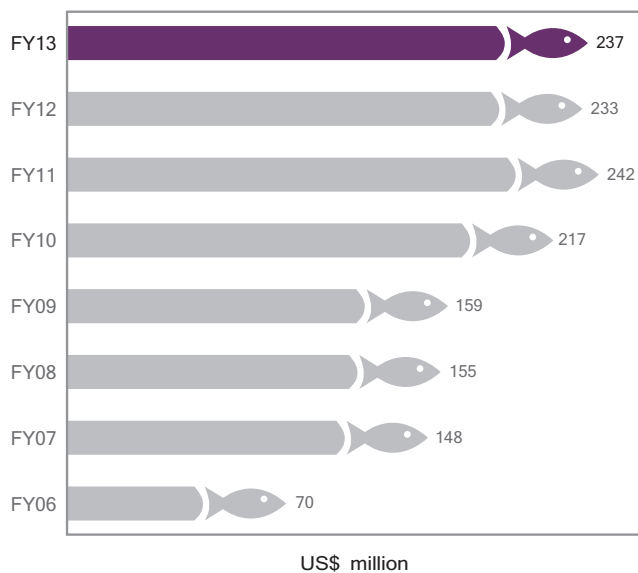


FINANCIAL HIGHLIGHTS

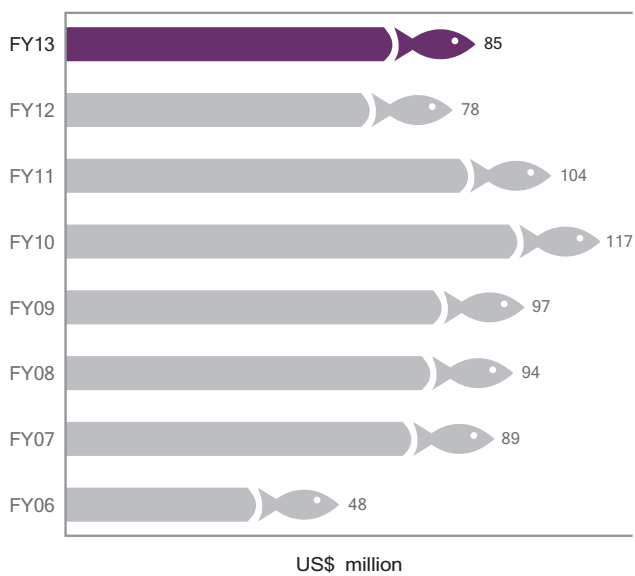
Gross profit



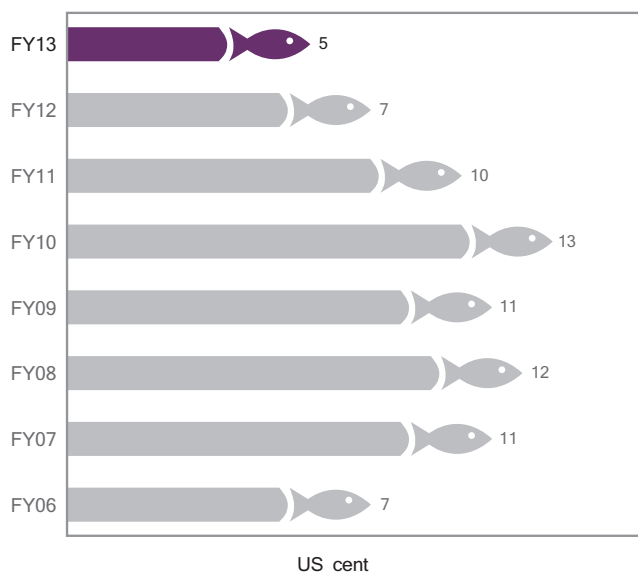
EBITDA



Net profit

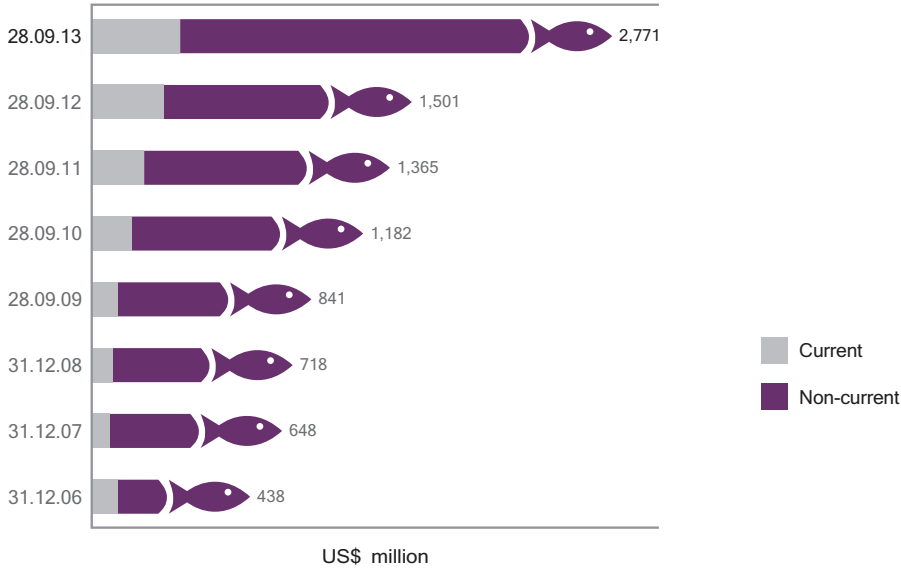


Basic earnings per share

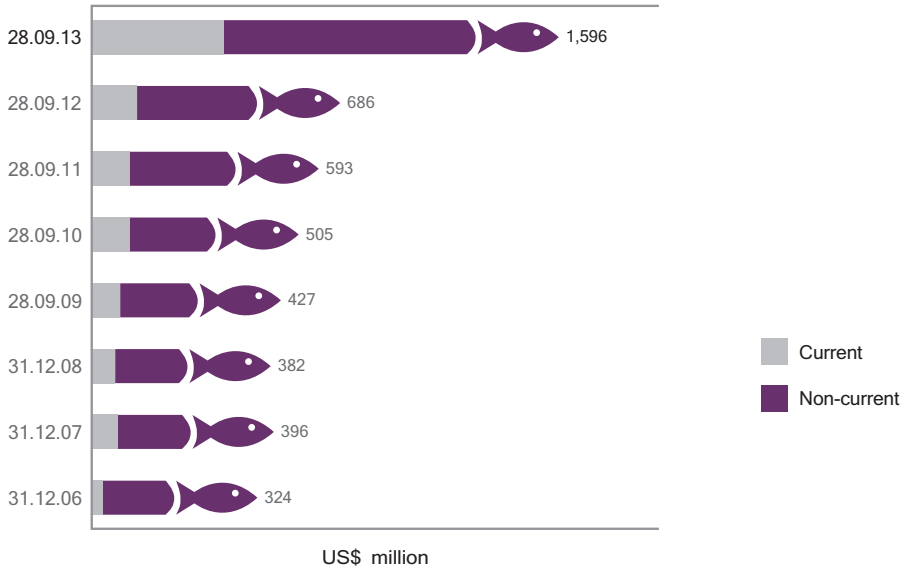


FINANCIAL HIGHLIGHTS

Assets

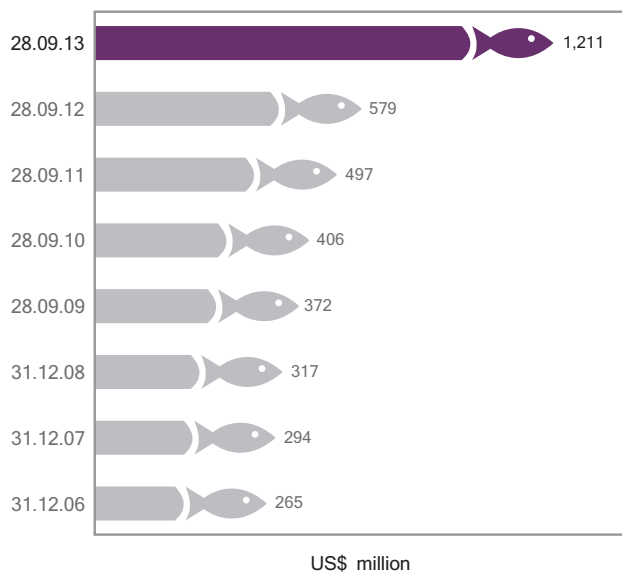


Liabilities

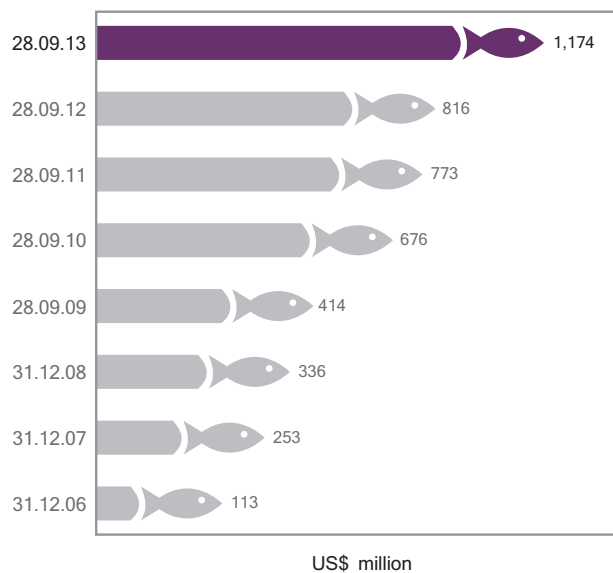


FINANCIAL HIGHLIGHTS

Total borrowings



Equity



Gearing ratios

| Ratio \ Financial year | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net debt to equity | 183.4% | 108.3% | 92.2% | 84.3% | 54.8% | 61.2% | 64.7% | 96.8% |
| Long term debt to total debt | 95.1% | 83.8% | 78.1% | 73.5% | 66.8% | 73.1% | 73.6% | 55.2% |

MESSAGE TO INVESTORS

Dear Investors,

On behalf of your Board of Directors (the "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, 2013 ("FY2013").

FY2013 has been a year of momentum and transformation for China Fishery. The acquisition of Copeinca ASA ("Copeinca") was a significant milestone for our group, elevating China Fishery to become the largest fishmeal and fish oil producer in Peru, as well as one of the leading fishmeal and fish oil exporters in the world.

We look forward to the contributions the successful integration of Copeinca will make to China Fishery in FY2014. It is a very positive sign that the Peruvian Government increased the Total Allowable Catch ("TAC") for the 2013 second fishing season (from November 2013 to January 2014) to 2.3 million tonnes (2.8 times higher compared to the same fishing season last year). This is strong evidence that the Peruvian Anchovy resource is sustainable and is well-managed under an effective fishery management policy adopted by the Peruvian Government. The significant increase in the TAC of Peruvian Anchovy and synergies from the Copeinca acquisition, together with the rising demand for fish globally, augur well for the fishmeal and fish oil business.

We are excited to be launching into a new and promising phase of growth for the Group.

Financial Review

During the year under review, net profit attributable to shareholders increased by 7.9% from US\$78.1 million to US\$84.3 million, despite revenue decreasing by 8.1% to US\$555.0 million. The Group's newly established fishing operations in Namibia contributed positively to the performance of China Fishery Fleet ("CF Fleet") while Peruvian Fishmeal Operations benefitted from higher average selling prices of fishmeal/fish oil, as well as maiden revenue contribution from Copeinca. These positive contributions partially offset the reduction in revenue due to the substantial reduction in TAC for Peruvian Anchovy in the 2012 second fishing season.

Our Board of Director is appreciative of the shareholder support through the 1-for-1 rights issue (the "Rights Issue") that underpinned the funding of the Copeinca acquisition. We are pleased to report that having taken control of the business on August 30, 2013, we are well on track to deliver the expected benefits from integration. Net debt to equity ratio increased to 96.8% during the year due mainly to financing required to support the acquisition of Copeinca, and we are in the process of refinancing the bridge loan to a medium-long term bank loan.

Distribution of dividends is always determined with due consideration for the Group's plans for growth and liquidity requirements. The Board recommended payment of a first and final dividend of 1.0 Singapore cent per share for FY2013 (FY2012: 1.9 Singapore cents), on the post Rights Issue enlarged equity base after taking into account the Group's prime objective of reducing its net debt.

A more detailed review of the results for the year and the operating performance of the Group are contained in the Management Discussion and Analysis section on page 10 of this report.

Market and Operations Review

Our strategy is straightforward and proven – to increase access to under-utilised and sustainable marine resources. Underpinning this strategy is a belief that global demand for fish and ocean resources will continue its strong growth.

The Food and Agriculture Organisation of the United Nations estimates that an additional 50 million* tonnes of farmed fish will be required to meet the demand of the rising world population by 2030. Fishmeal and fish oil are key feed inputs for aquaculture. With the recent Copeinca acquisition, the Group has become the largest holder of Peruvian Anchovy quota (16.9% catch quota in North and Central Peru and 14.7% in South Peru) and a leading world producer and exporter of fishmeal and fish oil. China Fishery is well-positioned to capitalise on these positive trends with the acquisitions made in Peru during the past years.

In line with the Group's strategy, the Group's newly-established fishing operations in Namibia successfully commenced activities in FY2013 and we look forward to its continuing contributions to the performance of CF Fleet.

* Source: <http://www.fao.org/news/story/en/item/202782/icode/>

MESSAGE TO INVESTORS

Corporate Social Responsibility (“CSR”)

China Fishery is fully committed to maintaining good corporate responsibility. We have a duty to conform to the laws and regulations in the jurisdictions in which we operate and we take this duty seriously. We treat our colleagues fairly and take measures to protect their health and well-being, as well as that of our consumers and the communities in which we operate. Since the inaugural Sustainability Report published in August 2012, China Fishery has continued to implement sustainable practices Group-wide - particularly with the newly-established fishing operations in Namibia.

China Fishery is also a signatory to the Prince of Wales' International Sustainability Unit's joint declaration on action for wild marine fisheries. The declaration expresses our support for improved fisheries management. The Group is also a founding member of APEC's Policy Partnership on Food Security (PPFS), an initiative that brings private sector knowledge and resources to APEC governments to ensure sustainable fisheries and food security by 2020. We recognise that we are an important stakeholder in the industry and will continue to play a leading role in aiding discussions among governments, private sector and civil society.

Outlook and Prospects

Our strategic priority for FY2014 is to augment and harness the synergies that we now have within our enlarged businesses, and we look forward to an exciting new phase of transformation for the Group ahead.

Aquaculture currently already supplies over 40% (approximately 63 million tonnes per year) of global fish consumption. With wild fish stocks being better managed, aquaculture is expected to be the major contributor to future industry growth as global demand for seafood protein grows.

Looking forward to FY2014, we will focus on the creation and realisation of synergies and cost savings from the Copeinca acquisition. We will also explore the possibility of increasing the value of the catch by promoting Peruvian Anchovy for direct human consumption. This presents a long-term value proposition for the overall growth of the Group's business.

At the same time, China Fishery will continue to seek new fishing grounds in Africa, among other regions in the world, with sustainable biomass as a core pillar of its strategy. Improving overall utilisation of its fishing fleet will meanwhile remain a key focus area for the Group.

On the corporate front, we will retain Copeinca's listing status on the Oslo Børs during this period when various strategic options will be considered for improving the Group's organisational and capital structures. The Group remains committed in its efforts to strengthen its balance sheet in order to grow its business in the future.

Acknowledgements

On behalf of the Board, I would like to take this opportunity to once again extend my sincere gratitude to our shareholders, customers, business partners, advisers and bankers for their continued valuable support and confidence in the Group.

I would also like to thank our Managing Director in particular and all the staff for their dedication and hard work, ensuring China Fishery retains its leading position in the industry.

Finally, I would like to thank my fellow board members for their vision and commitment to the Group and for the support they have accorded to me.

With your continued support, we look forward to delivering another year of profitability.

Ng Joo Kwee
Executive Chairman

December 27, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

The FY2013 results include a maiden one month (from August 31, 2013 to September 28, 2013) contribution from Copeinca, in which the Group had acquired a 99.1% equity stake on August 30, 2013 (“Copeinca Acquisition”).

Income Statement

Group revenue decreased by 8.1% from US\$604.0 million to US\$555.0 million.

Revenue from the Peruvian Fishmeal Operations, which accounted for 29.8% of total revenue, decreased by 7.5% from US\$179.1 million to US\$165.6 million, largely as a result of the significant reduction in TAC in the 2012 second fishing season in the Peruvian Anchovy fishery. The effect of higher average selling prices of fishmeal/fish oil and the one-month contribution of revenue from Copeinca (US\$31.5 million) reduced this impact.

Revenue from the Contract Supply Business, which accounted for 65.1% of total revenue, decreased by 3.6% from US\$375.0 million to US\$361.4 million, due mainly to lower average prices of various products.

The Group’s newly-established fishing operations in Namibia successfully commenced its activities in FY2013 and contributed positively to the performance of the CF Fleet operations. However, revenue from CF Fleet decreased by 44.0% from US\$49.9 million to US\$27.9 million, due primarily to the strategic decision of not operating the fishing fleet in the South Pacific Ocean during the year under review.

The geographical breakdown of the Group’s revenue is as follows:

- the PRC – 80.5%
- Japan & Korea – 6.8%
- West Africa – 3.7%
- Europe – 3.6%
- Others – 5.4%

The changes resulted from the reclassifications of charter hire expenses and vessel operating costs to costs of sales following the execution of the four Long Term Supply Agreements (“LSAs”) in July 2012.

As a result of the lower sales volume, gross profit decreased by 14.8% from US\$171.4 million to US\$146.0 million, as a higher proportion of fixed costs was incurred.

Other operating income increased by 1,446.4% from US\$6.2 million to US\$96.3 million, mainly due to (1) a fair value gain of US\$64.0 million on the Group’s acquisition of Copeinca; and (2) realised net foreign exchange gains of US\$13.7 million from currency derivative contracts.

Selling expenses decreased by 32.4% from US\$37.7 million to US\$25.5 million, in line with the lower sales volume of fishmeal and fish oil in FY2013.

Other operating expenses increased by 588.1% from US\$10.1 million to US\$69.7 million. This increase comprised (1) provision of diminution in value of plants and vessels in the CF Fleet and Peruvian Fishmeal Operations (US\$42.4 million); and (2) transaction costs incurred for the completion of the Copeinca Acquisition (US\$13.5 million).

Finance costs increased by 93.2% from US\$26.2 million to US\$50.6 million. This increase was related to the senior notes issued and the bridge loan used to fund part of the consideration for the Copeinca Acquisition. Total outstanding interest-bearing debt was US\$1,211.0 million and US\$579.0 million as of September 28, 2013 and September 28, 2012, respectively.

EBITDA increased marginally by 1.6% from US\$232.8 million to US\$236.6 million.

Net profit after tax increased 8.7% from US\$78.1 million to US\$84.9 million. Net profit attributable to shareholders increased 7.9% from US\$78.1 million to US\$84.3 million.

Statement of Financial Position

Current assets increased 23.1% to US\$581.8 million.

Inventories increased by 71.4% from US\$57.3 million to US\$98.2 million due primarily to the inclusion of Copeinca’s fishmeal and fish oil inventory.

Non-current assets increased by 112.8% to US\$2,188.9 million, due primarily to assets acquired from the Copeinca Acquisition and the prepayment of the new Fourth LSA under Contract Supply Business.

Total liabilities increased by 132.8% to US\$1,596.4 million. The increase was due mainly to the bridge loan taken for the Copeinca Acquisition and the issuance of senior notes in July 2012 to finance the Fourth LSA.

The increase in deferred tax liabilities was related to Copeinca’s deferred liabilities and deferred tax liabilities arising on the gain of fair value in Copeinca.

As of September 28, 2013, the Group’s total debt outstanding consisted of US\$1,211.0 million, which included US\$280.9 million of the 9.75% senior notes due 2019, US\$249.9 million of Copeinca’s 9.00% senior notes due 2017, US\$354.0 million of the bridge loan, and other short-term and long-term borrowings. The Group is in the process of refinancing the bridge loan to a medium-long term bank loan. As a result of the Copeinca Acquisition, the Group’s net borrowings to equity ratio increased to 96.8%.

Total equity increased by US\$358.8 million to US\$1,174.3 million, attributable mainly to the Rights Issue completed in April 2013. The Rights Issue raised US\$277.6 million and was fully utilised to fund the Copeinca Acquisition.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

MR NG JOO KWEE 53, 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 on October 31, 2005 and last re-elected as a Director of the Company on January 28, 2011. 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 “SEHK”), 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 68, 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 on October 31, 2005 and last re-elected as a Director of the Company on January 28, 2012. 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, he started his trading business and became a shareholder in Chuan-Chuan.

MR NG JOO SIANG 54, 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 on April 25, 2006 and last re-elected as a Director of the Company on January 28, 2013. He is also the managing director and vice chairman of PAIH and an executive chairman of PARD, responsible for the overall strategic planning, development, corporate policy formulation, investment and management of the Pacific Andes Group. In October 2013, Mr Ng was appointed as an executive director and chairman of Copeinca, the Company’s indirect non-wholly owned subsidiary listed in both Peru and Norway. He is Chairman of the Investment Committee and a member of the Corporate Social Responsibility Committee. He graduated from the Louisiana State University in Baton Rouge, Louisiana, with a Bachelor 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 44, 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 on February 15, 2005 and was last re-elected as a Director of the Company on January 28, 2012. He graduated from the Hong Kong Polytechnic University with a Bachelor 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 worked in PAIH as its Financial Controller from 1995 to 2005.

Non-Executive Directors

MR PATRICK THOMAS SIEWERT 58, was appointed as a Non-Executive Director of the Company on July 28, 2010 and was last re-elected as a Director on January 28, 2013. Mr Siewert is also a member of the Audit and Risk Management Committee, Investment Committee and Corporate Social Responsibility Committee. He is a managing director of the Carlyle Group, focused on investments in consumer and retail businesses across Asia since April 2007. Prior to joining the Carlyle Group, Mr Siewert 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. He 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. Mr Siewert currently serves as a director of, but not limited to, Avery Dennison Corporation, Computime Group Limited, Eastern Broadcasting Company, Natural Beauty Bio-Technology Limited and Mondelez International Inc.

MS JANINE FENG JUNYUAN 44, 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 Haier Electronics Group Co., Ltd. and Natural Beauty Bio-Technology Limited, the shares of which are listed on the SEHK. She received a Master degree in Business Administration from Harvard Business School in 1996.

Independent Directors

MR LIM SOON HOCK 63, was appointed as an Independent Director of the Company on January 16, 2006 and was last re-elected as a Director on January 28, 2013. 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 30 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. Mr Lim is also active in community work and currently chairs the Centre for Fathering Ltd. and Halogen Foundation Singapore and UniSIM Education Trust Fund. He holds a Bachelor of Engineering degree with Honours

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

in Electrical Engineering from the University of Singapore, a post-graduate Diploma in Business Administration and Graduate Certificate in International Arbitration from the National University of Singapore. He is a Fellow of the Institution of Engineers Singapore, Institution of Engineering and Technology, UK, Academy of Engineering Singapore, Singapore Computer Society, Singapore Institute of Directors and Singapore Institute of Arbitrators. He was a recipient of numerous awards, which include the 1992 NUS Distinguished Engineering Alumni Award, 2009 Public Service Medal, 2009 NUS Distinguished Alumni Service Award, 2010 IES-IEEE Joint Medal of Excellence Award, 2010 Honorary Fellow of AFEO (Asean Federation of Engineering Organisations), 2011 MCYS Outstanding Volunteer Award and President's Award for Volunteerism. He was appointed a Justice of the Peace in May 2008.

MR TSE MAN BUN 70, 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 January 28, 2011. Mr Tse is the Chairman of the Nominating Committee and Corporate Social Responsibility Committee, and a member of the Audit and Risk Management Committee, Remuneration Committee and Investment Committee. On November 21, 2013, he was appointed as the Lead Independent Director of the Company. Mr Tse has over 40 years of working experience in the banking industry. He joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in 1968 and retired from the bank in December 2002. He is currently 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 in Hong Kong.

MR TAN NGIAP JOO 68, was appointed as an Independent Director of the Company on January 12, 2009 and was last re-elected as a Director on January 28, 2012. Mr Tan is also the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and Nominating Committee. He was previously the deputy president of Oversea-Chinese Banking Corporation Limited ("OCBC"), which is listed on the main board of the SGX-ST. In September 2013, Mr Tan was appointed as independent non-executive director of OCBC. Prior to this, Mr Tan was a chief executive officer of Bank of Singapore (Australia) Limited. Presently, he sits on the boards of several listed companies. Mr Tan is the chairman and director of United Engineers Limited, which is listed on the main board of the SGX-ST. He is an independent non-executive director of Mapletree Logistics Trust Management Ltd., which is listed on the main board of the SGX-ST and Tan Chong International Limited, which is listed on the SEHK. Mr Tan holds a Bachelor of Arts degree from the University of Western Australia.

Senior Management

MR JOSE MIGUEL TIRADO MELGAR 47, is a general manager of CFG Investment S.A.C. and has been brought in to run our Peru operations. In September 2013, Mr Tirado was appointed as the chief executive officer of Copeinca. 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 Group 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 43, 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 Group in 2006, he was an attorney with Estudio Echeopar and an inhouse counsel with Banco Latino, both in Lima, Peru. Mr Paniagua was also an attorney with Cleary, Gottlieb, Steen & Hamilton in New York, New York. He holds a Bachelor degree in General Studies and a Law degree, both from Pontificia Universidad Catolica del Peru, and a L.L.M. degree from Cornell Law School in Ithaca, New York.

MR ISAAC FINGER KOGAN 43, is the chief financial officer of CFG Investment S.A.C., a position he has held since April 2008. In October 2013, Mr Finger was appointed as chief financial officer of Copeinca. Prior to joining the Group in 2008, he worked as chief financial officer at Hochschild Mining PLC for four years. He graduated from Universidad de Lima with a Bachelor degree in Industrial Engineering and has a Master of Science degree in Finance from the University of Rochester in New York.

MR JERKO ARZICH 60, is with 36 years of professional experience on Fishmeal and Fishoil processing plants. He graduated on the faculty of Chemical from the University of Chile. He worked 16 years on Pesquera Coloso S.A. from Chile (now Corpesca) in Quality and Production areas. Then he worked 13 years on Austral S.A.A. Peru as Manager Fishmeal and Fishoil Plant and then as Corporate Manager of Quality and Production. Since 2006 he assumed the position of Operation Manager of Fishmeal and Fishoil plant in CFG Investment S.A.C. He is a professional with several training courses and solid laboral experience.

MR EDUARDO JAUREGUI 50, is a Mechanical Engineer from Universidad Católica del Perú and diplomated as Service Manager from Hamburg Marketing Akademie. He worked for 9 years in Alfa Laval as Manager of Chile and Perú offices. He also worked for 9 years in the peruvian fishmeal industry as Maintenance Manager in Austral Group. He assumed the position of Fleet Manager in CFG Investment S.A.C. since December 2007.

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, 2013.

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:

Tse Man Bun – Lead Independent Director
Lim Soon Hock
Tan Ngiap Joo

Non-Executive Directors:

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

In accordance with Article 107 of the Company's Articles of Association, Messrs. Ng Joo Kwee, Chan Tak Hei and Tse Man Bun are subject to retirement by rotation and being eligible for re-election at the forthcoming Annual General Meeting.

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 under review 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 interests is held | Direct | | Deemed | |
|---|----------------------------|----------------------------|-------------------------------|----------------------------------|
| | At 29 September 2012 | At 28 September 2013 | At 29 September 2012 | At 28 September 2013 |
| The Company | | | | |
| | | | | Ordinary shares of US\$0.05 each |
| Tan Ngiap Joo | 21,255 | 42,510 | – | – |
| Intermediate holding company, Pacific Andes International Holdings Limited | | | | |
| | | | | Ordinary shares of HK\$0.10 each |
| Ng Joo Siang | – | – | 4,828,171 ^(note a) | 4,828,171 ^(note a) |

Notes:

(a) These shares are held under the name of the spouse of Ng Joo Siang.

The director's interests in the shares of the Company at October 19, 2013 were the same at September 28, 2013.

REPORT OF THE DIRECTORS

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 of the Company 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 915,314 and 136,691 share awards which had been released and forfeited respectively during the year ended September 28, 2012. As at September 28, 2013, there were nil share awards outstanding.

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.

REPORT OF THE DIRECTORS

Since the commencement of CFGL SAS to the end of the current financial year, 1,221,826 share awards have been granted to Common Parent Participants under CFGL SAS.

The aggregate number of ordinary shares which may be issued under the CFGL SAS shall not exceed 10% of the issued share capital of the Company as at the date of approval of the scheme by the shareholders.

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, 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 pages 17 to 27 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

December 27, 2013

STATEMENT OF THE DIRECTORS

In the opinion of the directors of the Company, 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 30 to 101 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, 2013, 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: December 27, 2013

REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the “Board”) is committed to maintaining a high standard of corporate governance within China Fishery Group Limited (the “Company” or “China Fishery”) & its subsidiaries (the “Group”) and confirms 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.

The Board and Management have taken steps to align the governance framework with the recommendations of the Code as revised by the Monetary Authority of Singapore on May 2, 2012 (the “2012 Code”) and is applicable to the Company with effect from the financial year commencing September 29, 2013.

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”), Remuneration Committee (“RC”), Nominating Committee (“NC”), Investment Committee (“IC”) and Corporate Social Responsibility Committee (“CSRC”).

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 will formalise 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 knowledge and a better 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 financial year ended September 28, 2013 (“FY2013”) are summarised in the table below:

| | Board | ARMC | RC | NC |
|--|-------|------|----|----|
| Ng Joo Kwee | 4 | – | – | – |
| Sung Yu Ching | 4 | – | – | – |
| Ng Joo Siang | 4 | – | – | – |
| Chan Tak Hei | 4 | – | – | – |
| Tse Man Bun | 4 | 4 | 2 | 1 |
| Lim Soon Hock | 4 | 4 | 2 | 1 |
| Tan Ngiap Joo | 4 | 4 | 2 | 1 |
| Patrick Thomas Siewert (alternate: Janine Feng Junyuan) | 4 | 4 | – | – |
| Total held in FY2013 | 4 | 4 | 2 | 1 |

REPORT ON CORPORATE GOVERNANCE

Board Matters – continued

Principle 1: Board's Conduct of its Affairs – continued

| | IC |
|---|----|
| Ng Joo Siang | 4 |
| Patrick Thomas Siewert | 4 |
| Janine Feng Junyuan (alternate to Patrick Thomas Siewert) | 1 |
| Tse Man Bun | 4 |
| Tan Ngiap Joo (alternate to Tse Man Bun) | 4 |
| Total held in FY2013 | 4 |

| | CSRC |
|---|------|
| Tse Man Bun | 3 |
| Tan Ngiap Joo (alternate to Tse Man Bun) | 3 |
| Ng Joo Siang | 3 |
| Lt-Gen (Ret) Ng Jui Ping (alternate to Ng Joo Siang) | 3 |
| Patrick Thomas Siewert | 3 |
| Janine Feng Junyuan (alternate to Patrick Thomas Siewert) | 1 |
| Ng Puay Yee | 2 |
| Total held in FY2013 | 3 |

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 composition is as follows:

Executive Directors:

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

Non-Executive Independent Directors:

Tse Man Bun (Lead Independent Director)
Lim Soon Hock
Tan Ngiap Joo

Non-Executive Director:

Patrick Thomas Siewert (alternate: Janine Feng Junyuan)

The NC, which reviews the independence of each Director on an annual basis, adopts the 2012 Code's definition of what constitutes an independent director. The Independent Directors are Mr Lim Soon Hock, Mr Tse Man Bun and Mr Tan Ngiap Joo.

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, as well as customer-based experience and knowledge. The diversity of the Directors' experience allows for the useful exchange of ideas and views. The profile of Board members is set out in the section entitled 'Profile of Directors and Senior Management' 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.

REPORT ON CORPORATE GOVERNANCE

Board Matters – continued

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. He 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.

Mr Ng Joo Siang is an Executive Director of the Company and a founder of Pacific Andes International Holdings Limited and Pacific Andes Resources Development Limited ("Pacific Andes Group") listed on the Stock Exchange of Hong Kong Limited and the Singapore Exchange Securities Trading Limited ("SGX-ST") 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 the Group and ensuring the quality, quantity and timeliness of information flow between the Board and Management.

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.

Lead Independent Director, Tse Man Bun, is available to shareholders should they have concerns for which contact through the Chairman, MD or the Finance Director is inappropriate.

Principle 4: Board Membership

The Directors who held office in FY2013 and at the date of this report are disclosed on page 2 (Corporate Information) and pages 13 to 15 (Report of the Directors) of this Annual Report respectively. Profiles of Directors as at the date of this report are disclosed on pages 11 and 12 (Profile of Directors and Senior Management) of this Annual Report.

Principle 5: Board Performance

Nominating Committee

The NC, regulated by 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.

REPORT ON CORPORATE GOVERNANCE

Board Matters – continued

Principle 5: Board Performance – continued

Nominating Committee – continued

The terms of reference for the NC had been amended to be in line with the recommendations of the 2012 Code. The principal 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) or otherwise;
- (e) Assesses the effectiveness of the Board and its Board committees, 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;
- (g) Reviews and recommends newly-appointed Directors and Directors retiring by rotation for re-election at each Annual General Meeting (“AGM”); and
- (h) Reviews training and professional development programmes for the Board.

The NC had reviewed the independence of each Director for FY2013 in accordance with the 2012 Code’s definition of independence and is satisfied that at least one-third of the Board comprises Non-Executive Independent Directors.

The NC had adopted a formal process of evaluating the performance of the Board and the Board Committees 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 and respective Board Committees. 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.

Similar performance evaluations had also been conducted for various Board Committees, namely the ARMC, RC, NC, IC and CSRC.

Based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees, and their time commitment to the affairs of the Company, the NC believes that it would not be necessary to put a maximum limit on the number of listed company board representations and other principal commitments of each Director. However, the NC would continue to review from time to time, the Board representations and other principal commitments to ensure that Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The NC also has in place a process for the selection and appointment of Directors. The process provides for the identification of prospective candidates, a review of their skills, knowledge and experience and an assessment of the candidates’ suitability. Candidates found to be suitable to be appointed are recommended 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 AGM following their appointments. The retiring Directors are eligible to offer themselves for re-election.

REPORT ON CORPORATE GOVERNANCE

Board Matters – continued

Principle 5: Board Performance – continued

Nominating Committee – continued

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) Chan Tak Hei
- (3) Tse Man Bun

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

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

Company Secretaries provide advice, secretarial support and assistance to the Board and ensure adherence to Board procedures and relevant rules and regulations applicable to the Company. A Company Secretary or her representative attends all Board and Board committee meetings.

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

Remuneration Matters

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 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 terms of reference for the RC had been amended to be in line with the recommendations of the 2012 Code. The RC reviews:

- (a) the remuneration of the Executive Directors and senior executives of the Group;
- (b) fees for Non-Executive Independent Directors which are subject to shareholders' approval at the AGM;
- (c) service contracts and terms of employment of the Executive Directors;
- (d) awards to be granted under the CFGL Share Awards Scheme; and
- (e) makes the necessary recommendation to the Board.

For administrative efficiency, the RC has delegated the review of the remuneration of senior executives of the Group 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.

REPORT ON CORPORATE GOVERNANCE

Remuneration Matters – continued

Principle 9: Disclosure on Remuneration – continued

Remuneration Committee – continued

The RC had recommended to the Board an amount of S\$150,000 as Directors' fees for the year ending September 28, 2014, 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 with a remuneration framework and in recognition of the contribution, effort, time incurred and responsibilities of the Non-Executive Independent Directors.

The 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 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, 2013 is set out below:

| Name of Director | Salary (%) | Bonus (%) | Director's Fee (%) | Other Benefits (%) | Total (%) |
|--------------------------------|------------|-----------|--------------------|--------------------|-----------|
| S\$750,000 to S\$1,000,000 | | | | | |
| Chan Tak Hei | 54 | 18 | – | 28 | 100 |
| S\$500,000 to below S\$750,000 | | | | | |
| Nil | | | | | |
| S\$250,000 to below S\$500,000 | | | | | |
| Ng Joo Siang | 48 | 16 | – | 36 | 100 |
| Ng Joo Kwee | 55 | 18 | – | 27 | 100 |
| Below S\$250,000 | | | | | |
| Sung Yu Ching | 92 | 8 | – | – | 100 |
| Lim Soon Hock | – | – | 100 | – | 100 |
| Tse Man Bun | – | – | 100 | – | 100 |
| Tan Ngiap Joo | – | – | 100 | – | 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 set out below:

| Name of Executive | Salary (%) | Bonus (%) | Others | Benefits (%) | Total (%) |
|--------------------------------|------------|-----------|--------|--------------|-----------|
| S\$500,000 to below S\$750,000 | | | | | |
| Nil | | | | | |
| S\$250,000 to below S\$500,000 | | | | | |
| José Miguel Tirado Melgar | 100 | – | – | – | 100 |
| Franciso Javier Paniagua Jara | 100 | – | – | – | 100 |
| Below S\$250,000 | | | | | |
| Isaac Finger Kogan | 100 | – | – | – | 100 |
| Jerko Arzich | 100 | – | – | – | 100 |
| Eduardo Jauregui | 100 | – | – | – | 100 |

REPORT ON CORPORATE GOVERNANCE

Remuneration Matters – continued

Principle 9: Disclosure on Remuneration – continued

Employees' Remuneration – continued

The Executive Directors' and key senior management's remuneration packages are based on service contracts and their remuneration is determined by having regard to the performance of the Group as well as individuals and market trends. New service agreements or renewals, if any, will be subject to the RC's review to ensure that the terms are fair and for a reasonable period. The existing service agreement provides for termination by the Executive Directors or the Company with 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 exceeded S\$150,000 during the financial year 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") administered by the RC.

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 14 of this Annual Report.

Accountability and Audit

Principle 10: Accountability

The Board provides shareholders with a detailed and balanced explanation and an 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 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.

REPORT ON CORPORATE GOVERNANCE

Accountability and Audit – continued

Principle 11: Audit and Risk Management Committee – continued

The terms of reference for the ARMC had been amended to be in line with the recommendations of the 2012 Code. 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 cooperation 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, if any;
- Reviews the independence of the external auditors annually; and
- Reviews hedging policies of the Company for bunker costs and foreign exchange, if any.

The Company has adopted a whistle blowing policy. The scope of this policy has been extended to external parties as recommended by the 2012 Code. Under this policy, the ARMC reviews arrangement by which staff and external parties may, in confidence, report possible improprieties in a responsible and effective manner. The whistle blowing policy is also available on the Company's website at www.chinafisherygroup.com to facilitate participation by external parties. The objective for such arrangements is to ensure independent investigation of matters raised and allow appropriate actions to be taken.

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.

The ARMC meets with the external and internal auditors without the presence of Management on a quarterly basis. The Group has an in-house internal audit function.

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

The Company has complied with Rules 712 and 715 of the Listing Manual in relation to the appointment of Deloitte & Touche LLP as the external auditors of the Company and its subsidiaries. The Company has also satisfied itself with regard to Rule 716 of the Listing Manual on the appointment of PwC as the external auditors of Copeinca and its subsidiaries in which the Company had acquired a 99.1% equity stake on August 30, 2013.

REPORT ON CORPORATE GOVERNANCE

Accountability and Audit – continued

Principle 12: Internal Controls

Principle 13: Internal Audit (“IA”)

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.

Management 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. Management 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. Management is aware that risk management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, Management can make more informed decisions and benefit from a better balance between risk and reward. This helps to protect and also create shareholders’ value.

The Company has an IA 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.

The Internal Auditors perform detailed work to assist the ARMC in the evaluation of the Group’s financial, operational, compliance and information technology controls based on an internal audit plan approved by the ARMC. Any material non-compliance or weakness noted in internal controls, including recommendations for improvements, are reported to the ARMC. The ARMC also reviews the effectiveness of actions taken by Management in response to recommendations made by the Internal Auditors.

In addition to the work performed by the Internal Auditors, the External Auditors also perform tests of certain controls relevant to the preparation of the Group’s financial statements. The External Auditors report any significant deficiencies of such internal controls to the ARMC.

Management with the assistance of the Internal Auditors had in 2012 carried out an exercise to review and consolidate the Group’s risk register which identifies key risks facing the Group and the internal controls in place to manage or mitigate those risks (“ERM framework”). The implementation of the ERM framework is on-going.

Based on the internal controls established and maintained by the Group, work performed by the Internal and External auditors, and reviews performed by Management, various Board Committees and the Board; the Board with the concurrence of the ARMC, is of the opinion that the internal controls in place are adequate in addressing the Group’s financial, operational and compliance risks in its current business environment.

REPORT ON CORPORATE GOVERNANCE

Communication with Shareholders

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

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 annual general meetings and extraordinary general meetings together with the respective explanatory notes.

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 Chairpersons of all the Board Committees as well as the external auditors will be available at the forthcoming AGM to address any queries raised by shareholders.

Investment Committee

The IC's primary function is to evaluate all investments in excess of US\$20 million proposed to the Group.

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

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

The IC met four times in FY2013 to carry out its function.

Corporate Social Responsibility Committee

The CSRC, regulated by written terms of reference, comprises the following:

Tse Man Bun (Chairman)
Ng Joo Siang
Patrick Thomas Siewert
Ng Puay Yee – executive director of Pacific Andes International Holdings Limited ("PAIH")
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)

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

The CSRC's key objective is 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 CSRC is advised by Dr Keith Sainsbury, a marine ecologist, on matters relating to marine resources conservation and ecosystems.

The CSRC met three times in FY2013 to carry out its function. A report on corporate social responsibility is included in this Annual Report on page 28.

REPORT ON CORPORATE GOVERNANCE

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 dealings 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 procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the ARMC.

There were no interested person transactions in FY2013 undertaken pursuant to the shareholders' general mandate under Rule 920 of the Listing Manual of the SGX-ST obtained at the AGM.

Material Contracts

Except for the service agreements entered into with Ng Joo Kwee, Sung Yu Ching, Ng Joo Siang and Chan Tak Hei, 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 subsidiaries in FY2013.

CORPORATE SOCIAL RESPONSIBILITY

In FY2013, China Fishery's Board-level Corporate Social Responsibility Committee ("CSRC") continued implementing processes to uphold the Company's commitment to offering a responsibly-derived range of quality seafood products and address the business, social and sustainability concerns associated with international fishing and fish processing.

Support for sustainable fisheries management

In May 2013 China Fishery's Peruvian operations were audited and approved for Friend of the Sea ("FOS") certification. This certification covers all Peruvian processing plants and fleet operations and meets fishmeal and fish oil standards set by customers in Europe. This is in addition to our Responsible Sourcing certification from the International Fishmeal and Fish Oil Organisation ("IFFO") held by all our processing plants in Peru.

China Fishery continued to support and follow closely the Marine Stewardship Council ("MSC") certification process for Russian pollock, with the Sea of Okhotsk pollock achieving MSC certification on September 24, 2013. Pollock is a midwater trawl fishery and pelagic trawls rarely come into contact with the seabed. This type of fishing is not associated with damage to marine habitat or significant levels of discarding of unwanted species (by-catch).

Atlantic Pacific Fishing

China Fishery established a joint venture fishing company, Atlantic Pacific Fishing Company (Pty) Limited ("APF"), in Namibia in 2012. In FY2013 it continued to successfully harvest horse mackerel in partnership with three local Namibian consortium groups. In line with Pacific Andes sustainability position, "In for the Long Term", establishing a joint venture company with Namibian citizens not only made good commercial sense, but also enabled management to gain a deeper understanding of Namibia's historical and social context and the requirements and expectations of Namibia's labour standards. There was only one new quota holder group formed in Namibia in 2013 and this group decided to partner with APF to harvest their allocated mackerel quota. APF offered a sustainable long term business model, together with the highest return to the quota rights holder shareholders.

APF aims to create long term employment prospects for Namibians, as well as to bring skills and knowledge transfer to the industry. In order to ensure the Group's strategy meets local stakeholder expectations and needs, China Fishery conducted a stakeholder engagement exercise, working with a local Namibian consultant and fisheries expert. 17 stakeholder representatives from the Ministry of Fisheries and Marine Resources and other government departments, trade unions, NGOs, community groups, joint venture shareholders and media were invited to provide feedback on its operations in Namibia in terms of performance and expectations on corporate governance, social and environmental issues.

Sustainability audits on fisheries

Under the guidance of the CSRC, China Fishery established a list of criteria to review the environmental and social risk profiles of the major fisheries associated with its business. In FY2013 it completed a third audit on the Namibian horse mackerel fishery, covering a range of environmental and social risk issues and identifying management strategies to mitigate each risk. An audit on Peruvian anchovy also commenced and will be completed in FY2014.

Group-wide sustainability platform

In order to ensure a robust system for environmental data collection and management at Group level, China Fishery embarked on the development of a web-based platform in May 2013. This online platform will be used to capture all relevant environmental data across operations, to set targets and key performance indicators, and reduce our environmental impacts. It also provides a management system for measuring and reporting on the Group's global carbon footprint.

APEC Policy Partnership on Food Security ("PPFS")

In 2012 parent company Pacific Andes International Holdings Limited became a founding member on APEC's Policy Partnership on Food Security ("PPFS"), an initiative that brings private sector knowledge and resources to APEC governments to ensure sustainable fisheries and food security by 2020. The Group continued its active participation in FY2013 in two working groups under PPFS - Working Group 1: "Stock-take & Road Map Towards 2020" and Working Group 2: "Sustainable Development of Agriculture and Fisheries Sectors". As the only direct fishing and fish processing company on the policy group, the Group has an important role to play in driving the sustainable fisheries and aquaculture agendas. The Group's contribution was thus important for the development of the PPFS Road Map.

Materiality assessment

Subsequent to the year end the CSRC conducted a materiality workshop to identify the priority CSR issues facing the industry. The workshop enabled open discussion amongst executive and non-executive Directors on matters related to environmental compliance, social responsibility and emerging stakeholder expectations and will form the basis for the next Sustainability Report.

Sustainability report

China Fishery produces a stand-alone Sustainability Report every two years. As a part of the reporting process, the Group engages with its stakeholders to understand how they feel about the Company's response to economic, environmental and social issues. The Group is in the process of pulling together its second stand-alone Sustainability Report, which will be published in FY2014.

Deloitte.

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

Report on the Financial Statements

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, 2013, and the consolidated income statement and 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 30 to 101.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards and for 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 accounts and balance sheets and to maintain accountability of assets.

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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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, 2013 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
Chartered Accountants
Singapore

Date: December 27, 2013

STATEMENTS OF FINANCIAL POSITION

September 28, 2013

| | Note | Group | | Company | |
|--|------|-------------------------|-------------------------|-----------------------|-----------------------|
| | | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 7 | 74,576 | 51,415 | 141 | 180 |
| Trade receivables | 8 | 141,475 | 134,432 | – | – |
| Other receivables and prepayments | 9 | 155,055 | 182,975 | 1,462 | 3 |
| Advances to suppliers | 12 | 40,500 | – | – | – |
| Prepaid income tax | | 12,758 | 1,953 | – | – |
| Deferred expenses | 10 | 32,935 | 22,441 | – | – |
| Inventories | 11 | 98,193 | 57,276 | – | – |
| Current portion of prepayment to suppliers | 12 | 26,298 | 22,133 | – | – |
| Total current assets | | <u>581,790</u> | <u>472,625</u> | <u>1,603</u> | <u>183</u> |
| Non-current assets | | | | | |
| Prepayment to suppliers | 12 | 229,092 | 113,723 | – | – |
| Advances to suppliers | 12 | – | 40,500 | – | – |
| Property, plant and equipment | 13 | 638,201 | 541,577 | – | – |
| Investment property | 14 | 3,218 | 3,320 | – | – |
| Goodwill | 15 | 95,721 | 95,721 | – | – |
| Fishing and plant permits | 16 | 1,222,670 | 233,834 | – | – |
| Subsidiaries | 17 | – | – | 674,417 | 411,244 |
| Held-to-maturity financial asset | 18 | – | – | 3,060 | 3,060 |
| Total non-current assets | | <u>2,188,902</u> | <u>1,028,675</u> | <u>677,477</u> | <u>414,304</u> |
| Total assets | | <u><u>2,770,692</u></u> | <u><u>1,501,300</u></u> | <u><u>679,080</u></u> | <u><u>414,487</u></u> |

STATEMENTS OF FINANCIAL POSITION

September 28, 2013

| | Note | Group | | Company | |
|---------------------------------------|------|-------------------------|-------------------------|-----------------------|-----------------------|
| | | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| Current liabilities | | | | | |
| Trade payables | 19 | 17,879 | 19,818 | – | – |
| Other payables and accrued expenses | 20 | 15,122 | 16,895 | 1,589 | 92 |
| Derivative financial instruments | 21 | 1,895 | 2,511 | – | – |
| Income tax payable | | 2,828 | 3,978 | – | – |
| Financial guarantee contract | | – | – | 4,068 | 4,068 |
| Current portion of finance leases | 23 | 3,866 | 3,789 | – | – |
| Current portion of bank loans | 24 | 538,248 | 148,910 | – | – |
| Total current liabilities | | <u>579,838</u> | <u>195,901</u> | <u>5,657</u> | <u>4,160</u> |
| Non-current liabilities | | | | | |
| Financial guarantee contract | | – | – | 19,098 | 23,070 |
| Long term payables | 22 | 30,387 | 2,928 | – | – |
| Finance leases | 23 | 470 | 4,336 | – | – |
| Bank loans | 24 | 137,667 | 142,577 | – | – |
| Senior notes | 25 | 530,785 | 279,363 | – | – |
| Deferred tax liabilities | 26 | 317,204 | 60,691 | – | – |
| Total non-current liabilities | | <u>1,016,513</u> | <u>489,895</u> | <u>19,098</u> | <u>23,070</u> |
| Capital and reserves | | | | | |
| Share capital | 27 | 102,318 | 51,159 | 102,318 | 51,159 |
| Share premium | | 521,382 | 282,239 | 521,382 | 282,239 |
| Warrants reserve | 28 | – | 12,714 | – | 12,714 |
| Foreign currency translation reserve | 28 | 3,835 | – | – | – |
| Revaluation reserve | 28 | 7,053 | 6,606 | – | – |
| Merger reserve | 28 | (30,503) | (30,503) | – | – |
| Retained earnings | | 561,836 | 493,289 | 30,625 | 41,145 |
| Attributable to owners of the Company | | <u>1,165,921</u> | <u>815,504</u> | <u>654,325</u> | <u>387,257</u> |
| Non-controlling interests | | 8,420 | – | – | – |
| Net equity | | <u>1,174,341</u> | <u>815,504</u> | <u>654,325</u> | <u>387,257</u> |
| Total liabilities and equity | | <u><u>2,770,692</u></u> | <u><u>1,501,300</u></u> | <u><u>679,080</u></u> | <u><u>414,487</u></u> |

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended September 28, 2013

| | Note | Group | |
|---|------|----------------------|------------------|
| | | 2013 US\$'000 | 2012 US\$'000 |
| Profit for the year | 34 | 84,898 | 78,116 |
| Other comprehensive income: | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Revaluation of properties | | <u>447</u> | <u>750</u> |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Fair value change of available-for-sale investment | | 16,094 | – |
| Reclassification adjustment transfer to profit and loss upon derecognition of available-for-sale investment | | (16,094) | – |
| Exchange difference on translation of the Group's overseas operation | | <u>3,870</u> | <u>–</u> |
| Other comprehensive income for the year, net of tax | | <u>4,317</u> | <u>750</u> |
| Total comprehensive income for the year | | <u>89,215</u> | <u>78,866</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 88,541 | 78,866 |
| Non-controlling interests | | <u>674</u> | <u>–</u> |
| | | <u>89,215</u> | <u>78,866</u> |

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended September 28, 2013

| | Share capital US\$'000 | Share premium US\$'000 | Warrants reserve US\$'000 | Foreign currency translation reserve US\$'000 | Revaluation reserve US\$'000 | Merger reserve US\$'000 | Retained earnings US\$'000 | Attributable to owners of Company US\$'000 | Non- controlling interests US\$'000 | Total US\$'000 |
|---|------------------------------|------------------------------|---------------------------------|---|------------------------------------|-------------------------------|----------------------------------|---|--|-------------------|
| Group | | | | | | | | | | |
| Balance at September 29, 2011 | 51,113 | 281,428 | 12,714 | - | 5,856 | (30,503) | 451,939 | 772,547 | - | 772,547 |
| Total comprehensive income for the year | - | - | - | - | 750 | - | 78,116 | 78,866 | - | 78,866 |
| Issue of shares | 46 | 811 | - | - | - | - | - | 857 | - | 857 |
| Final dividend of 4.50 Singapore cents per ordinary share in respect of financial year 2011 (Note 36) | - | - | - | - | - | - | (36,766) | (36,766) | - | (36,766) |
| Balance at September 28, 2012 | 51,159 | 282,239 | 12,714 | - | 6,606 | (30,503) | 493,289 | 815,504 | - | 815,504 |
| Total comprehensive income for the year | - | - | - | 3,835 | 447 | - | 84,259 | 88,541 | 674 | 89,215 |
| Non-controlling interests arising from acquisition of subsidiary | - | - | - | - | - | - | - | - | 7,746 | 7,746 |
| Expiry of warrants | - | 12,714 | (12,714) | - | - | - | - | - | - | - |
| Issue of shares on exercise of rights issue | 51,159 | 230,526 | - | - | - | - | - | 281,685 | - | 281,685 |
| Share issue expenses | - | (4,097) | - | - | - | - | - | (4,097) | - | (4,097) |
| Final dividend of 1.90 Singapore cents per ordinary share in respect of financial year 2012 (Note 36) | - | - | - | - | - | - | (15,712) | (15,712) | - | (15,712) |
| Balance at September 28, 2013 | <u>102,318</u> | <u>521,382</u> | <u>-</u> | <u>3,835</u> | <u>7,053</u> | <u>(30,503)</u> | <u>561,836</u> | <u>1,165,921</u> | <u>8,420</u> | <u>1,174,341</u> |

STATEMENTS OF CHANGES IN EQUITY

Year ended September 28, 2013

| | Share capital US\$'000 | Share premium US\$'000 | Warrants reserve US\$'000 | Retained earnings US\$'000 | Total US\$'000 |
|---|------------------------------|------------------------------|---------------------------------|----------------------------------|-------------------|
| Company | | | | | |
| Balance at September 29, 2011 | 51,113 | 281,428 | 12,714 | 44,648 | 389,903 |
| Total comprehensive income for the year | – | – | – | 33,263 | 33,263 |
| Issue of shares | 46 | 811 | – | – | 857 |
| Final dividend of 4.50 Singapore cents per ordinary share in respect of financial year 2011 (Note 36) | – | – | – | (36,766) | (36,766) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at September 28, 2012 | 51,159 | 282,239 | 12,714 | 41,145 | 387,257 |
| Total comprehensive income for the year | – | – | – | 5,192 | 5,192 |
| Expiry of warrants | – | 12,714 | (12,714) | – | – |
| Issue of shares on exercise of rights issue | 51,159 | 230,526 | – | – | 281,685 |
| Share issue expenses | – | (4,097) | – | – | (4,097) |
| Final dividend of 1.90 Singapore cents per ordinary share in respect of financial year 2012 (Note 36) | – | – | – | (15,712) | (15,712) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at September 28, 2013 | <u>102,318</u> | <u>521,382</u> | <u>–</u> | <u>30,625</u> | <u>654,325</u> |

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended September 28, 2013

| | Note | Group | |
|--|-------|------------------|------------------|
| | | 2013 US\$'000 | 2012 US\$'000 |
| Operating activities | | | |
| Profit before income tax | | 77,595 | 81,219 |
| Adjustments for: | | | |
| Amortisation of prepayment to Suppliers | 34 | 30,466 | 22,133 |
| Amortisation of senior notes issuing expenses | 34 | 1,523 | 183 |
| Depreciation of property, plant and equipment | 34 | 96,131 | 90,839 |
| Fair value loss (gain) on investment property | | 102 | (153) |
| Gain on repurchase of senior notes | 31 | — | (775) |
| Impairment loss on property, plant and equipment | 34 | 44,918 | 5,650 |
| Gain on disposal of property, plant and equipment | 31 | (413) | (17) |
| Interest expense | | 49,044 | 25,993 |
| Interest income | 31 | (86) | (287) |
| Share awards expense | 34 | — | 857 |
| Fair value gain on available-for-sale investment | 31 | (16,094) | — |
| Gain on bargain purchase on acquisition of subsidiaries | 37(c) | (64,049) | (2,547) |
| Statutory employees profit share | | 282 | 4,974 |
| Provision for claims | | 1,379 | 1,172 |
| | | <u>220,798</u> | <u>229,241</u> |
| Operating cash flows before movements in working capital | | | |
| Trade receivables | | 27,612 | (64,706) |
| Other receivables and prepayments | | 48,204 | (40,128) |
| Deferred expenses | | (7,248) | 25,453 |
| Inventories | | 32,572 | (18,784) |
| Trade payables | | (6,662) | 1,011 |
| Other payables and accrued expenses and long term payables | | 8,699 | (10,543) |
| Derivative financial instruments | | (616) | 2,305 |
| | | <u>323,359</u> | <u>123,849</u> |
| Cash generated from operations | | | |
| Interest paid | | (46,164) | (21,755) |
| Income tax paid | | (8,812) | (11,337) |
| | | <u>268,383</u> | <u>90,757</u> |
| Net cash from operating activities | | | |

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended September 28, 2013

| | Note | Group | |
|---|-------|----------------------|----------------------|
| | | 2013 US\$'000 | 2012 US\$'000 |
| Investing activities | | | |
| Purchase of property, plant and equipment | | (13,979) | (79,365) |
| Acquisition of assets | 38 | (2,500) | – |
| Additions to prepayment to suppliers | | (150,000) | – |
| Proceeds from disposal of property, plant and equipment | | 413 | 49 |
| Net cash outflows on acquisition of subsidiaries | 37(d) | (720,469) | (29,934) |
| Interest received | | 86 | 287 |
| | | <u> </u> | <u> </u> |
| Net cash used in investing activities | | <u>(886,449)</u> | <u>(108,963)</u> |
| Financing activities | | | |
| Additions of bank loans | | 448,229 | – |
| Repayment of bank loans | | (60,179) | (146,818) |
| Repayment of working capital loans | | (4,910) | (46,840) |
| Net proceeds from issuing of senior notes | | – | 282,955 |
| Net proceeds from rights issue | | 277,588 | – |
| Repurchase of senior notes | | – | (3,000) |
| Repayment of obligations under finance leases | | (3,789) | (4,069) |
| Dividends paid | | (15,712) | (36,766) |
| | | <u> </u> | <u> </u> |
| Net cash from financing activities | | <u>641,227</u> | <u>45,462</u> |
| Net increase in cash and cash equivalents | | <u>23,161</u> | <u>27,256</u> |
| Cash and cash equivalents at beginning of year | | <u>51,415</u> | <u>24,159</u> |
| | | <u> </u> | <u> </u> |
| Cash and cash equivalents at end of year | | <u>74,576</u> | <u>51,415</u> |
| Cash and cash equivalents consist of: | | | |
| Cash at banks | 7 | 53,201 | 50,980 |
| Cash on hand | 7 | 566 | 435 |
| Short term deposits | 7 | 20,809 | – |
| | | <u> </u> | <u> </u> |
| | | <u>74,576</u> | <u>51,415</u> |

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

1 General

The Company is incorporated in Cayman Islands with its principal place of business in Taiwan and registered office at Clifton House, 75 Fort Street, P.O. Box 1350 GT, Grand Cayman, KY1-1108, Cayman Islands. The Company is 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 subsidiaries are disclosed in Note 17 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, 2013 were authorised for issue by the Board of Directors on December 27, 2013.

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 accounting policies below 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. There are no material differences between the preparation of financial statements in Singapore Financial Reporting Standards and International Financial Reporting Standards that are applicable to the Group and Company.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

ADOPTION OF NEW AND REVISED STANDARDS - On September 29, 2012, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. 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 disclosed below:

Amendments to FRS 1 Presentation of Items of other Comprehensive Income

The Group has applied the amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* retrospectively for the first time in the current year, the Group grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued ADOPTION OF NEW AND REVISED STANDARDS – continued

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:

- FRS 27 (Revised) *Separate Financial Statements*
- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 113 *Fair Value Measurement*
- Amendments to FRS 32 *Financial Instruments: Presentation*
- Amendments to FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 36 *Impairment of Assets*
- Amendments to FRS 110 *Consolidated Financial Statements – Investment Entities*
- FRS 110, FRS 111, FRS 112 *Transition Guidance*

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

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation – Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions.

When the Group adopts FRS 110, entities it currently consolidates may not qualify for consolidation, and entities it currently does not consolidate may qualify for consolidation. The Group is currently estimating the effects of FRS 110 on its investments in the period of initial adoption.

FRS 112 Disclosure of Interests in other Entities

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014, and the Group is currently estimating the extent of additional disclosures needed.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

FRS 113 Fair Value Measurement

FRS 113 is a single new Standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other Standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment*, FRS 17 *Leases*, net realisable value in FRS 2 *Inventories* and value-in-use in FRS 36 *Impairment of Assets*.

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other Standards regarding which items should be measured or disclosed at fair value.

The disclosure requirements in FRS 113 are more extensive than those required in the current standards.

For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 107.

Financial Instruments: Disclosures will be extended by FRS 113 to cover all assets and liabilities within its scope.

FRS 113 will be effective prospectively from annual periods beginning on or after January 1, 2014. Comparative information is not required for periods before initial application.

The Group is currently estimating the effects of FRS 113 in the period of initial adoption.

Amendments to FRS 32 Financial Instruments: Presentation

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

The management is still evaluating the impact of the amendments to FRS 32 on the financial assets and liabilities that have been set-off on the statement of financial position.

Amendments to FRS 107 Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 107 require entities to disclose information about rights of set-off and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to FRS 107 are required for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

Amendments to FRS 36 Impairment of Assets

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit (“CGU”) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU’s recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of ‘fair value hierarchy’ within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used.

Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less costs of disposal.

Management anticipates that the adoption of the above FRSs and 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 as discussed above.

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 when 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, investments in subsidiaries are 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

COMMON CONTROL BUSINESS COMBINATION OUTSIDE THE SCOPE OF FRS 103 – continued

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.

COMMON CONTROL 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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

COMMON CONTROL BUSINESS COMBINATIONS WITHIN THE SCOPE OF FRS 103 – continued

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;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; 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 in the Statement of Cash Flows

Cash and cash equivalents in the statement of cash flows 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 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.

Held-to-Maturity Investments

Securities with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

Financial Assets – continued

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.

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, 2013

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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

LEASES – continued

The Group as Lessee

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

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.

Under the vessel operating agreements, the Group paid 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 Suppliers (Note 12). As the fixed portions of charter hire cost were payable during the charter hire period regardless of whether the vessels were deployed (save for certain exceptions during the earlier part of the charter hire), the Group expensed fixed charter hire cost on a time-proportionate basis to profit or loss and did not include this cost in deferred expenses. Variable charter hire costs were determined when the revenue from the sale of fish and marine products were determined. Variable charter hire cost was accrued as an expense at the same time when revenue was 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

PROPERTY, PLANT AND EQUIPMENT – continued

Property 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.

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.

Property, 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 |
| Processing vessel | – | 20 years |
| Fishing vessels | – | 10 to 17 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 proceeds and the carrying amount 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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

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.

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.

Prepayment to Suppliers

This represents future payment for supply of fishery products under the long term supply agreements which have been prepaid or contractually agreed to be prepaid. They are amortised and charged to profit or loss as cost of sales or charter hire expense proratably over the period for which the prepayment is made and the benefits are expected to accrue.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

IMPAIRMENT OF TANGIBLE AND INTANGIBLE 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

REVENUE RECOGNITION – continued

Sale of Fish and Marine Related Products

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.

Ocean Freight Income

Ocean freight income is recognised when the shipping and freight services are rendered.

Rental Income and sub-contract of vessel operating agreements

These are recognised on a straight-line basis over the term of the relevant lease.

Interest Income

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

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, 2013

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

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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

2 Summary of Significant Accounting Policies – continued

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.

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, 2013

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 Amounts of Prepayment and Advances to Suppliers

As at September 28, 2013, the carrying amounts of prepayments and advances to Suppliers (Note 12) was US\$255,390,000 (2012: US\$135,856,000) and US\$40,500,000 (2012: US\$40,500,000) respectively. The supply of fish under the long term supply arrangements with the Suppliers (Note 12) have been profitable after deducting amortisation of the prepayment to Suppliers over the periods for which the supply of fish or charter hires have been prepaid. Management has carried out a review on the carrying amounts of prepayment and advances to Suppliers based on the performance of the operations and noted no indications of impairment.

Useful Lives of Property, Plant and Equipment

The carrying amounts of property, plant and equipment amounting to US\$638,201,000 (2012: US\$541,577,000) 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.

Impairment of Property, Plant and Equipment Excluding Processing and Fishing Vessels

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. If there is indication of impairment, the recoverable amounts of property, plant and equipment are determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Management has carried out a review on the recoverable amount of the property, plant and equipment based on their value-in-use and noted no impairment.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty – continued

(ii) Key Sources of Estimation Uncertainty – continued

Carrying Amounts of Processing and Fishing Vessels and Fishing and Plant Permits

The carrying amounts of processing and fishing vessels (in-use and construction-in-progress) and fishing and plant permits was US\$264,381,000 and US\$1,222,670,000, respectively, as at September 28, 2013 (2012: 236,624,000 and US\$233,834,000, respectively). Determining whether the carrying amounts 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.

Management has carried out a review on the recoverable amounts of the processing and fishing vessels and fishing and plant permits based on their value-in-use as disclosed in Note 13. The assessment has led to the recognition of impairment loss of US\$35,000,000 (2012: US\$Nil) for the processing vessel and US\$9,918,000 (2012: US\$5,650,000) for certain fishing vessels and plant and machineries in the current year.

Carrying Amount of Goodwill

Information relating to the carrying amount and management's assessment of goodwill is provided in Note 15. 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.

Impairment of Investments in Subsidiaries

Management has carried out a review on the recoverable amounts of the investment in subsidiaries, having regard to the existing performance of the relevant subsidiaries and the carrying value of the net assets in these subsidiaries. No allowance for impairment of investment in subsidiaries has been recognised for year ended September 28, 2013 and September 28, 2012.

The carrying amounts of the investment in subsidiaries and amounts due from subsidiaries are disclosed in Note 17 to the financial statements.

Acquisition of subsidiary

As disclosed in Note 37, the net assets acquired and previously held interest in relation to the acquisition of subsidiary are stated at fair value based on the valuation performed by an independent professional valuer. The independent professional valuer determined the fair values based on a method of valuation which involves the use of certain estimates. Management is of the view that the estimates used by the professional valuers and the fair values are the best estimate of the likely values at the date of finalisation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

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 | |
|--|-----------|----------|----------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Financial assets | | | | |
| Loans and receivables (including cash and cash equivalents) | 369,976 | 342,743 | 648,220 | 383,627 |
| Held-to-maturity | – | – | 3,060 | 3,060 |
| Financial liabilities | | | | |
| Financial guarantee contract | – | – | 23,166 | 27,138 |
| Amortised cost | 1,263,785 | 615,688 | 1,589 | 92 |
| Derivative financial instruments | 1,895 | 2,511 | – | – |

(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.

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 and Peruvian Nuevos Soles. Foreign exchange risk arises largely from transactions denominated in currencies such as Singapore dollar, United States dollar, Peruvian Nuevos Soles, Chinese Renminbi, Hong Kong dollar, Namibian dollar and Euro.

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 | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| United States dollar | 55,159 | – | 59,069 | – | – | – | – | – |
| Peruvian Nuevos Soles | 8,317 | 13,908 | 1,668 | 8,466 | – | – | – | – |
| Chinese Renminbi | – | 235 | 507 | 1,432 | – | – | – | – |
| Euro | 388 | 651 | 198 | 1,074 | – | – | – | – |
| Namibian dollar | 1,268 | – | 5,869 | 560 | – | – | – | – |
| Hong Kong dollar | 941 | 94 | 135 | 71 | 873 | 59 | 5 | 13 |
| Singapore dollar | 47 | 48 | 85 | 186 | 31 | 33 | 58 | 138 |
| Norwegian Krone | 209 | 135 | 971 | – | 201 | – | – | – |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

4 Financial Instruments, Financial Risks and Capital Risks Management – continued

(b) Financial Risk Management Policies and Objectives – continued

(i) Foreign Exchange Risk Management – continued

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 and United States dollar, the major currencies, weakens or strengthens by 10% against the functional currency of each Group entity, the Group's profit will increase or decrease by US\$274,000 (2012: increase or decrease by US\$544,000), respectively. This is mainly attributable to the exposure outstanding on receivables and payables at the end of reporting period in the Group. For other foreign currencies, management considers that the amounts involved are insignificant and accordingly no sensitivity analysis is presented.

The Company's exposure to foreign exchange risk is not significant, accordingly, a sensitivity analysis has not been performed.

(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 25) and use of finance leases for which rates are fixed at inception of the finance leases (Note 23). 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's and Company's profit for the year ended September 28, 2013 would increase/decrease by approximately US\$370,000 and US\$3,234,000 (2012: US\$255,000 and US\$1,918,000) respectively. This is mainly attributable to the Group's and Company's exposure to interest rates on its variable rate financial asset instruments.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended September 28, 2013 would decrease/increase by approximately US\$3,380,000 (2012: US\$1,457,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

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 concentration of credit risk as 74% (2012: 72%) of the Group's trade receivables at the end of the financial year relate to four entities (2012: two entities).

As at the end of the reporting period, the Group has balance due from the Suppliers which accounted for US\$102,755,000 or 66% (2012: US\$112,173,000 or 61%) of the other receivables and prepayments balances. In addition, the Group also advanced US\$40,500,000 (2012: US\$40,500,000) to the Suppliers (Note 12).

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\$707.1 million (2012: US\$726.4 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 and advances to Suppliers are disclosed in Notes 8, 9 and 12 respectively.

(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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

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 Liabilities – continued

| | 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 | | | | | | |
| 2013 | | | | | | |
| Non-interest bearing | – | 33,001 | 19,748 | – | – | 52,749 |
| Finance lease liabilities | 8.49 | 4,812 | 562 | – | (1,038) | 4,336 |
| Variable interest rate instruments | 2.78 | 543,310 | 138,024 | – | (5,419) | 675,915 |
| Fixed interest rate instruments | 9.41 | 53,684 | 430,717 | 308,304 | (261,920) | 530,785 |
| | | <u>634,807</u> | <u>589,051</u> | <u>308,304</u> | <u>(268,377)</u> | <u>1,263,785</u> |
| 2012 | | | | | | |
| Non-interest bearing | – | 36,713 | – | – | – | 36,713 |
| Finance lease liabilities | 8.49 | 5,102 | 5,374 | – | (2,351) | 8,125 |
| Variable interest rate instruments | 2.73 | 133,978 | 166,910 | – | (9,518) | 291,370 |
| Fixed interest rate instruments | 10.92 | 30,968 | 126,244 | 339,003 | (216,735) | 279,480 |
| | | <u>206,761</u> | <u>298,528</u> | <u>339,003</u> | <u>(228,604)</u> | <u>615,688</u> |
| | 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 |
| Company | | | | | | |
| 2013 | | | | | | |
| Non-interest bearing | – | 1,589 | – | – | – | 1,589 |
| Financial guarantee contract | – | 23,166 | – | – | – | 23,166 |
| | | <u>24,755</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>24,755</u> |
| 2012 | | | | | | |
| Non-interest bearing | – | 92 | – | – | – | 92 |
| Financial guarantee contract | – | 27,138 | – | – | – | 27,138 |
| | | <u>27,230</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>27,230</u> |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

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 Liabilities – continued

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\$707.1 million (2012: US\$726.4 million). The earliest period that the guarantee could be called is within one year (2012: one year) from the end of the reporting period. As mentioned in Note 4b(iii), the Company considers that it is more likely than not that no amount will be payable under the arrangement.

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 | | | | | | |
| 2013 | | | | | | |
| Non-interest bearing | – | 295,966 | – | – | – | 295,966 |
| Variable interest rate Instruments | 0.11 | 74,095 | – | – | (85) | 74,010 |
| | | <u>370,061</u> | <u>–</u> | <u>–</u> | <u>(85)</u> | <u>369,976</u> |
| 2012 | | | | | | |
| Non-interest bearing | – | 251,263 | 40,500 | – | – | 291,763 |
| Variable interest rate Instruments | 0.11 | 51,036 | – | – | (56) | 50,980 |
| | | <u>302,299</u> | <u>40,500</u> | <u>–</u> | <u>(56)</u> | <u>342,743</u> |
| | 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 |
| Company | | | | | | |
| 2013 | | | | | | |
| Non-interest bearing | – | 1,462 | – | – | – | 1,462 |
| Fixed interest rate | 10.92 | – | – | 3,394 | (334) | 3,060 |
| Variable interest rate instruments | 3.47 | 141 | – | 669,063 | (22,446) | 646,758 |
| | | <u>1,603</u> | <u>–</u> | <u>672,457</u> | <u>(22,780)</u> | <u>651,280</u> |
| 2012 | | | | | | |
| Non-interest bearing | – | 3 | – | – | – | 3 |
| Fixed interest rate | 10.92 | – | – | 3,394 | (334) | 3,060 |
| Variable interest rate instruments | 3.47 | 180 | – | 396,754 | (13,310) | 383,624 |
| | | <u>183</u> | <u>–</u> | <u>400,148</u> | <u>(13,644)</u> | <u>386,687</u> |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

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, 2013, the undiscounted contractual net cash outflows on foreign exchange forward contracts that settle on a net basis within one year from the end of the reporting date were US\$1,895,000 (2012: US\$2,511,000). 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

As at September 28, 2013, the Group prepaid US\$255 million (2012: US\$136 million) for supply of fish by 23 fishing vessels (2012: 17 fishing vessels), the benefits of which are to be realised over 10 to 18 years up to 2030 (2012: 10 to 18 years up to 2025). The Group mitigates the risk relating to obligations of the counterparties in respect of long term supply 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, 2013

- 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 | | | | |
| 2013 | | | | |
| Derivative financial instruments | <u>1,895</u> | <u>–</u> | <u>1,895</u> | <u>–</u> |
| 2012 | | | | |
| Derivative financial instruments | <u>2,511</u> | <u>–</u> | <u>2,511</u> | <u>–</u> |

The Group has no financial assets carried at fair value in 2013 and 2012.

Company

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

The Company had no financial assets or liabilities carried at fair value in 2013 and 2012.

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

Other than set out in the financial statements, management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

4 Financial Instruments, Financial Risks and Capital Risks Management – continued

(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 is as follow:

| | Group | |
|--|------------------|----------------|
| | 2013 | 2012 |
| | US\$'000 | US\$'000 |
| Debts: | | |
| - Finance leases | 4,336 | 8,125 |
| - Bank loans | 675,915 | 291,487 |
| - Senior notes | 530,785 | 279,363 |
| | <u>1,211,036</u> | <u>578,975</u> |
| Cash and cash equivalents | <u>74,576</u> | <u>51,415</u> |
| Equity attributable to the owners of the Company | <u>1,165,921</u> | <u>815,504</u> |

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, 2012. The Group is in compliance with externally imposed capital requirements for the financial years ended September 28, 2013 and September 28, 2012.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

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 ("PARAD"), 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.

6 Other Related Party Transactions

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.

Compensation of directors and key management personnel

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

| | Group | |
|--------------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Short-term benefits | 2,443 | 2,120 |
| Post-employment benefits | 58 | 118 |
| Total | <u>2,501</u> | <u>2,238</u> |

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

7 Cash and Cash Equivalents

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| Cash at banks | 53,201 | 50,980 | 141 | 180 |
| Cash on hand | 566 | 435 | – | – |
| Short term deposits | 20,809 | – | – | – |
| Total cash and cash equivalents on the consolidated statements of cash flows | <u>74,576</u> | <u>51,415</u> | <u>141</u> | <u>180</u> |

Cash at banks bears interest at rates ranging from 0.001% to 0.110% (2012: 0.001% to 0.400%) per annum.

As of September 28, 2013, short-term deposits denominated in United States dollars amounting to US\$20,809,000 which bears a short-term market interest rate of 5.30% per annum.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

7 Cash and Cash Equivalents – continued

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 | |
|-----------------------|------------------|------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| Norwegian Krone | 971 | – | – | – |
| United States dollar | 19,769 | – | – | – |
| Peruvian Nuevos Soles | 216 | 302 | – | – |
| Euro | – | 189 | – | – |
| Chinese Renminbi | 309 | 433 | – | – |
| Namibian dollar | 1,279 | 109 | – | – |
| Hong Kong dollar | 108 | 71 | 5 | 13 |
| Singapore dollar | 85 | 186 | 58 | 138 |

8 Trade Receivables

| | Group | |
|-----------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Outside parties | 141,475 | 134,432 |

An allowance for estimated irrecoverable amount from the sale of goods to third parties of US\$22,000 (2012: US\$43,000) 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.

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

| | 2013 | 2012 |
|---------------|---------------|---------------|
| | US\$'000 | US\$'000 |
| <30 days | 9,399 | 925 |
| 31 to 60 days | 11,705 | 3,263 |
| 61 to 90 days | 21,065 | 11,405 |
| >90 days | 25,190 | 8,811 |
| | <u>67,359</u> | <u>24,404</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\$74,116,000 (2012: US\$110,028,000) is neither past due nor impaired.

The credit period granted on sale of goods from the Contract Supply Business and Peruvian Fishmeal operation are up to 90 days and 60 days (2012: 90 days and 60 days), respectively. No interest is charged on overdue balances.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

8 Trade Receivables – continued

Movement in the allowance for doubtful debts:

| | Group | |
|---|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Balance at beginning of the year | 43 | 623 |
| Written off against trade receivables during the year | (21) | (580) |
| Balance at end of the year | <u>22</u> | <u>43</u> |

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

| | Group | |
|-----------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| United States dollar | 32,052 | – |
| Peruvian Nuevos Soles | 161 | 341 |
| Chinese Renminbi | 193 | 187 |
| Namibian dollar | 373 | 334 |
| South African Rand | 67 | – |
| | <u>33,846</u> | <u>862</u> |

9 Other Receivables and Prepayments

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| Suppliers | 102,755 | 112,173 | – | – |
| Prepayments for fishmeal and operating expenses | 26,314 | 22,074 | – | – |
| Value added tax recoverable | 15,316 | 4,061 | – | – |
| Deposit for the purchase of fish | – | 42,492 | – | – |
| Others | 10,670 | 2,175 | 1,462 | 3 |
| Total | <u>155,055</u> | <u>182,975</u> | <u>1,462</u> | <u>3</u> |

The balances with the Suppliers are unsecured, interest-free and represent advances to the Suppliers for working capital advances for the supply of fish to the Group under the long term supply agreements (Note 12).

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

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September 28, 2013

9 Other Receivables and Prepayments – continued

The other receivables balances are neither past due nor impaired.

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

| | Group | | Company | |
|-----------------------|------------------|------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| United States dollar | 7,248 | – | – | – |
| Peruvian Nuevos Soles | 1,291 | 7,823 | – | – |
| Euro | 198 | 885 | – | – |
| Chinese Renminbi | 5 | 812 | – | – |
| Namibian dollar | 4,217 | 117 | – | – |

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 | |
|-----------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Fishmeal and fish oil | 61,257 | 15,093 |
| Frozen fish | 22,333 | 35,627 |
| Supplies | 14,603 | 6,556 |
| Total | 98,193 | 57,276 |

Fishmeal with carrying amounts of US\$8,190,000 (2012: US\$5,289,000) have been pledged as security for the Group's inventory loans totalling US\$22,218,000 (2012: US\$15,254,000) Note 24(b).

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

12 Prepayment/Advances to Suppliers

| | Group | |
|---|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Total prepayment to Suppliers | 438,000 | 288,000 |
| Less: Accumulated amortisation | <u>(182,610)</u> | <u>(152,144)</u> |
| | 255,390 | 135,856 |
| Included as current asset | <u>(26,298)</u> | <u>(22,133)</u> |
| Included as non-current asset | <u>229,092</u> | <u>113,723</u> |
| Accumulated amortisation: | | |
| At beginning of year | 152,144 | 130,011 |
| Amortisation during the year charged as cost of sales (2012: charter hire expenses and cost of sales) | <u>30,466</u> | <u>22,133</u> |
| At end of year | <u>182,610</u> | <u>152,144</u> |

With effect from July 16, 2012, a subsidiary, China Fisheries International Limited ("CFIL"), had entered into long-term supply agreements with two companies, Perun Limited ("Perun") and Alatir Limited ("Alatir") (collectively referred to as the "Suppliers"), to prepay for supply of fish for 23 (2012: 17) vessels for 10 to 18 years (2012: 10 to 18 years) up to 2030 (2012: 2025).

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

- (i) charges of all the issued shares of Perun and Alatir; and
- (ii) debentures over all the present and future assets of Perun and Alatir.

Advances to Suppliers

The advances to Suppliers as of September 28, 2012 were unsecured, interest-free and represented advances for working capital under the long term supply agreements. The advance amount will be offset against future payments made to the Suppliers. Management did not expect the advances to Suppliers to be repaid in the next 12 months.

During the year, management has reclassified the advances to Suppliers to current assets as the advance amount is expected to be offsetted against future payments made to the Suppliers within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

13 Property, Plant and Equipment

| | Freehold land US\$'000 | Freehold buildings US\$'000 | Leasehold buildings US\$'000 | Processing 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 |
|---|------------------------------|-----------------------------------|------------------------------------|----------------------------------|--------------------------------|-----------------------------|------------------------------------|----------------------|---|--|-------------------|
| Group | | | | | | | | | | | |
| Cost or valuation: | | | | | | | | | | | |
| At September 29, 2011 | 5,880 | 24,368 | 8,466 | 79,033 | 186,430 | 10,974 | 367,158 | 897 | 5,967 | 33,996 | 723,169 |
| Additions | 2,451 | - | - | - | - | 1,267 | 45,245 | - | 1,849 | 28,553 | 79,365 |
| Acquisition of subsidiaries | 125 | 875 | - | - | 5,945 | 81 | 4,639 | - | - | 465 | 12,130 |
| Disposals | - | (21) | - | - | (3,427) | (2,296) | (6,005) | - | (41) | - | (11,790) |
| Reclassifications | - | - | - | - | 3,221 | - | 5,908 | - | - | (9,129) | - |
| Reclassify to fishing and plant permits (Note 16) | - | - | - | - | - | - | (18,488) | - | - | - | (18,488) |
| Adjustment on asset revaluation | - | - | 412 | - | - | - | - | - | - | - | 412 |
| At September 28, 2012 | 8,456 | 25,222 | 8,878 | 79,033 | 192,169 | 10,026 | 398,457 | 897 | 7,775 | 53,885 | 784,798 |
| Additions | - | - | - | - | 205 | - | 5,782 | - | 68 | 7,924 | 13,979 |
| Acquisition of subsidiaries | 18,653 | 14,398 | - | - | 78,862 | 6,035 | 92,064 | 9 | 2,381 | 6,106 | 218,508 |
| Acquisition of assets (Note 38) | - | - | - | - | 2,500 | - | - | - | - | - | 2,500 |
| Disposals | - | - | - | - | (2,680) | - | (25) | (66) | (14) | - | (2,785) |
| Reclassifications | 163 | 3,588 | - | - | 1,556 | 48 | 10,621 | - | 338 | (16,314) | - |
| Adjustment on asset revaluation | - | - | 95 | - | - | - | - | - | - | - | 95 |
| Exchange realignment | 110 | 479 | - | - | 1,051 | 174 | 1,342 | 6 | 54 | 55 | 3,271 |
| At September 28, 2013 | 27,382 | 43,687 | 8,973 | 79,033 | 273,663 | 16,283 | 508,241 | 846 | 10,602 | 51,656 | 1,020,366 |
| Comprising: | | | | | | | | | | | |
| September 28, 2012 | | | | | | | | | | | |
| At cost | 8,456 | 25,222 | - | 79,033 | 192,169 | 10,026 | 398,457 | 897 | 7,775 | 53,885 | 775,920 |
| At valuation | - | - | 8,878 | - | - | - | - | - | - | - | 8,878 |
| | 8,456 | 25,222 | 8,878 | 79,033 | 192,169 | 10,026 | 398,457 | 897 | 7,775 | 53,885 | 784,798 |
| September 28, 2013 | | | | | | | | | | | |
| At cost | 27,382 | 43,687 | - | 79,033 | 273,663 | 16,283 | 508,241 | 846 | 10,602 | 51,656 | 1,011,393 |
| At valuation | - | - | 8,973 | - | - | - | - | - | - | - | 8,973 |
| | 27,382 | 43,687 | 8,973 | 79,033 | 273,663 | 16,283 | 508,241 | 846 | 10,602 | 51,656 | 1,020,366 |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

13 Property, Plant and Equipment – continued

| | Freehold land US\$'000 | Freehold buildings US\$'000 | Leasehold buildings US\$'000 | Processing 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 |
|----------------------------|------------------------------|-----------------------------------|------------------------------------|----------------------------------|--------------------------------|-----------------------------|------------------------------------|----------------------|---|--|-------------------|
| Accumulated depreciation: | | | | | | | | | | | |
| At September 29, 2011 | - | 4,492 | - | 5,328 | 32,657 | 8,887 | 102,826 | 706 | 2,679 | - | 157,575 |
| Depreciation | - | 654 | 338 | 2,906 | 12,075 | 2,270 | 71,927 | 101 | 568 | - | 90,839 |
| Disposals | - | (3) | - | - | (3,427) | (2,296) | (6,005) | - | (27) | - | (11,758) |
| Eliminated on revaluation | - | - | (338) | - | - | - | - | - | - | - | (338) |
| At September 28, 2012 | - | 5,143 | - | 8,234 | 41,305 | 8,861 | 168,748 | 807 | 3,220 | - | 236,318 |
| Depreciation | - | 1,145 | 352 | 2,906 | 13,139 | 2,624 | 75,071 | 63 | 831 | - | 96,131 |
| Disposals | - | - | - | - | (2,680) | - | (25) | (66) | (14) | - | (2,785) |
| Eliminated on revaluation | - | - | (352) | - | - | - | - | - | - | - | (352) |
| Exchange realignment | - | 111 | - | - | 300 | 111 | 478 | 6 | 26 | - | 1,032 |
| At September 28, 2013 | - | 6,399 | - | 11,140 | 52,064 | 11,596 | 244,272 | 810 | 4,063 | - | 330,344 |
| Impairment: | | | | | | | | | | | |
| At September 29, 2011 | - | - | - | - | - | - | 1,253 | - | - | - | 1,253 |
| Impairment during the year | - | - | - | - | 5,650 | - | - | - | - | - | 5,650 |
| At September 28, 2012 | - | - | - | - | 5,650 | - | 1,253 | - | - | - | 6,903 |
| Impairment during the year | - | - | - | 35,000 | 5,071 | 53 | 4,505 | 11 | 278 | - | 44,918 |
| At September 28, 2013 | - | - | - | 35,000 | 10,721 | 53 | 5,758 | 11 | 278 | - | 51,821 |
| Carrying amount: | | | | | | | | | | | |
| At September 28, 2012 | 8,456 | 20,079 | 8,878 | 70,799 | 145,214 | 1,165 | 228,456 | 90 | 4,555 | 53,885 | 541,577 |
| At September 28, 2013 | 27,382 | 37,288 | 8,973 | 32,893 | 210,878 | 4,634 | 258,211 | 25 | 6,261 | 51,656 | 638,201 |

During the previous financial year, management obtained legal advice that the plant permit does 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 carrying amount of the plant permit is reclassified to fishing and plant permits (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

13 Property, Plant and Equipment – continued

The carrying amount of the Group's property, plant and equipment includes an amount of US\$3,390,000 (2012: US\$3,642,000) in respect of assets held under finance leases (Note 23).

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, 2013 (2012: September 28, 2012). The valuation was arrived using Direct Comparison Method (2012: Direct Comparison Method), and was performed in accordance with International Valuation Standards.

At September 28, 2013, had the leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately US\$3,199,000 (2012: US\$3,373,000).

In 2013, the Group made an impairment loss of US\$35,000,000 (2012: US\$Nil) for the processing vessel and US\$9,918,000 (2012: US\$5,650,000) for certain fishing vessels and plant and machinery that management has identified for scrapping. This has been recognised in profit or loss and included in the line item other operating expenses.

The recoverable amount of these assets have been determined on the basis of their value in use. The discount rate used in measuring value in use was 13.65%. The discount rate used when the recoverable amount of these assets was previously estimated in 2012 was 13.41%.

14 Investment Property

| | Group | |
|--|--------------|--------------|
| | 2013 | 2012 |
| | US\$'000 | US\$'000 |
| Balance at beginning of year | 3,320 | 3,167 |
| Fair value changes on investment property (charged) credited to profit or loss | (102) | 153 |
| Balance at end of year | <u>3,218</u> | <u>3,320</u> |

The investment property in Singapore, leased out under operating leases, were valued at US\$3,218,000 (2012: US\$3,320,000) by BMI Appraisals Limited, a firm of independent professional valuers, on an open market value basis as at September 28, 2013 (2012: September 28, 2012). The valuation was arrived using Investment Method (2012: Investment Method), and was performed in accordance with International Valuation Standards.

15 Goodwill

| | Group | |
|---|---------------|---------------|
| | 2013 | 2012 |
| | US\$'000 | US\$'000 |
| Cost: | | |
| At beginning of year | 95,721 | 89,427 |
| Arising on acquisition of subsidiaries (Note 37(c)) | – | 6,294 |
| At end of year | <u>95,721</u> | <u>95,721</u> |

Goodwill acquired in a business combination is allocated, at acquisition to the cash generating units ("CGU"s) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to certain Peruvian operations which were acquired prior to September 28, 2012.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

15 Goodwill – continued

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, 2013 and 2012, the Group engaged an independent financial advisor located in Hong Kong, BMI Appraisals Limited, to determine the value of the Peruvian fishmeal operations as of September 28, 2013 and 2012 respectively. Based on the report of the advisor, dated December 20, 2013 and December 23, 2012, management updated their assessment as of September 28, 2013 and 2012 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 2023 (2012: 2022) and projection of terminal value using the perpetuity method;
- (ii) growth rate of 3.0% (2012: 2.0%) up to 2023 (2012: 2022); and
- (iii) use of 18.01% for the fishmeal operations (2012: 17.14%) to discount the projected cash flows to net present values.

As at September 28, 2013 and 2012, 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.

16 Fishing and Plant Permits

| | Group | |
|---|------------------|----------------|
| | 2013 | 2012 |
| | US\$'000 | US\$'000 |
| Cost: | | |
| At beginning of year | 233,834 | 186,911 |
| Arising on acquisition of subsidiaries [Note 37(b)] | 986,912 | 28,435 |
| Exchange realignment | 1,924 | – |
| Reclassification from property, plant and equipment (Note 13) | – | 18,488 |
| | <u>1,222,670</u> | <u>233,834</u> |
| At end of year | <u>1,222,670</u> | <u>233,834</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

16 Fishing and Plant Permits – continued

During the year, the cost of acquiring the subsidiaries which own the fishing vessels and plant permits (Note 37) are allocated to the respective component of assets acquired on the basis of valuation report dated December 14, 2013 (2012: July 16, 2011) prepared by independent third party valuer in Peru, Jorge Antonio Revelli Bouroncle (2012: J.R.Z. Valuaciones S.A.C.).

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

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 and plant permits.

17 Subsidiaries

| | Company | |
|--|----------------|----------------|
| | 2013 | 2012 |
| | US\$'000 | US\$'000 |
| Unquoted equity shares, at cost | * | * |
| Amount due from a subsidiary | 646,617 | 383,444 |
| Fair value of a financial guarantee contract (Note 25) | 27,800 | 27,800 |
| Total | <u>674,417</u> | <u>411,244</u> |

* Amount less than US\$1,000.

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 3.26% to 3.47% (2012: 3.36% to 3.57%) 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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

17 Subsidiaries – continued

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 | |
|--|--|---|--|-----------|
| | | | 2013 % | 2012 % |
| Smart Group Limited ⁽²⁾ | Cayman Islands | Investment holding | 100 | 100 |
| Subsidiaries of Smart Group Limited | | | | |
| Grandwell Investment Group Ltd ^{(4) (7)} | Hong Kong | Investment holding | 100 | – |
| China Fisheries International Limited ⁽²⁾ | Samoa/Worldwide | Management and operation of fishing vessels and sale of fish and other marine catches | 100 | 100 |
| CFG Peru Investments Pte Ltd ⁽¹⁾ | Singapore | Investment holding | 100 | 100 |
| CFGL (Singapore) Private Limited ⁽¹⁾ | Singapore | Property holding | 100 | 100 |
| Premium Choice Group Limited ⁽²⁾ | British Virgin Islands/ Worldwide | Management of fishing vessels | 100 | 100 |
| South Pacific Shipping Agency Limited ⁽²⁾ | British Virgin Islands/ Worldwide | Agent for procurement of provisions and supplies for the Group | 100 | 100 |
| Brandberg (Mauritius) Investments Holdings Limited ^{(4) (9)} | Mauritius | Investment holding | 100 | – |
| Subsidiary of Grandwell Investment Group Ltd | | | | |
| Grand Success Investment (Singapore) Pte Ltd ^{(1) (7)} | Singapore | Investment holding | 100 | – |
| Subsidiary of Brandberg (Mauritius) Investments Holdings Limited | | | | |
| Andeshali Namibia Investment Holdings ^{(4) (7)} | Namibia | Investment holding | 100 | – |
| Brandberg Namibia Investments Company (Proprietary) Limited ⁽²⁾ | Namibia | Fishing operation | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

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17 Subsidiaries – continued

| Name of subsidiary | Country of incorporation and operation | Principal activities | Effective proportion of ownership interest and voting power held | |
|--|--|--|--|-----------|
| | | | 2013 % | 2012 % |
| Subsidiary of Brandberg Namibia Investments Company (Proprietary) Limited | | | | |
| Atlantic Pacific Fishing Company (Pty) Limited ^{(4) (7)} | Namibia | Operation of vessel and sale of fish | 49 | – |
| Subsidiary of Grand Success Investment (Singapore) Pte Ltd | | | | |
| Copeinca ASA ^{(4) (6)} | Norway | Investment holding | 99.1 | – |
| Subsidiaries of Copeinca ASA | | | | |
| Copeinca Internacional S.L.U. ^{(4) (6)} | Spain | Investment holding | 99.1 | – |
| PFB Fisheries B.V. ^{(4) (6)} | Netherlands | Investment holding | 99.1 | – |
| Corporacion Pesquera Inca S.A.C. ^{(3) (6)} | Peru | Investment holding, operation of fishing vessel, operation of fishmeal plants and sale of fish and marine catches, fishmeal and fish oil | 99.1 | – |
| Subsidiaries of China Fisheries International Limited | | | | |
| Admired Agents Ltd ^{(2) (5)} | British Virgin Islands/ Worldwide | Agent for procurement of provisions and supplies for the Group | 80 | 80 |
| Champion Maritime Ltd ⁽²⁾ | British Virgin Islands/ Worldwide | Inactive | 100 | 100 |
| Chanery Investment Inc. ⁽²⁾ | British Virgin Islands/ Worldwide | Property holding | 100 | 100 |
| Chiksano Management Limited ⁽²⁾ | 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 |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

17 Subsidiaries – continued

| Name of subsidiary | Country of incorporation and operation | Principal activities | Effective proportion of ownership interest and voting power held | |
|--|--|--|--|-----------|
| | | | 2013 % | 2012 % |
| Subsidiaries of China Fisheries International Limited | | | | |
| Excel Concept Ltd ^{(2) (5)} | British Virgin Islands/ Worldwide | Agent for sales of fish and other marine catches of the Group | 80 | 80 |
| Fortress Agents Ltd ⁽²⁾ | 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 ⁽²⁾ | 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 ⁽²⁾ | 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 ⁽²⁾ | British Virgin Islands/ Worldwide | Inactive | 100 | 100 |
| Loyal Mark Holdings Limited ⁽²⁾ | 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 ^{(2) (5)} | 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 |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

17 Subsidiaries – continued

| Name of subsidiary | Country of incorporation and operation | Principal activities | Effective proportion of ownership interest and voting power held | |
|--|--|--|--|-----------|
| | | | 2013 % | 2012 % |
| Subsidiaries of China Fisheries International Limited | | | | |
| Mission Excel International Limited ⁽²⁾ | 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 ⁽²⁾ | British Virgin Islands/ Worldwide | Inactive | 100 | 100 |
| Nippon Fishery Holdings Limited ⁽²⁾ | British Virgin Islands/ Worldwide | Inactive since being acquired | 100 | 100 |
| Ocean Expert International Limited ⁽²⁾ | 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 ⁽²⁾ | British Virgin Islands/ Worldwide | Inactive | 100 | 100 |
| Sea Capital International Limited ⁽²⁾ | British Virgin Islands/ Worldwide | Inactive | 100 | 100 |
| Shine Bright Management Limited ⁽²⁾ | 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 ⁽²⁾ | British Virgin Islands/ Worldwide | Inactive | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

17 Subsidiaries – continued

| Name of subsidiary | Country of incorporation and operation | Principal activities | Effective proportion of ownership interest and voting power held | |
|--|--|--|--|-----------|
| | | | 2013 % | 2012 % |
| Subsidiaries of China Fisheries International Limited | | | | |
| Target Shipping Limited ⁽²⁾ | Hong Kong/Worldwide | Investment holding | 100 | 100 |
| Toyama Holdings Limited ⁽²⁾ | British Virgin Islands/ Worldwide | Procurement of provisions and supplies for the Group | 100 | 100 |
| Subsidiary of Chanery Investment Inc. | | | | |
| Powertech Engineering (Qingdao) Co. Ltd ⁽⁴⁾ | 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 fish oil | 100 | 100 |
| China Fishery Group Limited ⁽²⁾ | Hong Kong | Investment holding | 100 | 100 |
| Protein Trading Limited ⁽²⁾ | Samoa | Procurement and marketing agent for fishmeal | 100 | 100 |
| Sustainable Pelagic Fishery S.A.C. ⁽³⁾ | Peru | Operation of fishing vessel | 100 | 100 |
| Sustainable Fishing Resources S.A.C. ⁽³⁾ | Peru | Operation of fishing vessel | 100 | 100 |
| Subsidiaries of CFG Investment S.A.C. | | | | |
| Consortio Vollmacht S.A.C. ⁽³⁾ | Peru | Vessel and fishing quota holding | 100 | 100 |
| Corporacion Pesquera Frami S.A.C. ⁽³⁾ | Peru | Vessel holding | 100 | 100 |
| Inmobiliaria Y Constructora Pahk S.A.C. ⁽³⁾ | Peru | Investment holding | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

17 Subsidiaries – continued

| Name of subsidiary | Country of incorporation and operation | Principal activities | Effective proportion of ownership interest and voting power held | |
|--|--|---|--|-----------|
| | | | 2013 % | 2012 % |
| Subsidiaries of CFG Investment S.A.C. | | | | |
| Inversiones Pesqueras West S.A.C. ⁽³⁾ | Peru | Fishing and investment holding | 100 | 100 |
| Macro Capitales S.A. ⁽³⁾ | Panama | Investment holding | 100 | 100 |
| Negocios Rafmar S.A.C. ^{(3) (8)} | Peru | Fishmeal processing | – | 100 |
| Servicios Pesqueros Chimbote S.A. ^{(3) (8)} | Peru | Provision of logistic and warehousing services for fishing industry | – | 100 |
| J. Wiludi & Asociados Consultores En Pesca S.A.C. ^{(3) (6)} | Peru | Vessel holding | 100 | – |
| Subsidiary of China Fishery Group Limited | | | | |
| CFG Investments (Shanghai) Ltd ⁽⁴⁾ | People's Republic of China | Inactive | 100 | 100 |
| Subsidiary of Inversiones Pesqueras West S.A.C. | | | | |
| Pesqueros del Pacifico S.A.C. ^{(3) (8)} | Peru | Vessel holding | 100 | 100 |
| Subsidiaries of Premium Choice Group Limited | | | | |
| Ringston Holdings Limited ⁽²⁾ | Cyprus | Investment holding | 100 | 100 |
| Subsidiary of Ringston Holdings Limited | | | | |
| CJSC Invest Group ⁽²⁾ | Russia | Investment holding | 100 | 100 |
| Subsidiary of CJSC Invest Group | | | | |
| LLC Investment Company Kredo ⁽²⁾ | Russia | Operation of vessel and sale of fish | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

17 Subsidiaries – continued

- ⁽¹⁾ Audited by Deloitte & Touche LLP, Singapore.
- ⁽²⁾ Audited by Deloitte Touche Tohmatsu, Hong Kong for sole purpose of inclusion of their financial position and operating results in the consolidated financial statements of the Group.
- ⁽³⁾ Audited by Giris, Hernánder y Asociados S.C., a member firm of Deloitte Touche Tohmatsu.
- ⁽⁴⁾ Not audited as deemed not material to the Group.
- ⁽⁵⁾ The share of the non-controlling interests in the net assets and profit or loss of these subsidiaries is not material.
- ⁽⁶⁾ The subsidiary was acquired during the financial year.
- ⁽⁷⁾ The subsidiary was incorporated during the financial year.
- ⁽⁸⁾ The subsidiary was merged with CFG Investment S.A.C. during the year.
- ⁽⁹⁾ The subsidiary was transferred from a related company during the year for a consideration of US\$100.

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

18 Held-To-Maturity Financial Asset

This represents quoted debt security issued by a subsidiary of the Company in prior year.

The effective interest rate of the quoted debt security is 10.92% (2012: 10.92%) per annum.

As at September 28, 2013, the quoted debt security has nominal value amounting to US\$4 million, (2012: US\$4 million) with coupon rate at 9.75% (2012: 9.75%) per annum and mature by July 30, 2019 (2012: July 30, 2019).

There was no disposal or allowance for impairment for held-to-maturity financial asset.

The Company's held-to-maturity financial asset is denominated in the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

19 Trade Payables

| | Group | |
|-----------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Outside parties | <u>17,879</u> | <u>19,818</u> |

The average credit period on purchase of goods is 30 days (2012: 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 | |
|-----------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| United States dollar | 4,412 | – |
| Peruvian Nuevos Soles | 3,241 | 5,238 |
| Namibian dollar | 897 | 3 |
| Euro | 388 | 651 |
| Chinese Renminbi | – | 235 |
| Hong Kong dollar | 68 | 6 |
| Singapore dollar | 13 | – |
| Norwegian dollar | <u>8</u> | <u>–</u> |

20 Other Payables and Accrued Expenses

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| Accrued expenses | 6,288 | 6,875 | 1,589 | 92 |
| Interest payable | 7,675 | 5,165 | – | – |
| Statutory employees profit share ^(a) | 447 | 3,575 | – | – |
| Others | <u>712</u> | <u>1,280</u> | <u>–</u> | <u>–</u> |
| Total | <u>15,122</u> | <u>16,895</u> | <u>1,589</u> | <u>92</u> |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

20 Other Payables and Accrued Expenses – continued

(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 | |
|-------------------------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| At beginning of year | 3,575 | 543 |
| Charged to profit or loss (Note 34) | 282 | 4,974 |
| Payments during the year | (3,410) | (1,942) |
| At end of year | <u>447</u> | <u>3,575</u> |

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

| | Group | | Company | |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
| | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| United States dollar | 3,942 | – | – | – |
| Peruvian Nuevos Soles | 5,076 | 8,670 | – | – |
| Namibian dollar | 371 | – | – | – |
| Norwegian Krone | 201 | – | 201 | – |
| Hong Kong dollar | 873 | 88 | 873 | 59 |
| Singapore dollar | 34 | 48 | 31 | 33 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

21 Derivative Financial Instruments

| | Group | |
|------------------------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Forward foreign exchange contracts | <u>1,895</u> | <u>2,511</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\$262,800,000 (2012: US\$140,000,000).

At September 28, 2013, the fair value of the foreign currency forward contracts is US\$1,895,000 (2012: US\$2,511,000), 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\$616,000 (2012: US\$2,305,000) have been credited (2012: charged) to profit or loss in the year and included in the line item in other operating income (2012: other operating expenses).

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

| Outstanding contracts | Average | | Foreign currency | | Contract value | | Fair value | |
|-----------------------|---------------|--------------|------------------|-------------------|------------------|------------------|------------------|------------------|
| | exchange rate | | | | | | | |
| | 2013 | 2012 | 2013 FC'000 | 2012 FC'000 | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| Group | | | | | | | | |
| Sell Euro | 1.40 | - | 66,000 | - | 92,400 | - | 1,594 | - |
| or sell Japanese Yen | 93.4 | - | 8,630,160 | - | 92,400 | - | - | - |
| Sell Japanese Yen | <u>94.95</u> | <u>75.28</u> | <u>7,406,100</u> | <u>10,539,000</u> | <u>78,000</u> | <u>140,000</u> | <u>301</u> | <u>2,511</u> |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

22 Long Term Payables

| | Group | |
|--|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Long term trade payables | 12,960 | – |
| Provision for claims [Note 40(a)] ^(a) | 10,639 | 2,928 |
| Other payables and accrued expenses | 1,825 | – |
| Other provisions ^(b) | 4,963 | – |
| | 30,387 | 2,928 |

(a) Movements in the provision for claims are as follows:

| | Group | |
|--------------------------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| At beginning of year | 2,928 | 1,943 |
| Charged to profit or loss (Note 34) | 1,379 | 1,172 |
| Settlement during the year | – | (187) |
| Arising on acquisition of subsidiary | 6,332 | – |
| | 10,639 | 2,928 |

(b) This represents the provision for fishing ban expenses, fishing expenses and laboral reposition of personnel.

The long term payables are unsecured, interest-free and not to be repaid within 12 months.

The fair values of the Group's long term payables approximate their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

22 Long Term Payables – continued

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

| | Group | |
|----------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| United States dollar | <u>11,757</u> | <u>–</u> |

23 Finance Leases Group

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|------------------------|------------------|--|------------------|
| | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | 4,812 | 5,102 | 3,866 | 3,789 |
| In the second to fifth year inclusive | 562 | 5,374 | 470 | 4,336 |
| Less: Future finance charges | <u>(1,038)</u> | <u>(2,351)</u> | <u>NA</u> | <u>NA</u> |
| Present value of lease Obligations | <u>4,336</u> | <u>8,125</u> | <u>4,336</u> | <u>8,125</u> |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | <u>(3,866)</u> | <u>(3,789)</u> |
| Amount due for settlement after 12 months | | | <u>470</u> | <u>4,336</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

September 28, 2013

24 Bank Loans

| | Group | |
|-------------------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Bank loans | 678,510 | 297,989 |
| Less: Term loans issuing cost | (2,595) | (6,502) |
| | <u>675,915</u> | <u>291,487</u> |

The bank loans are repayable as follows:

| | Group | |
|--|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| On demand or within one year | 538,248 | 148,910 |
| In the second year | 137,667 | 83,606 |
| In the third year | – | 58,971 |
| | <u>675,915</u> | <u>291,487</u> |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (538,248) | (148,910) |
| Amount due for settlement after 12 months | <u>137,667</u> | <u>142,577</u> |

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

| | Group | |
|----------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| United States dollar | <u>35,048</u> | <u>–</u> |

The fair value of the Group's borrowings approximate their carrying amount.

The bank loans comprise the following:

- (a) Unsecured term loans, revolving loans, and trust receipt loans of US\$301,993,000 (2012: US\$282,618,000) bear interest rates ranging from 1.25% to 3.75% (2012: 2.72% to 3.11%) per annum. These loans are guaranteed by the Company.
- (b) Inventory loans of US\$22,218,000 (2012: US\$15,254,000) have current maturities, bear variable interest rates ranging from 2.75% to 2.94% (2012: 2.74% to 4.00%) per annum and are secured over the Group's fishmeal (Note 11).
- (c) The remaining borrowings of US\$354,299,000 (2012: US\$117,000) are unsecured and bear variable interest rates from 3.18% to 3.25% (2012: fixed interest rate at 8.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

25 Senior Notes

| | Group | |
|---|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| At beginning of the year | 279,363 | – |
| Issued during the year ^(a) | – | 279,180 |
| Amortization of issuance cost charged to profit or loss (Note 32) | 1,523 | 183 |
| Arising on acquisition of subsidiary [Note 37(b)] ^(b) | 249,899 | – |
| | <u>530,785</u> | <u>279,363</u> |
| At end of the year | <u>530,785</u> | <u>279,363</u> |

- (a) On July 24, 2012, the Group, through its subsidiary, CFG Investment S.A.C. (“CFG”), issued guaranteed senior fixed rate notes with aggregate nominal value of US\$300,000,000 (the “Notes”) which carried fixed interest of 9.75% per annum (interest payable semi-annually in arrears) and was repayable by July 30, 2019.

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 secure obligations of each guarantor, to the extent of the value of assets serving as security. As at September 28, 2013 and 2012, the Company recognised the fair value of the above financial guarantee of US\$27,800,000 on the statement of financial position as additional investment in subsidiary (Note 17) and a financial guarantee contract liability. Amortisation of the financial guarantee obligation amounted to US\$3,971,000 (2012: US\$662,000) was charged to the profit or loss during the financial year.

At any time prior to July 30, 2016, CFG 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 July 30, 2016, CFG 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, at the redemption price equal to 109.75% of the principal amount of the Notes plus accrued and unpaid interests, if any, as of the redemption date.

The Notes contained certain covenants that limited the 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.

Management estimated the fair value of the Notes at September 28, 2013 to be approximately US\$272,690,000. The fair value has been calculated based on the bid price extracted from Bloomberg as at September 28, 2013. In 2012, management estimated the fair value of the Notes at September 28, 2012 to be approximately US\$239,419,000. The fair value has been calculated by assuming redemption on July 30, 2019, using effective interest rate of 14.19% per annum with reference to the US Treasury Zero Coupon Bonds and holding the credit risk margin constant.

The net carrying amount of the Notes was stated net of issue expenses totalling US\$17,045,000. Such expenses were 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, 2013, accumulated amortisation amounted to US\$1,706,000 (2012: US\$183,000).

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

25 Senior Notes – continued

(b) In January 2013, Copeinca Pesquera Inca S.A.C. (“Copeinca S.A.C.”), reopened its US\$175 million 9.00% senior notes due in 2017 raising gross proceeds of US\$75 million, which are guaranteed by Copeinca ASA. The issue of these notes corresponds to a single issue of the US\$175 million 9.00% senior notes due 2017. The total aggregate principal amount of the 9.00% senior notes due in 2017 outstanding following such reopening amounts to US\$250 million.

On February 2, 2010, Copeinca S.A.C. agreed with Credit Suisse Securities (USA) LLC, as representative of several purchasers, to issue and sell to the several purchasers, US\$175 million principal amount of its 9.00% senior notes due in 2017 to be issued under an indenture dated February 10, 2010, between Copeinca S.A.C., the Guarantor and Deutsche Bank Trust Company Americas, as trustee, guaranteed on an unsecured senior basis by the Company. Coupons bear a 9% interest and are payable on a semi-annual basis.

The Notes contained certain covenants that limited the Copeinca’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.

Management estimated the fair value of the Notes at September 28, 2013 to be approximately US\$251,250,000. The fair value has been calculated based on the bid price extracted from Bloomberg as at September 28, 2013.

The net carrying amount of the Notes was stated net of issue expenses totaling US\$948,000. Such expenses were amortised over the life of the Notes by charging the expenses to the profit or loss using effective interest rate of 9.59% per annum and increasing the net carrying amount of the Notes with the corresponding amount. As of September 28, 2013, accumulated amortisation amounted to US\$112,000.

26 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 | Fair value adjustments⁽¹⁾ | Provisions | Total |
|---|---|---|-------------------|--------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At September 29, 2011 | (1,042) | 65,909 | (2,080) | 62,787 |
| Arising on acquisition of subsidiaries | – | 6,214 | – | 6,214 |
| Charged (Credited) to profit or loss [Note 33(c)] | 1,042 | (9,704) | 352 | (8,310) |
| At September 28, 2012 | – | 62,419 | (1,728) | 60,691 |
| Arising on acquisition of subsidiaries [Note 37(b)] | – | 262,592 | – | 262,592 |
| Credited to profit or loss [Note 33(c)] | – | (6,815) | – | (6,815) |
| Exchange realignment | – | 736 | – | 736 |
| At September 28, 2013 | – | 318,932 | (1,728) | 317,204 |

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

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

27 Share Capital

| | Group and Company | |
|--|---|--------------------|
| | Number of ordinary shares at US\$0.05 per share | Amount US\$'000 |
| Authorised: | | |
| At September 29, 2011 and September 28, 2012 | 1,600,000,000 | 80,000 |
| Increase on March 19, 2013 | 1,400,000,000 | 70,000 |
| At September 28, 2013 | <u>3,000,000,000</u> | <u>150,000</u> |
| Issued and paid up: | | |
| At September 28, 2011 | 1,022,262,139 | 51,113 |
| Issue of shares as a result of scrip dividend ^(a) | 915,134 | 46 |
| At September 28, 2012 | 1,023,177,273 | 51,159 |
| Rights issue ^(b) | 1,023,177,273 | 51,159 |
| At September 28, 2013 | <u>2,046,354,546</u> | <u>102,318</u> |

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

^(a) On March 28, 2012, the Company issued 915,134 ordinary shares of US\$0.05 at an issue price of S\$1.19 per ordinary share as share awards.

^(b) On April 19, 2013, the Company issued a 1,023,177,273 new ordinary shares of US\$0.05 at an issue price of S\$0.34 per share by way of rights issue on the basis of one rights share for every one existing share. Share issue expenses incurred for the rights issue amounting to US\$4,097,000 were set off against share premium.

28 Reserves

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 and lapse 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 per share at any time from the date of issue up to and including July 28, 2013. The warrants are not listed or traded on the Main Board of the SGX.

As at September 28, 2013, 35,728,154 warrants have expired and there are no outstanding warrants.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of companies in the Group whose functional currencies are different from that of the Group's presentation currency.

Revaluation reserve

The revaluation reserve arises on the revaluation of leasehold buildings. Where a revalued leasehold building is sold, the portion of the revaluation reserve 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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

28 Reserves – continued

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.

29 Revenue

| | Group | |
|---|----------------|----------------|
| | 2013 | 2012 |
| | US\$'000 | US\$'000 |
| Sale of fish and marine catches | 382,190 | 397,698 |
| Sale of fishmeal and fish oil | 165,648 | 179,095 |
| Sub-contract of vessel operating agreements | – | 20,805 |
| Ocean freight income | 7,176 | 6,403 |
| | <u>555,014</u> | <u>604,001</u> |

30 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:

- Contract Supply Business
- Peruvian Fishmeal
- China Fishery Fleet

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

30 Segment Information – continued Business segments

| | Contract Supply Business | | Peruvian Fishmeal | | China Fishery Fleet | | Elimination | | Total | |
|---|--------------------------|----------------|-------------------|----------------|---------------------|-----------------|-------------|----------------|----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| External revenue | 361,428 | 374,991 | 165,648 | 179,095 | 27,938 | 49,915 | - | - | 555,014 | 604,001 |
| Intersegment revenue | - | - | - | - | - | 1,236 | - | (1,236) | - | - |
| Total revenue | 361,428 | 374,991 | 165,648 | 179,095 | 27,938 | 51,151 | - | (1,236) | 555,014 | 604,001 |
| Segment results | 103,374 | 96,131 | 112,925 | 36,850 | (87,675) | (25,010) | - | - | 128,624 | 107,971 |
| Corporate expenses | (462) | (576) | - | - | - | - | - | - | (462) | (576) |
| Finance costs | (6,332) | (8,156) | (44,020) | (17,873) | (215) | (147) | - | - | (50,567) | (26,176) |
| Profit (Loss) before income tax | 96,580 | 87,399 | 68,905 | 18,977 | (87,890) | (25,157) | - | - | 77,595 | 81,219 |
| Income tax expense | (2) | - | 9,112 | (4,617) | (1,807) | 1,514 | - | - | 7,303 | (3,103) |
| Profit (Loss) for the year | 96,578 | 87,399 | 78,017 | 14,360 | (89,697) | (23,643) | - | - | 84,898 | 78,116 |
| Other information | | | | | | | | | | |
| Segment assets | 607,154 | 609,577 | 1,922,925 | 619,233 | 240,613 | 272,490 | - | - | 2,770,692 | 1,501,300 |
| Segment liabilities | 158,714 | 60,285 | 1,431,563 | 620,205 | 6,074 | 5,306 | - | - | 1,596,351 | 685,796 |
| Capital expenditure | 150,000 | 30,474 | 10,688 | 22,380 | 5,791 | 26,509 | - | - | 166,479 | 79,363 |
| Depreciation and amortisation | 71,330 | 72,853 | 23,573 | 15,789 | 33,217 | 24,513 | - | - | 128,120 | 113,115 |
| Impairment of property, plant and equipment | - | - | 9,918 | 5,650 | 35,000 | - | - | - | 44,918 | 5,650 |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

30 Segment Information – continued

Geographical segments

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

| | Contract Supply Business | | Peruvian Fishmeal | | China Fishery Fleet | | Total | |
|----------------------------|--------------------------|------------------|-------------------|------------------|---------------------|------------------|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 | 2013 US\$'000 | 2012 US\$'000 |
| Revenue | | | | | | | | |
| People's Republic of China | 333,385 | 245,967 | 113,637 | 96,672 | – | 11,456 | 447,022 | 354,095 |
| Japan and Korea | 28,043 | 81,433 | 9,911 | 18,012 | – | – | 37,954 | 99,445 |
| South East Asia | – | 3,809 | 2,293 | 18,897 | 7,176 | 6,884 | 9,469 | 29,590 |
| Europe | – | 34,117 | 19,950 | 40,919 | – | 13,714 | 19,950 | 88,750 |
| West Africa | – | 9,665 | – | – | 20,762 | 17,861 | 20,762 | 27,526 |
| Others* | – | – | 19,857 | 4,595 | – | – | 19,857 | 4,595 |
| | <u>361,428</u> | <u>374,991</u> | <u>165,648</u> | <u>179,095</u> | <u>27,938</u> | <u>49,915</u> | <u>555,014</u> | <u>604,001</u> |
| Non-current assets | | | | | | | | |
| People's Republic of China | 9,667 | 13,055 | – | – | – | – | 9,667 | 13,055 |
| South East Asia | 3,218 | 2,312 | – | – | 5,308 | 6,600 | 8,526 | 8,912 |
| Europe | 285,720 | 288,003 | – | – | – | – | 285,720 | 288,003 |
| Others* | – | – | 1,703,135 | 514,839 | 181,854 | 203,866 | 1,884,989 | 718,705 |
| | <u>298,605</u> | <u>303,370</u> | <u>1,703,135</u> | <u>514,839</u> | <u>187,162</u> | <u>210,466</u> | <u>2,188,902</u> | <u>1,028,675</u> |

* Others mainly pertains to Peru

Information about major customer

For year ended September 28, 2013, included in revenue from Contract Supply Business are revenues of approximately US\$224.0 million (2012: US\$160.7 million) which arose from sales to the Group's single largest customer (2012: single largest customer).

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

31 Other Operating Income

| | Group | |
|--|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Fair value gain on available-for-sale investment [Note 37(f)] | 16,094 | – |
| Net foreign exchange gains | 13,653 | – |
| Fair value changes on investment property (Note 14) | – | 153 |
| Interest income | 86 | 287 |
| Gain on disposal of property, plant and equipment | 413 | 17 |
| Rental income from investment property | 169 | 167 |
| Gain on repurchase of senior notes | – | 775 |
| Gain on bargain purchase on acquisition of subsidiaries [Note 37(c)] | 64,049 | 2,547 |
| Others | 1,814 | 2,280 |
| | <u>96,278</u> | <u>6,226</u> |
| Total | <u>96,278</u> | <u>6,226</u> |

32 Finance Costs

| | Group | |
|---|------------------|------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Amortisation of senior notes issue expenses (Note 25) | 1,523 | 183 |
| Interest on: | | |
| – Senior notes | 30,755 | 4,750 |
| – Bank loans | 17,742 | 20,316 |
| – Finance leases | 547 | 927 |
| | <u>50,567</u> | <u>26,176</u> |
| Total | <u>50,567</u> | <u>26,176</u> |

33 Income Tax Benefit (Expense)

(a) Operations excluding Hong Kong and Peruvian jurisdictions

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 long term supply agreements or vessel operating agreements executed by the Group with the Suppliers, the Suppliers 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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

33 Income Tax Benefit (Expense) – continued (c) Peruvian jurisdiction

| | Group | |
|------------------------|---------------------|-----------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Current tax | 488 | (11,413) |
| Deferred tax (Note 26) | <u>6,815</u> | <u>8,310</u> |
| Total | <u><u>7,303</u></u> | <u><u>(3,103)</u></u> |

Income tax is calculated at the Peruvian tax rate of 30% (2012: 30%) applied to the estimated assessable profit for the year after deduction of statutory employees' profit share of 10% (2012: 10%) from the estimated assessable profit.

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

| | Group | |
|---|---------------------|-----------------------|
| | 2013 US\$'000 | 2012 US\$'000 |
| Profit before tax of Peruvian jurisdiction | <u>68,905</u> | <u>18,977</u> |
| Tax expense at Peruvian tax rate of 30% (2012: 30%) | (20,672) | (5,693) |
| Tax effect of income that are not taxable in determining taxable profit | 28,060 | 4,082 |
| Effect of employees' profit share | <u>(85)</u> | <u>(1,492)</u> |
| Total | <u><u>7,303</u></u> | <u><u>(3,103)</u></u> |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

34 Profit for the Year

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

| | Group | |
|--|-----------------|----------------|
| | 2013 | 2012 |
| | US\$'000 | US\$'000 |
| Depreciation and amortisation: | | |
| – Amortisation of prepayment to Suppliers (Note 12) | 30,466 | 22,133 |
| – Depreciation of property, plant and equipment (Note 13) | 96,131 | 90,839 |
| – Amortisation of senior notes issue expenses (Note 32) | 1,523 | 183 |
| | <u>128,120</u> | <u>113,155</u> |
| Total depreciation and amortisation | | |
| | <u>128,120</u> | <u>113,155</u> |
| Impairment loss on property, plant and equipment (Note 13) | 44,918 | 5,650 |
| Share awards expense | – | 857 |
| Provision for claims [Note 22(a)] | 1,379 | 1,172 |
| Statutory employees profit share [Note 20(a)] | 282 | 4,974 |
| | <u>47,579</u> | <u>12,653</u> |
| Audit fees: | | |
| – paid to auditors of the Company | 324 | 265 |
| – paid to other auditors | 1,066 | 621 |
| | <u>1,390</u> | <u>886</u> |
| Total audit fees | | |
| | <u>1,390</u> | <u>886</u> |
| Non-audit fees: | | |
| – paid to auditors of the Company | 330 | 330 |
| – paid to other auditors | 320 | 87 |
| | <u>650</u> | <u>417</u> |
| Total non-audit fees | | |
| | <u>650</u> | <u>417</u> |
| Aggregate amount of fees paid to auditors | <u>2,040</u> | <u>1,303</u> |
| Directors' remuneration of the Company | 1,426 | 1,080 |
| Crew wages and employee benefits expense (including directors' remuneration) | 22,773 | 74,956 |
| Defined contribution plan expense | 1,044 | 1,540 |
| Fair value loss (gain) in investment property | 102 | (153) |
| Cost of inventories recognised as expense ^(a) | 72,405 | 88,723 |
| Fair value gain on available-for-sale investment (Note 31) | (16,094) | – |
| Net foreign exchange gains (Note 31) | (13,653) | (167) |
| Gain on bargain purchase on acquisition of subsidiaries (Note 31) | (64,049) | (2,547) |
| | <u>(16,015)</u> | <u>(2,124)</u> |

^(a) This comprises cost of inventories relating to the operations in Peru and China Fishery Fleet, the nature of which is stated in Note 11. It excludes cost incurred in fishing in the Contract Supply Business and China Fishery Fleet which are recorded as deferred expenses in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

35 Earnings Per Share

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

| | 2013 US\$'000 | 2012 US\$'000 |
|---|-------------------------|----------------------|
| Earnings | | |
| Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company) | <u>84,259</u> | <u>78,116</u> |
| | Number of shares | |
| | 2013 | 2012 (restated) |
| Weighted average number of ordinary shares for the purpose of basic earnings per share ^(a) | 1,571,535,256 | 1,192,204,495 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share ^(a) | <u>1,571,535,256</u> | <u>1,192,835,504</u> |

^(a) The weighted average number of shares for the financial year ended September 28, 2012 has been restated as a result of the rights issue as disclosed in (Note 27(b)).

36 Dividend

On January 28, 2012, the Company declared a final dividend of 4.50 Singapore cents (3.48 US cents) per share for the period ended September 28, 2011.

On January 28, 2013, the Company declared a final dividend of 1.90 Singapore cents (1.52 US cents) per share for the period ended September 28, 2012.

The final dividend in respect of the year ended September 28, 2013 of 1.00 Singapore cents (0.80 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.

37 Acquisition of Subsidiaries

The Group acquired the following subsidiary and accounted for the acquisition using the purchase method of accounting:

2013

| Subsidiary incorporated in Norway | Date of acquisition |
|-----------------------------------|---------------------|
| Copeinca ASA ("Copeinca") | August 30, 2013 |

The Group acquired the above subsidiary primarily to increase its market share in the Peruvian fishmeal operations.

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

| | Total US\$'000 |
|--------------------|-------------------|
| Cash consideration | <u>787,690</u> |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

37 Acquisition of Subsidiaries – continued

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

| | Acquiree's carrying amount before combination US\$'000 | Fair value adjustments US\$'000 | Fair value US\$'000 |
|--|---|---------------------------------------|------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 247,648 | (29,140) | 218,508 |
| Fishing and plant permit | 214,117 | 772,795 | 986,912 |
| Goodwill | 139,095 | (139,095) | – |
| Current assets | | | |
| Inventories | 48,838 | 24,651 | 73,489 |
| Trade receivables | 34,655 | – | 34,655 |
| Other receivables and prepayments | 20,284 | – | 20,284 |
| Prepaid income tax | 7,217 | – | 7,217 |
| Deferred expenses | 3,246 | – | 3,246 |
| Current liabilities | | | |
| Trade payables | (4,723) | – | (4,723) |
| Other payables | (6,305) | – | (6,305) |
| Income tax payable | (4,562) | – | (4,562) |
| Current portion of bank loans | (1,288) | – | (1,288) |
| Non-current liabilities | | | |
| Long term payables | (6,584) | – | (6,584) |
| Senior notes | (249,899) | – | (249,899) |
| Deferred tax liabilities | (73,828) | (188,764) | (262,592) |
| Non-controlling interests | (4,352) | (3,394) | (7,746) |
| Net assets acquired and liabilities assumed | 363,559 | 437,053 | 800,612 |

(c) Gain on bargain purchase arising on acquisition

| | Total US\$'000 |
|---|-------------------|
| Net cash consideration | 720,469 |
| Add: Fair value gain on available-for-sale investment (Note 31) | 16,094 |
| Less: Fair value of identifiable net assets acquired | (800,612) |
| Gain on bargain purchase of acquisition of subsidiary (Note 31) | (64,049) |

Gain on bargain purchase represents the excess of the fair value of the net assets acquired over the purchase consideration.

The initial accounting for the acquisition of Copeinca has only been provisionally determined as the acquisition occurred close to the end of the reporting period. At the date of finalisation of these financial statements, the necessary market valuations and other calculations for the items listed below had not been finalised and they have therefore only been provisionally determined based on the management's best estimate of the likely values.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

37 Acquisition of Subsidiaries – continued

(d) Net cash outflow on acquisition of subsidiary

| | 2013 US\$'000 |
|--|------------------|
| Total consideration paid in cash | 787,690 |
| Less: fair value gain on available-for-sale investment (Note 31) | (16,094) |
| Less: cash and bank balances acquired | (51,127) |
| | <hr/> |
| Net cash outflow on acquisition of subsidiary | <u>720,469</u> |

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

During the year, the acquisition of the subsidiary resulted in inclusion of post-acquisition revenue of US\$31,535,000 and profit of US\$7,159,000 in the Group's financial statements.

Had the business combination during the year been effected at September 29, 2012, the revenue of the Group would have been US\$729,302,000, and the profit for the year would have been US\$54,660,000.

The management considers the above "pro-forma" numbers to represent an approximate measure of the performance of the combined group on annualized basis and to provide a reference point for comparison in future periods.

(f) Previously held interest

The previously held equity interest of 17.19% in Copeinca was previously recorded as available-for-sale investment. It was re-measured at fair value at the date of acquisition. The difference between the fair value of US\$133,643,000 and the carrying amount of 17.19% equity interest immediately prior to the date of acquisition of US\$117,549,000 amounting to US\$16,094,000 was recognised in other operating income (Note 31).

(g) Non-controlling interests

The interests of a non-controlling shareholder recognised at the acquisition date was measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets

2012

Subsidiaries incorporated in Peru

| | Date of acquisition |
|-----------------------------------|---------------------|
| Consorcio Vollmacht S.A.C. | November 7, 2011 |
| Negocios Rafmar S.A.C. | November 7, 2011 |
| Inversiones Pesqueras West S.A.C. | June 14, 2012 |
| Pesqueros del Pacifico S.A.C. | June 14, 2012 |

Subsidiary incorporated in Namibia

| | Date of acquisition |
|--|---------------------|
| Brandberg Namibia Investments Company (Proprietary) Limited | March 5, 2012 |

The Group acquired the above subsidiaries to achieve higher operating efficiencies of the Peruvian fishmeal operation and venture into new market in Namibia.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

37 Acquisition of Subsidiaries – continued

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

| | Consortio Vollmacht S.A.C. US\$'000 | Negocios Rafmar S.A.C. US\$'000 | Inversiones Pesqueras West S.A.C. US\$'000 | Pesqueros del Pacifico S.A.C. US\$'000 | Brandberg Namibia Investments Company (Proprietary) Limited US\$'000 | Total US\$'000 |
|--------------------|--|--|---|--|--|-------------------|
| Cash consideration | 6,340 | 19,820 | 4,030 | * | * | 30,190 |

* Amount less than US\$1,000.

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

| | Consortio Vollmacht S.A.C. US\$'000 | Negocios Rafmar S.A.C. US\$'000 | Inversiones Pesqueras West S.A.C. US\$'000 | Pesqueros del Pacifico S.A.C. US\$'000 | Brandberg Namibia Investments Company (Proprietary) Limited US\$'000 | Total US\$'000 |
|--|--|--|---|--|--|-------------------|
| Current assets | | | | | | |
| Cash and bank balances | – | – | 256 | – | – | 256 |
| Other receivables and prepayments | – | 2,160 | 667 | – | – | 2,827 |
| Inventories | – | – | 231 | – | – | 231 |
| Non-current assets | | | | | | |
| Property, plant and equipment | – | 5,985 | 6,145 | – | – | 12,130 |
| Fishing and plant permits | 10,138 | 18,297 | – | – | – | 28,435 |
| Current liabilities | | | | | | |
| Trade payables | – | – | (225) | – | – | (225) |
| Other payables | (2,545) | (7,955) | (497) | – | – | (10,997) |
| Non-current liability | | | | | | |
| Deferred tax liabilities | (2,949) | (3,265) | – | – | – | (6,214) |
| Net assets acquired and liabilities assumed | | | | | | |
| | 4,644 | 15,222 | 6,577 | – | – | 26,443 |

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

37 Acquisition of Subsidiaries – continued

(c) Goodwill (Gain on bargain purchase) arising on acquisition

| | Consortio Vollmacht S.A.C. US\$'000 | Negocios Rafmar S.A.C. US\$'000 | Inversiones Pesqueras West S.A.C. US\$'000 | Pesqueros del Pacifico S.A.C. US\$'000 | Brandberg Namibia Investments Company (Proprietary) Limited US\$'000 | Total US\$'000 |
|---|--|--|---|--|--|-------------------|
| Cash consideration | 6,340 | 19,820 | 4,030 | – | – | 30,190 |
| Less: Fair value of identifiable net assets acquired | (4,644) | (15,222) | (6,577) | – | – | (26,443) |
| Goodwill (Gain on bargain purchase) arising on acquisition | <u>1,696</u> | <u>4,598</u> | <u>(2,547)</u> | <u>–</u> | <u>–</u> | <u>3,747</u> |
| Presented as: Goodwill (Note 15) | <u>1,696</u> | <u>4,598</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>6,294</u> |
| Gain on bargain purchase credited to profit or loss (Note 31) | <u>–</u> | <u>–</u> | <u>(2,547)</u> | <u>–</u> | <u>–</u> | <u>(2,547)</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, and future market development of the Peruvian fishmeal operation. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Gain on bargain purchase represents the excess of the fair value of the net assets acquired over the purchase consideration.

(d) Net cash outflow on acquisition of subsidiaries

| | 2012 US\$'000 |
|---------------------------------------|------------------|
| Total consideration paid in cash | 30,190 |
| Less: Cash and bank balances acquired | <u>(256)</u> |
| | <u>29,934</u> |

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

During the year, the acquisition of the subsidiaries resulted in inclusion of post-acquisition revenue of US\$112,000 and loss of US\$830,000 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.

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

38 Acquisition of Assets

During the financial year, the Group acquired the entire issued share capital of J.Wiludi & Asociados Consultores En Pesca SAC (Note 17) which own a fishing vessel for a consideration of US\$2,500,000. The transaction was determined by management to be an acquisition of assets rather than a business combination as defined in FRS 103 *Business Combinations*.

39 Operating Lease Arrangements

The Group as lessee

| | Group | |
|---|----------|----------|
| | 2013 | 2012 |
| | US\$'000 | US\$'000 |
| Minimum lease expenditure under operating leases recognised as an expense in the year | – | 47,698 |
| Comprising: | | |
| – Amortisation of prepayment to Suppliers (Note 12) | – | 22,133 |
| – Variable charter hire | – | 4,541 |
| – Fixed charter hire | – | 21,024 |

The Group as lessor

The Group rents out a portion of its investment property in Singapore under operating leases. Property rental income earned during the year was US\$169,000 (2012: US\$167,000) (Note 31). At the end of the reporting period, the Group has contracted with tenant for the following future minimum lease payments:

| | Group | |
|--------------------------|------------|------------|
| | 2013 | 2012 |
| | US\$'000 | US\$'000 |
| Within one year | 144 | 135 |
| Within two to five years | 144 | – |
| | 288 | 135 |

40 Contingent Liabilities

(a) Certain members of the Group are parties to legal processes in Peru amounting to approximately US\$29,925,000 (2012: US\$3,798,000). These relate to fishing compliance, former employees and miscellaneous claims. The Group's legal advisor has advised the Group that US\$10,639,000 (2012: US\$2,928,000) of these claims is likely to have unfavourable outcome for the Group and the outcome for claims of US\$19,286,000 (2012: US\$870,000) 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\$10,639,000 (2012: US\$2,928,000) (Note 22) 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\$411,120,000 (2012: US\$430,415,000). In addition, an unsecured guarantee was given in respect of the issuance of senior fixed rate notes with nominal value of US\$296,000,000 (2012: US\$296,000,000).

NOTES TO THE FINANCIAL STATEMENTS

September 28, 2013

41 Commitments

As at 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\$8,447,000 (2012: US\$263,000).

As at September 28, 2013, the Group has ongoing commitment to pay variable price for the supply of fish under the first, second, third and fourth long term supply agreements entered into with Perun and Alatir for a period of 10 to 18 years up to September 28, 2030. Variable price is calculated at 20% of the revenue derived from the sales of fish before deduction of amortisation of fixed prepayment to Suppliers.

42 Subsequent Events

On November 8, 2013, a subsidiary, Grand Success Investment (Singapore) Pte Ltd, received acceptances of the Second General Offer for a total of 476,500 Copeinca's shares in the final results of the Second General Offer. Settlement of the Second General Offer was completed on November 8, 2013. Following the settlement of the Second General Offer, the Group owns 70,044,592 Copeinca Shares, representing approximately 99.78% of the shares and votes in Copeinca.

On December 5, 2013, the Company entered into the Warrant Issuance Agreement with CAP III-A LIMITED pursuant to which the Company has agreed to issue 96,153,846 Warrants. The Warrants will be issued to CAP III-A LIMITED at the Warrants' subscription consideration of US\$1.00, subject to the terms and conditions of the Warrant Issuance Agreement.

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, 2013

| | Group (Unaudited) | |
|--|----------------------|------------------|
| | 2013 S\$'000 | 2012 S\$'000 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 93,772 | 63,156 |
| Trade receivables | 177,891 | 165,130 |
| Other receivables and prepayments | 194,966 | 224,757 |
| Advances to suppliers | 50,925 | – |
| Prepaid income tax | 16,042 | 2,399 |
| Deferred expenses | 41,412 | 27,565 |
| Inventories | 123,468 | 70,355 |
| Current portion of prepayment to suppliers | 33,067 | 27,187 |
| Total current assets | 731,543 | 580,549 |
| Non-current assets: | | |
| Prepayment to suppliers | 288,060 | 139,692 |
| Advances to suppliers | – | 49,748 |
| Property, plant and equipment | 802,474 | 665,246 |
| Investment property | 4,046 | 4,078 |
| Goodwill | 120,360 | 117,579 |
| Fishing and plant permits | 1,537,385 | 287,230 |
| Total non-current assets | 2,752,325 | 1,263,573 |
| Total assets | 3,483,868 | 1,844,122 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Trade payables | 22,481 | 24,343 |
| Other payables and accrued expenses | 19,014 | 24,350 |
| Derivative financial instruments | 2,383 | 3,084 |
| Income tax payable | 3,556 | 4,886 |
| Current portion of finance leases | 4,861 | 4,654 |
| Current portion of bank loans | 676,793 | 182,914 |
| Total current liabilities | 729,088 | 244,231 |
| Non-current liabilities: | | |
| Long term payables | 38,209 | – |
| Finance leases | 591 | 5,326 |
| Bank loans | 173,102 | 175,135 |
| Senior Notes | 667,409 | 343,156 |
| Deferred tax liabilities | 398,852 | 74,550 |
| Total non-current liabilities | 1,278,163 | 598,167 |
| Capital and reserve: | | |
| Share capital | 128,655 | 62,841 |
| Reserves | 1,337,375 | 938,883 |
| Attributable to owners of the Company | 1,466,030 | 1,001,724 |
| Non-controlling interests | 10,587 | – |
| Net equity | 1,476,617 | 1,001,724 |
| Total liabilities and equity | 3,483,868 | 1,844,122 |

SUPPLEMENTARY INFORMATION

Consolidated Income Statement Year ended September 28, 2013

| | Group (Unaudited) | |
|--|------------------------------|----------------|
| | 2013 | 2012 |
| | S\$'000 | S\$'000 |
| Revenue | 697,875 | 741,925 |
| Cost of sales | (341,356) | (133,823) |
| Charter hire expenses | – | (58,590) |
| Vessel operating costs | (172,935) | (338,994) |
| Gross profit | 183,584 | 210,518 |
| Other operating income | 121,060 | 7,648 |
| Selling expenses | (32,106) | (46,367) |
| Administrative expenses | (23,733) | (27,438) |
| Other operating expenses | (87,653) | (12,443) |
| Finance costs | (63,584) | (32,153) |
| Profit before income tax | 97,568 | 99,765 |
| Income tax benefit (expense) | 9,183 | (3,812) |
| Profit for the year | 106,751 | 95,953 |
| Profit attributable to: | | |
| Owners of the Company | 105,947 | 95,953 |
| Non-controlling interests | 804 | – |
| | 106,751 | 95,953 |
| Basic earnings per share (Singapore cents) | 6.74 | 8.05 |
| Diluted earnings per share (Singapore cents) | 6.74 | 8.05 |

- * Exchange Rate
As at 28.09.2013: US\$1 = S\$1.2574
As at 28.09.2012: US\$1 = S\$1.2284

SHAREHOLDERS' INFORMATION

As at December 13, 2013

| | | |
|--|---|----------------------------------|
| Class of shares | : | Ordinary shares of US\$0.05 each |
| Authorised share capital | : | US\$150,000,000 |
| Issued and fully paid-up capital (excluding Treasury Shares) | : | US\$102,317,727.30 |
| Number of shares issued (excluding Treasury Shares) | : | 2,046,354,546 |
| Voting rights (excluding Treasury Shares) | : | One vote per share |

Treasury Shares

The Company does not hold any Treasury Shares.

Statistics of Shareholdings

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|-----------------------|---------------------|--------|---------------|--------|
| 1 - 999 | 232 | 5.31 | 60,080 | 0.00 |
| 1,000 - 10,000 | 1,556 | 35.59 | 8,614,281 | 0.42 |
| 10,001 - 1,000,000 | 2,554 | 58.42 | 142,920,713 | 6.99 |
| 1,000,001 & ABOVE | 30 | 0.68 | 1,894,759,472 | 92.59 |
| TOTAL | 4,372 | 100.00 | 2,046,354,546 | 100.00 |

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

| Substantial Shareholders | Direct Interests | | Deemed Interests | |
|--|------------------|-------|------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Super Investment Limited | 1,426,432,850 | 69.71 | – | – |
| Zhonggang Fisheries Limited ⁽¹⁾ | – | – | 1,426,432,850 | 69.71 |
| Golden Target Pacific Limited ⁽¹⁾ | 16,538,074 | 0.81 | 1,426,432,850 | 69.71 |
| Richtown Development Limited ⁽¹⁾ | – | – | 1,442,970,924 | 70.51 |
| Pacific Andes Resources Development Limited ⁽¹⁾ | – | – | 1,442,970,924 | 70.51 |
| CAP III-A Limited | 227,027,028 | 11.09 | – | – |
| CAP III Fund Limited ⁽²⁾ | – | – | 227,027,028 | 11.09 |
| Carlyle Asia Partners III, L.P. ⁽²⁾ | – | – | 227,027,028 | 11.09 |
| CAP III General Partners, L.P. ⁽²⁾ | – | – | 227,027,028 | 11.09 |
| CAP III Ltd. ⁽²⁾ | – | – | 227,027,028 | 11.09 |
| TC Group Cayman Investment Holdings Sub, L.P. ⁽²⁾ | – | – | 227,027,028 | 11.09 |

SHAREHOLDERS' INFORMATION

As at December 13, 2013

| Substantial Shareholders | Direct Interests | | Deemed Interests | |
|--|------------------|---|------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| TC Group Cayman Investment Holdings, L.P. ⁽²⁾ | – | – | 227,027,028 | 11.09 |
| Carlyle Holdings II L.P. ⁽²⁾ | – | – | 227,027,028 | 11.09 |
| Carlyle Holdings II GP L.L.C. ⁽²⁾ | – | – | 227,027,028 | 11.09 |
| The Carlyle Group L.P. ⁽²⁾ | – | – | 227,027,028 | 11.09 |
| Carlyle Group Management L.L.C. ⁽²⁾ | – | – | 227,027,028 | 11.09 |

Notes:

- Pacific Andes Resources Development Limited ("PARAD") is the registered/legal holder and beneficial owner of all the shares in Richtown Development Limited ("Richtown"). Richtown is the registered/legal holder and beneficial owner of all the shares in Golden Target Pacific Limited ("Golden Target"). Golden Target is the registered/legal holder and beneficial owner of 70 shares in Zhonggang Fisheries Limited ("Zhonggang Fisheries") (representing 70% of the total issued share capital of Zhonggang Fisheries), 470 shares in Super Investment Limited ("Super Investment") (representing 47% of the total issued share capital of Super Investment) and 16,538,074 shares in the Company (representing 0.81% of the total issued share capital of the Company). Zhonggang Fisheries is the registered/legal holder and beneficial owner of 499 shares in Super Investment (representing 49.9% of the total issued shares capital of Super Investment). Super Investment is the registered/legal holder and beneficial owner of 1,426,432,850 shares in the Company (representing 69.7% of the total issued share capital of the Company).
- Carlyle Group Management L.L.C. ("Carlyle Group Management") is the general partner of The Carlyle Group L.P. ("Carlyle LP"), a publicly traded entity listed on the NASDAQ Stock Exchange. Carlyle Holdings II GP L.L.C. ("Carlyle Holdings GP") acts in accordance with the instructions of its managing member, Carlyle LP. Carlyle Holdings GP is in turn the general partner of Carlyle Holdings II L.P. ("Carlyle Holdings"). Carlyle Holdings is the general partner of TC Group Cayman Investment Holdings, L.P. ("TC Group") which in turn acts as the general partner for TC Group Cayman Investment Holdings Sub, L.P. ("TC Group Sub").

By virtue of the 100% shareholding held by TC Group Sub in CAP III Ltd. ("CAP III"), the general partner for CAP III General Partners, L.P. ("CAP III GP") which is in turn the general partner of Carlyle Asia Partners III, L.P. ("Carlyle Asia"), the foregoing entities are deemed to be interested in the 227,027,028 shares held by CAP III-A Limited ("CAP III-A") in the Company through Carlyle Asia, the immediate holding of CAP III Fund Limited ("CAP III Fund") which owns 95.30% shareholding in CAP III-A.

By virtue of Section 4 of the Securities and Futures Act (Chapter 289 of Singapore), each of Carlyle Group Management, Carlyle LP, Carlyle Holdings GP, Carlyle Holdings, TC Group, TC Group Sub, CAP III, CAP III GP, Carlyle Asia and CAP III Fund is deemed to be interested in the 227,027,028 shares held by CAP III-A Limited in the Company.

| TWENTY LARGEST SHAREHOLDERS AS AT DECEMBER 13, 2013 | | NO. OF SHARES | % |
|---|---|----------------------|--------------|
| 1 | SUPER INVESTMENT LIMITED | 1,426,432,850 | 69.71 |
| 2 | CAP III-A LIMITED | 227,027,028 | 11.09 |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 89,256,090 | 4.36 |
| 4 | DBS NOMINEES PTE LTD | 17,628,983 | 0.86 |
| 5 | NOMURA SINGAPORE LIMITED | 16,242,624 | 0.79 |
| 6 | DBSN SERVICES PTE LTD | 16,215,388 | 0.79 |
| 7 | HSBC (SINGAPORE) NOMINEES PTE LTD | 12,992,995 | 0.63 |
| 8 | BNP PARIBAS SECURITIES SERVICES SINGAPORE | 11,844,917 | 0.58 |
| 9 | DB NOMINEES (S) PTE LTD | 9,123,625 | 0.45 |
| 10 | UOB KAY HIAN PTE LTD | 7,936,194 | 0.39 |
| 11 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 6,918,096 | 0.34 |
| 12 | PHILLIP SECURITIES PTE LTD | 5,904,682 | 0.29 |
| 13 | MAK SENG FOOK | 5,354,000 | 0.26 |
| 14 | OCBC SECURITIES PRIVATE LTD | 5,113,726 | 0.25 |
| 15 | MAYBANK KIM ENG SECURITIES PTE LTD | 4,540,086 | 0.22 |
| 16 | RAFFLES NOMINEES (PTE) LTD | 3,732,581 | 0.18 |
| 17 | LOW WOO SWEE @ LOH SWEE TECK | 3,333,000 | 0.16 |
| 18 | CHONG KUAN KEONG | 2,968,000 | 0.15 |
| 19 | CHUA CHENG ANN | 2,830,000 | 0.14 |
| 20 | ANG JWEE PHOR | 2,810,000 | 0.14 |
| | | <u>1,878,204,865</u> | <u>91.78</u> |

Percentage of Shareholding in Public's Hands

18.39% 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of China Fishery Group Limited (the "Company" or "CFGL") will be held at Ballroom II, InterContinental Singapore, 80 Middle Road, Singapore 188966 on Monday, January 27, 2014 at 9:30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended September 28, 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 1.00 Singapore cent per ordinary share (tax not applicable) for the year ended September 28, 2013, payable in cash (2012: 1.90 Singapore cents per ordinary share (tax not applicable)). **(Resolution 2)**

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

Mr Ng Joo Kwee **(Resolution 3)**
Mr Chan Tak Hei **(Resolution 4)**
Mr Tse Man Bun **(Resolution 5)**

Mr Tse Man Bun will, upon re-election as a Director, remain a member of each of the Audit and Risk Management Committee, the Remuneration Committee and the Investment Committee, and chairman of each of the Nominating Committee and the Corporate Social Responsibility Committee and will be considered 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 amounting to S\$150,000 for the financial year ending September 28, 2014, payable monthly in arrears (2013: S\$150,000). **(Resolution 6)**

5. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

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

NOTICE OF 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. Authority to Issue New Shares

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors to issue shares in the capital of the Company ("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 (i)]

(Resolution 8)

8. Authority to Allot and Issue Shares under the CFGL Share Awards Scheme

That authority be given to the Directors to allot and issue from time to time such number of fully-paid Shares 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 of the Company (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.

[See Explanatory Note (ii)]

(Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING

9. Authority To Allot And Issue Shares Under The CFGL Scrip Dividend Scheme

That authority be given to the Directors to allot and issue from time to time such number of new fully-paid Shares as may be required to be allotted and issued pursuant to the CFGL Scrip Dividend Scheme (the "Scrip Dividend Scheme").

[See Explanatory Note (iii)]

(Resolution 10)

By Order of the Board

Yvonne Choo

Company Secretary

Singapore, January 3, 2014

Explanatory Notes:

- (i) Ordinary Resolution 8, if passed, will empower the Directors from the date of the above meeting until the date of the next annual general meeting of the Company, 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.
- (ii) Ordinary Resolution 9, 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 the 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.
- (iii) Ordinary Resolution 10, 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 the 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, then he/she must complete and deposit the Depositor Proxy Form at the office of the Company's Share Transfer Agent in Singapore, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758, not less than forty-eight (48) hours before the time of the Annual General Meeting.
3. If the depositor is a corporation, then the Depositor Proxy Form must be executed under its common seal or the hand of its duly authorised officer or attorney and must be deposited at the office of the Company's Share Transfer Agent in Singapore, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758, not less than forty-eight (48) hours before the time of the Annual General Meeting.

