PACIFIC ANDES RESOURCES DEVELOPMENT LIMITED
(*Incorporated in Bermuda with limited liability*)

PROPOSED PARTICIPATION IN THE CFGL RIGHTS ISSUE OF THE COMPANY'S LISTED SUBSIDIARY, CHINA FISHERY GROUP LIMITED

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1. INTRODUCTION

The Board of Directors ("**Board**") of Pacific Andes Resources Development Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the announcement made by the Company's listed subsidiary, China Fishery Group Limited ("**CFGL**", and together with its subsidiaries, the "**CFGL Group**"), on 11 February 2015 ("**CFGL Announcement**") relating to:

(a) the proposed increase of authorised share capital of CFGL ("**CFGL Increase of Authorised Share Capital**"); and

(b) CFGL's proposed renounceable non-underwritten rights issue of up to 1,714,006,713 new ordinary shares in the capital of CFGL ("**CFGL Rights Shares**") at an issue price of S$0.173 for each CFGL Rights Share, on the basis of four (4) CFGL Rights Shares for every five (5) existing ordinary shares in the capital of CFGL ("**CFGL Shares**") held by CFGL shareholders ("**CFGL Shareholders**") as at the books closure date of the CFGL rights issue ("**Books Closure Date**"), fractional entitlements to be disregarded ("**CFGL Rights Issue**").

It is stated in the CFGL Announcement that CFGL has appointed Maybank Kim Eng Securities Pte. Ltd. as the Manager for the CFGL Rights Issue.

The CFGL Increase of Authorised Share Capital and the CFGL Rights Issue are subject to the approval of CFGL Shareholders at an extraordinary general meeting to be convened ("**CFGL EGM**").

2. PROPOSED SUBSCRIPTION

The Company, through its direct and/or indirect subsidiaries, Richtown Development Limited ("**Richtown**"), Golden Target Pacific Limited ("**Golden Target**"), Zhonggang Fisheries Limited ("**Zhonggang Fisheries**"), Super Investment Limited ("**Super Investment**") is interested in an aggregate of 1,442,970,924 shares in CFGL ("**Relevant Shares**") held directly by Super Investment and Golden Target. This represents approximately 70.51% of the total number of issued and paid-up shares of CFGL. Based on the pro-rata allotment of the CFGL Rights Shares on the basis of four (4) CFGL Rights Shares for every five (5) existing CFGL Shares held by CFGL Shareholders as at the latest practicable date of 9 February 2015 as mentioned in the CFGL Announcement, the Company's entitlement is 1,154,376,739 CFGL Rights Shares.

To demonstrate commitment to the CFGL Rights Issue, the Company, Richtown, Golden Target, Zhonggang Fisheries and Super Investment (collectively the "**Undertaking Shareholders**") have each provided separate undertakings ("**Irrevocable Undertakings**"), pursuant to which each has irrevocably undertaken to, *inter alia*, subscribe and pay in full

for and/or procure subscription and payment in full for their respective pro-rata entitlements to the CFGL Rights Shares of 1,154,376,739 CFGL Rights Shares ("**Undertaken CFGL Rights Shares**"). Details of the Irrevocable Undertakings are given below.

Shareholders of the Company ("**Shareholders**") are to note that the Company may elect to subscribe for excess CFGL Rights Shares in addition to the Undertaken CFGL Rights Shares. For the purposes of this announcement, "**Proposed Subscription**" means the subscription by the Company, through Golden Target and Super Investment of (i) their respective pro-rata entitlement of the CFGL Rights Shares and (ii) any excess CFGL Rights Shares as may be determined by the Board.

The size of the CFGL Rights Issue will be up to 1,714,006,713 CFGL Rights Shares if all the CFGL Rights Shares are fully subscribed for and assuming that all of the warrants issued by CFGL to CAP III-A Limited ("**CAP III-A**") in accordance with the agreement dated 5 December 2013 between CFGL and CAP III-A ("**Carlyle Warrants**") have been exercised by CAP III-A and new CFGL Shares have been issued to CAP III-A before the Books Closure Date ("**Maximum Subscription Maximum Warrants Scenario**")[(1)].

The size of the CFGL Rights Issue will be up to 1,637,083,636 CFGL Rights Shares if all the CFGL Rights Shares are fully subscribed for and assuming that none of the Carlyle Warrants have been exercised by CAP III-A before the Books Closure Date ("**Maximum Subscription Scenario**").

If only the Undertaking Shareholders subscribe for, and/or procure the subscription of, the 1,154,376,739 Undertaken CFGL Rights Shares and assuming that none of the Carlyle Warrants have been exercised by CAP III-A before Books Closure Date, the size of the CFGL Rights Issue will be 1,154,376,739 CFGL Rights Shares ("**Minimum Subscription Scenario**").

The aggregate value of consideration for the Proposed Subscription will be approximately S$199.7 million, assuming that the Company only subscribes for the Undertaken CFGL Rights Shares pursuant to the Irrevocable Undertakings and does not subscribe for the excess applications in the CFGL Rights Issue[(2)]. The Company intends to utilize the net proceeds of its recent rights issue which was completed in January 2015[(3)], to pay for the Proposed Subscription.

Shareholders are also to note that the board of directors of CFGL disclosed the following in the CFGL Announcement:

> "Shareholders are to note that the terms of the Rights Issue were not unanimously approved by the Board. Six of the eight Directors (namely Mr Ng Joo Kwee, Mr Ng Joo Siang, Mr Sung Yu Ching, Mr Chan Tak Hei, Mr Lim Soon Hock (an Independent Director) and Mr Tan Ngiap Joo (an Independent Director), together the "**Supporting Directors**" supported the terms of the Rights Issue while Mr Tse Man Bun (the Lead Independent Director) and Mr Patrick Thomas Siewert (a Non-Executive Director) dissented to the terms of the Rights Issue. Mr Tse believes that the Rights Issue is in the best interests of the Company but he has opted for a smaller discount to price be adopted. On the other hand, Mr Patrick Thomas Siewert is of the view that the current terms of the Rights Issue would be disadvantageous to minority shareholders as it is at a significant discount to the Company's share price (which has softened since late 2014) and will further dilute minority shareholders who are unable to subscribe for the Rights Shares.
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> However, the Supporting Directors having regard to, inter alia, the rationale of the Rights Issue (as discussed in Section 3.3 below) and the relevant recent market transactions, are of the view that the Issue Price and the terms of the Rights Issue

are in line with the market norm, fair and reasonable to all Shareholders, especially the minority Shareholders. Furthermore, the Rights price should not be set too high that may deny the Shareholders the opportunity to participate in the Rights Issue to maintain their shareholding interest.

Another important rationale for the Supporting Directors to determine the terms of the Rights Issue is that Ms Janine Feng (alternate director to Mr Patrick Siewert) had informed the Board that CAP III-A would not be able to subscribe to the proposed Rights Issue even if it were supportive of it at the right price. This was mainly because CAP III-A's fund for its investment in the Company had been fully invested. Mr Siewert informed the Board that CAP III-A wanted the proposed Rights Issue to be successful and so did he as a Director of the Company but it had to be at the right price. Therefore, the Supporting Directors are of the view that the discount and the terms of the Rights Issue should be set at a level so as to encourage all Shareholders to participate in the Rights Issue to assist the Company to raise the required funds.

Further details on the views of the supporting and dissenting directors may be set out in the circular to be despatched to the Shareholders in connection with the Rights Issue."

Notes:-

(1) As mentioned in the CFGL Announcement, CAP III-A currently holds 96,153,846 Carlyle Warrants which on exercise of the said warrants will result in the issuance of 96,153,846 new Shares.

(2) As the Board has at this stage not yet determined whether the Company will subscribe for excess applications in the CFGL Rights Issue, for the purposes of computing the aggregate value of consideration for the Proposed Subscription it is assumed that the Company only subscribes for the Undertaken CFGL Rights Shares pursuant to the Irrevocable Undertakings and does not subscribe for the excess applications in the CFGL Rights Issue.

(3) Please refer to the Company's announcements dated 25 November 2014, 4 December 2014, 5 December 2014, 17 December 2014, 23 December 2014, 31 December 2014, 6 January 2015, 22 January 2015 and 27 January 2015, the Company's circular dated 5 December 2014, and the Company's offer information statement dated 31 December 2014 for more information on the Company's recently completed rights issue.

3. RATIONALE AND USE OF PROCEEDS

It is stated in the CFGL Announcement that CFGL intends to utilise the net proceeds of the CFGL Rights Issue, together with other funding of the CFGL Group, to fund the redemption of the US$250,000,000 (approximately S$337.5 million) 9.0% notes due 2017 issued by Copeinca AS and its subsidiaries on 10 February 2010 and 17 January 2013, which were guaranteed by Copeinca AS (the "**Copeinca Notes**"). It is further stated in the CFGL Announcement that CFGL intends to utilise the remaining net proceeds of the CFGL Rights Issue, if any, for general working capital purposes of the CFGL Group and/or to reduce the indebtedness of the CFGL Group.

Having considered the rationale for the CFGL Rights Issue as stated in the CFGL Announcement, the directors of the Company (the "**Directors**") agree with the rationale for the use of the proceeds for the CFGL Rights Issue, together with other funding of the

CFGL Group, to fund the redemption of the Copeinca Notes and the remaining proceeds of the CFGL Rights Issue, if any, to be used for the general working capital purposes of the CFGL Group and/or to reduce the indebtedness of the CFGL Group.

4. IRREVOCABLE UNDERTAKINGS

To demonstrate their commitment to the CFGL Rights Issue, the Undertaking Shareholders have separately executed the Irrevocable Undertakings, pursuant to which each of the Undertaking Shareholders have conditionally undertaken to CFGL, *inter alia*, that:

(a) as at the time and date determined by the directors of CFGL, at and on which the register of members and the share transfer books of CFGL will be closed for the purpose of determining entitlements under the CFGL Rights Issue, their interest in the CFGL Shares shall not be less than the Relevant Shares;

(b) commencing from the date of the Irrevocable Undertakings to the date of the listing of the CFGL Rights Shares on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), each of the Undertaking Shareholders shall not offer, sell, contract to sell, pledge, transfer or otherwise dispose of or otherwise encumber or permit any encumbrance to subsist in respect of any, or any of its interest in, the Relevant Shares and it shall procure that none of the Relevant Shares be offered, sold, contracted to be sold, pledged, transferred or otherwise disposed of, or otherwise be encumbered or be permitted to be encumbered either directly or indirectly;

(c) they will vote and/or will procure the voting of all the Relevant Shares in favour of the resolutions to be proposed at the CFGL EGM or any adjournment thereof, to approve the CFGL Increase of Authorised Share Capital, the CFGL Rights Issue, and any other matters necessary or proposed to implement the CFGL Increase of Authorised Share Capital and the CFGL Rights Issue; and

(d) they will subscribe for and/or procure the subscription of, and pay and/or procure payment in full for, the Undertaken CFGL Rights Shares.

The confirmation of financial resources from a financial institution will be provided by the Company on behalf of the Undertaking Shareholders to the SGX-ST in due course.

Each of the Irrevocable Undertakings are subject to and conditional upon, *inter alia*, the following:

(i) the passing of the resolutions by CFGL Shareholders relating to the proposed CFGL Increase in Authorised Share Capital and the CFGL Rights Issue at the CFGL EGM;

(ii) the passing of the resolutions by Shareholders to approve the Undertaking Shareholders to subscribe for and/or procure the subscription of, and pay and/or procure payment in full for, all the Undertaken CFGL Rights Shares, in accordance with the terms and conditions of the offer information statement to be issued by CFGL;

(iii) the approval in-principle having been granted by the SGX-ST (and such approval not having been withdrawn or revoked on or prior to the completion of the CFGL Rights Issue) for the listing and quotation of the CFGL Rights Shares on the

SGX-ST and, if such approval is granted subject to conditions, such conditions being acceptable to CFGL; and

(iv) the lodgment by CFGL of the offer information statement, together with all accompanying documents (if applicable), to be issued by CFGL in connection with the CFGL Rights Issue with the Monetary Authority of Singapore.

5. FINANCIAL EFFECTS

The book value of each CFGL Rights Share is S$0.173.

As at 28 September 2014, the audited net tangible assets, and net assets of CFGL were US$(109.4) million, and US$1,209.0 million, respectively. The net profit after tax of CFGL for the year ended 28 September 2014 was US$63.7 million.

As at 28 December 2014, the unaudited net tangible assets, and net assets of CFGL were US$(95.8) million, and US$1,222.6 million, respectively. The net profit after tax of CFGL for the financial period commencing on 29 September 2014 to 28 December 2014 was US$13.5 million.

The financial effects of the Proposed Subscription on the share capital, net tangible assets, earnings per share and gearing of the Company and its subsidiaries (the "**Group**") in respect of the financial year ended 28 September 2014 ("**FY2014**"), being the most recently completed financial year have been prepared based on the following assumptions:-

(a) The financial effects of the Proposed Subscription are purely for illustrative purposes and should not be taken as an indication of the actual financial performance of the Group following the Proposed Subscription nor a projection of the future financial performance or position of the Group;

(b) The financial effects of the Proposed Subscription are based on the Group's audited financial statements for FY2014 and on the audited financial statements of CFGL for the financial year ended 28 September 2014;

(c) For the purpose of computing the net tangible assets and gearing of the Group after the Proposed Subscription, it is assumed that the Proposed Subscription was completed on 28 September 2014;

(d) For the purpose of computing the net profit attributable to Shareholders and basic earnings per share of the Group after the Proposed Subscription, it is assumed that the Proposed Subscription was completed on 29 September 2013;

(e) The financial effects of the Proposed Subscription on the Group are calculated based on all three scenarios, namely the Maximum Subscription Maximum Warrants Scenario, the Maximum Subscription Scenario and Minimum Subscription Scenario (as respectively defined above);

(f) As the Board has at this stage not yet determined whether the Company will subscribe for excess applications in the CFGL Rights Issue, for the purposes of computing the financial effects it is assumed that the Company only subscribes for the Undertaken CFGL Rights Shares pursuant to the Irrevocable Undertakings and does not subscribe for the excess applications in the CFGL Rights Issue.

5.1 Share Capital

The Proposed Subscription will not have an impact on the share capital of the Company as there are no new shares in the capital of the Company issued pursuant to the Proposed Subscription.

5.2 NTA

	As at 28 September 2014			
	Before the Proposed Subscription	After the Proposed Subscription		
		Maximum Subscription Scenario	Minimum Subscription Scenario	Maximum Subscription Maximum Warrants Scenario
NTA (HK$'000)	2,569,629	3,052,122	2,569,629	3,129,011
No. of shares	4,790,992,338	4,790,992,338	4,790,992,338	4,790,992,338
NTA per share (HK$)	0.54	0.64	0.54	0.65

5.3 EPS

	For the financial year ended 28 September 2014			
	Before the Proposed Subscription	After the Proposed Subscription		
		Maximum Subscription Scenario	Minimum Subscription Scenario	Maximum Subscription Maximum Warrants Scenario
Net profit attributable to Shareholders (HK$'000) (1)	953,382	953,382	995,551	998,739
Weighted average number of shares used in the computation of basic EPS	4,790,992,338	4,790,992,338	4,790,992,338	4,790,992,338
Basic EPS (HK cents)(2)	19.90	19.90	20.78	20.85

Notes:-

(1) The net profit attributable to shareholders of CFGL is US$61.9 million equivalent to HK$482.8 million for FY2014 calculated at the exchange rate of US$1.00 = HK$7.80.

(2) Basic EPS is computed on the weighted average number of Shares for the full financial year.

5.4 Gearing

	As at 28 September 2014			
	Before the Proposed Subscription	After the Proposed Subscription		
		Maximum Subscription Scenario	Minimum Subscription Scenario	Maximum Subscription Maximum Warrants Scenario
Total Net Borrowings (HK$'000) [(1)]	13,552,286	13,069,793	13,552,286	12,992,904
Shareholders' Funds (HK$'000) [(2)]	15,061,647	15,544,140	15,061,647	15,621,029
Gearing Ratio (times) [(3)]	0.90	0.84	0.90	0.83

Notes:-

(1) Total Net Borrowings refer to total borrowings but excludes contingent liabilities and are net of bank balances.

(2) Shareholders' Funds are represented by the aggregate of the issued and paid up share capital, reserves and non-controlling interests of the Group.

(3) Gearing Ratio is computed by dividing the net borrowings with the Shareholders' Funds.

6. RELATIVE FIGURES[(1)]

For the purposes of Chapter 10 of the Listing Manual of the SGX-ST ("**Listing Manual**"), and based on the latest announced audited financial statements for the Group for FY2014, the relative figures for the Proposed Subscription computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule	Relative Computation	Size of relative figure
1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
1006(b)	Net profits attributable to the assets acquired, compared with the Group's net profits	Not applicable
1006(c)	Aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	42.1%[(2)]
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable

1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

(1) For the purposes of computing the relative figures, the Company has not taken into account the possible subscription by the Company of any excess applications in the CFGL Rights Issue.

(2) Based on the aggregate value of the consideration of approximately S$199.7 million and the market capitalisation of the Company being S$474.3 million (determined by multiplying the number of shares in issue by the weighted average price of shares transacted on 9 February 2015, being the last market day preceding the date of this announcement).

Based on the relevant figures computed under Rule 1006 of the Listing Manual, as the relative figure under Rule 1006(c) exceeds 20%, the Proposed Subscription is a major transaction and is therefore subject to Shareholders' approval at a Special General Meeting of the Company ("**SGM**") to be convened.

7. APPROVALS FROM SHAREHOLDERS OF THE COMPANY

The proposed subscription of Golden Target and Super Investment of their respective pro rata entitlements pursuant to the Irrevocable Undertakings does not constitute a major transaction for the Company's ultimate parent company Pacific Andes International Holdings Limited ("**PAIH**"), which is listed on the Mainboard of The Hong Kong Stock Exchange Limited, under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Accordingly, approval from PAIH's shareholders is not required.

Shareholders are to note that the CFGL Rights Issue will not proceed if the Shareholders do not approve the Proposed Subscription at the SGM to be convened.

8. DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS

Save for their interests in the shares of the Company as well as directorship in CFGL, none of the Directors and so far as the Directors are aware, none of the controlling Shareholders has any interest, direct or indirect, in the Proposed Subscription.

9. SERVICE CONTRACTS OF DIRECTORS

There are no Directors who are proposed to be appointed to the Company in connection with the Proposed Subscription.

10. DIRECTORS' RECOMMENDATION

Having considered and reviewed, *inter alia*, the terms and rationale of the Proposed Subscription and the terms and rationale of the CFGL Rights Issue set out in the CFGL Announcement, the Directors are of the opinion that the Proposed Subscription, on the terms and conditions of the CFGL Rights Issue more particularly set out in the CFGL Announcement, is in the best interests of the Company.

11. CIRCULAR

Further details on the Proposed Subscription will be set out in the circular to be issued to Shareholders in due course, together with a notice of the SGM that the Company proposes to convene for the purpose of seeking Shareholders' approvals in connection with the Proposed Subscription.

12. DOCUMENTS FOR INSPECTION

Copies of the Irrevocable Undertakings will be made available for inspection at the office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 for a period of 3 months from the date of this announcement.

13. FOLLOW UP ANNOUNCEMENT/ FURTHER INFORMATION

The Company will make the necessary follow-up announcements as and when required and/or as and when material developments arise in respect of the Proposed Subscription.

In the meantime, the Board wishes to advise Shareholders to exercise caution in their dealings in Company's shares and to refrain from taking any action in relation thereto, until they have sought their own financial and legal advice where appropriate.

BY ORDER OF THE BOARD

Lynn Wan Tiew Leng
Company Secretary
Singapore, 11 February 2015