

QUESTIONS AND ANSWERS

1. What is Pacific Andes main business?

Pacific Andes is a vertically integrated global food company. We focus on frozen seafood products and a recently established vegetable business.

Sourcing seafood directly from fishing companies worldwide, we then process and distribute frozen products to more than 30 countries. Likewise with our vegetable business, we harvest, source, process and distribute various products to the world market.

2. Why do customers like to buy from Pacific Andes?

First of all, the way we buy fish is different from other companies. We only take our supplies from deep-sea trawlers that are fishing where there is an availability of good quality fish. Our supplies are continuous because we send vessels out to the trawlers to pick up the catch, thus saving time the trawlers would need to return to land. This efficiency not only maintains supply it also lowers our costs and keeps our prices very competitive.

As well as providing a dependable supply of consistently good quality fillets and portions at competitive prices, customers benefit from prompt delivery of our products and good purchasing agreements. Each contract we enter into is tailored to meet the specific needs of our clients.

3. Why did Pacific Andes branch into vegetable production and what vegetables does it produce?

Vegetable production is the perfect augmentation to our existing business. Many customers who buy seafood products also buy vegetable products. However, we are selective in the vegetables we produce, concentrating on those products which require labor intensive farming and processing. The farms and plants we own and supervise are particularly well equipped to handle such products.

4. Apart from frozen seafood and vegetables does Pacific Andes plan to develop other food products?

As mentioned, our main focus is on seafood and vegetable products because we consider they have a huge market and growth potential. The HK\$2.6 billion turnover in seafood products we recorded for the year ended 31 March 2001, came from focusing on a small number of seafood species. As our produce comes from reliable, high quality sources and because our prices are competitive, we have established a credible standing in the market. Therefore, we are seeking to develop and expand our existing food processing business rather than diversify it.

5. Will Pacific Andes further develop its retail business in the near future?

Although our main focus is to supply products to our customers which they can package under their own labels, we do have our own retail brands; Nuven's for the Asian market, and Schooner, Cape N' Kid and Fitness Choice which we produce for the U.S. market. We do evaluate the opportunities for retail products and, should we see a benefit in further developing our own brands, we will consider strengthening this side of our business. However, there are no immediate plans to do this.

6. What are the recent developments in your vegetable business?

This past year has been a critical and rewarding period for our vegetable business. At the end of Year 2000, we subcontracted farmland from specialist farmers in the Shandong, Zhejiang, Gansu and Fujian Provinces. This amounted to 1,100 hectares of land. Working with the farmers we are able to produce existing and also develop new products. At the same time we maintained 370 hectares of farmland that we ourselves developed and which is now fully operational. Additionally, we started producing new products in our existing vegetable processing factory. With such a large resource availability we are able to mature and enhance the scope of our production.

7. Are there any seasonal factors which influence the Group's product sales?

Our major frozen seafood products are fillets, portions and frozen fish. Fillets and portions are produced continuously and steadily without seasonal affect. Fish, depending on their variety, are subject to seasonal fluctuations. However, as an established and experienced sourcer of fish, we are able to avoid impact to our business by obtaining our supply from our global network of suppliers.

8. What developments are worth noting from the past year?

At the end of Year 2000, we entered a long-term lease agreement with a PRC company to operate a processing factory with a cold storage facility. This factory, with 8,000 m³ of cold storage facility, is capable of processing about 1,000 m³ of value added frozen seafood products a month. We are looking forward to further expanding our processing capacity by acquiring or building our own processing facility in the coming year.

9. Will the recent economic downturn in the USA affect Pacific Andes' business?

Working on a world wide scale means that we have witnessed various economic booms and recessions in the global markets over the past ten years; the Asian financial crises in 1997, the Eastern European economic downturn in 1998 and the more recent recession in Japan. We have been able to anticipate upsurges and problems in advance and have adjusted our strategies accordingly. We have enhanced our product mixes and shifted our market emphasis thus utilising the benefits of our extensive distribution network. We have also been flexible in shifting our resources. Thus we have benefited from booms and weathered all the economic downturns we have faced. In spite of the slow down in the U.S. economy we remain positive our business will continue to grow.

10. What about reduction in resources and environmental concerns?

As a company whose business is sourcing and marketing fish and seafood products, Pacific Andes is keenly aware of its responsibilities to respect fishing quotas, conserve fishing grounds, and to take a lead in encouraging governments and fishing companies globally to adopt these principles. We see this as a long term commitment to ensure sustainable fisheries are maintained.

Fish and seafood are traditional staple foods in many cultures. With fishing nations conserving their fish resources by imposing fishing quotas, fish supplies are maintained.

In developing our vegetable production, we are working closely with PRC farmers to educate them on the use of pesticides, herbicides and environmentally respectful farming methods.

11. How do you see China's entry into WTO impacting the Group?

We have conducted business with PRC companies for more than 10 years. Even before China's entry into WTO we have succeeded in achieving a turnover of HK\$1.4 billion from sales to the PRC.

With China's WTO entry we will further benefit from more internationalised custom regulations. At the same time, we anticipate conditions imposed on local and foreign companies will even up and a more robustly competitive environment will develop. With our established presence in the PRC and our connections we are confident we can develop an effective distribution network for sales of frozen seafood products. As doing business with the PRC should become a more certain prospect, we therefore expect the impending accession to the WTO should provide enormous business opportunities for the Group.

12. What is your company's dividend policy?

Barring unforeseen circumstances and a requirement for profits to be retained for specific expansion plans, the board of directors propose, starting from fiscal year 2001, distributing one-third of the Group's year end net profit as dividend to shareholders.