PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

For the six months ended 30 September 2002

UNAUDITED INTERIM RESULTS

The directors of Pacific Andes International Holdings Limited (the "Company") are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2002 together with the unaudited comparative figures for the corresponding period in 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2002

	Notes	**Six months ended** **30.9.2002** **HK$'000** **(unaudited)**	30.9.2001 HK$'000 (unaudited)
Turnover	*3*	**1,453,105**	1,434,638
Cost of sales		**(1,279,000)**	(1,265,069)
Gross profit		**174,105**	169,569
Other revenue		**6,847**	4,969
Selling and distribution expenses		**(31,067)**	(27,843)
Administrative expenses		**(55,333)**	(50,778)
Profit from operations	*4*	**94,552**	95,917
Interest expenses		**(39,553)**	(44,875)
		54,999	51,042
Share of results of associates		**141**	254
Profit before taxation		**55,140**	51,296
Taxation	*5*	**(1,821)**	(2,750)
Profit before minority interests		**53,319**	48,546
Minority interests		**(12,244)**	(11,389)
Net profit for the period		**41,075**	37,157
Dividend	*6*	**–**	19,697
Earnings per share	*7*		
Basic		**6.1 cents**	5.7 cents
Diluted		**5.9 cents**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2002

	Notes	30.9.2002 HK$'000 (unaudited)	31.3.2002 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**323,205**	333,978
Investment properties		**61,400**	61,400
Negative goodwill		**(1,290)**	(1,324)
Interests in associates		**263**	1,522
Investments in securities		**29,578**	29,084
Non-current receivable		**3,311**	6,435
		416,467	431,095
CURRENT ASSETS			
Inventories		**551,187**	802,994
Trade and other receivables	*8*	**522,720**	629,168
Trade receivables with insurance coverage	*9*	**231,646**	159,602
Advances to suppliers		**19,920**	55,991
Amounts due from associates		**3,935**	6,077
Trade receivables from an associate		**101,454**	150,053
Tax recoverable		**986**	703
Pledged deposits		**1,355**	1,145
Bank balances and cash		**65,610**	99,232
		1,498,813	1,904,965
CURRENT LIABILITIES			
Trade and other payables	*10*	**121,400**	275,982
Discounting advances drawn on trade receivables with insurance coverage		**154,638**	191,472
Taxation		**2,198**	3,071
Bank borrowings	*11*	**552,622**	785,600
Other borrowing		**–**	63,278
		830,858	1,319,403
NET CURRENT ASSETS		**667,955**	585,562
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,084,422**	1,016,657
NON CURRENT LIABILITY			
Bank borrowings	*11*	**74,305**	68,955
MINORITY INTERESTS		**255,661**	251,528
DEFERRED TAXATION		**2,995**	2,995
NET ASSETS		**751,461**	693,179
CAPITAL AND RESERVES			
Share capital	*12*	**70,701**	65,691
Share premium and reserves		**680,760**	627,488
SHAREHOLDERS' FUND		**751,461**	693,179

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2002

	Share capital	Investment revaluation reserve	Asset revaluation reserve	Share premium	Goodwill reserve	Special reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2001	65,677	(12,602)	34,830	281,339	(109,611)	9,800	364,407	633,840
Shares repurchased and cancelled	(20)	–	–	(26)	–	–	–	(46)
Net profit for the period	–	–	–	–	–	–	37,157	37,157
2001 final dividend paid	–	–	–	–	–	–	(19,697)	(19,697)
At 30 September 2001	65,657	(12,602)	34,830	281,313	(109,611)	9,800	381,867	651,254
At 1 April 2002	**65,691**	**(7,462)**	**28,162**	**281,390**	**(109,611)**	**9,800**	**425,209**	**693,179**
Shares issued at a premium	**5,010**	**–**	**–**	**11,703**	**–**	**–**	**–**	**16,713**
Revaluation increase arising on revaluating, net	**–**	**494**	**–**	**–**	**–**	**–**	**–**	**494**
Net profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**41,075**	**41,075**
At 30 September 2002	**70,701**	**(6,968)**	**28,162**	**293,093**	**(109,611)**	**9,800**	**466,284**	**751,461**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2002

	Six months ended	
	30.9.2002	30.9.2001
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	**293,511**	(180,331)
Net cash used in investing activities	**(5,360)**	(12,514)
Net cash (used in) from financing	**(308,781)**	160,572
Net decrease in cash and cash equivalents	**(20,630)**	(32,273)
Cash and cash equivalents at beginning of the period	**83,900**	50,787
Cash and cash equivalents at the end of the period	**63,270**	18,514
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents as previously reported		(297,897)
Effect of reclassification of short term bank borrowings		316,411
As restated		18,514
Represented by:		
Bank balances and cash	**65,610**	32,686
Bank overdrafts	**(2,340)**	(14,172)
	63,270	18,514

NOTES:

1. **Basis of Preparation**

The unaudited condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. **Principal Accounting Policies**

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and certain investments in securities.

The accounting policies adopted are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2002, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs, which has resulted in the following changes in the Group's accounting policies and the presentation of the financial statements.

Presentation of financial statements

The revisions of SSAP 1 (Revised) "Presentation of Financial Statements" have introduced new format of presentation in reporting changes in equity. The presentation in the prior period's condensed financial statements has been restated in order to achieve a consistent presentation.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Transaction" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statement". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating cash flows for interest and dividends received and as financing cash flows for interest and dividends paid. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. Cash flows of overseas operation have been re-translated at the rate prevailing at the dates of cash flows rather than the rate of exchange of ruling on the balance sheet date. The presentation in the prior period's condensed cash flow statement has been restated in order to achieve a consistent presentation.

Employee benefits

SSAP 34 "Employee Benefits" introduced a formal framework for the recognition of liabilities and expenses in respect of employee benefits. The adoption of this new accounting standard has not resulted in any material effects on the financial statements of the prior period and accordingly, no prior period adjustment has been recognised.

3. Turnover and segment information

Business Segment

30.9.2002	**Frozen fish HK$'000**	**Fillets and portions HK$'000**	**Shipping services HK$'000**	**Vegetables HK$'000**	**Others HK$'000**	**Total HK$'000**
REVENUE						
External sales	**754,132**	**678,015**	**3,988**	**12,724**	**4,246**	**1,453,105**
RESULT						
Segment result	**67,777**	**70,563**	**157**	**4,080**	**462**	**143,039**
Unallocated corporate expenses						**(48,487)**
Profit from operations						**94,552**
Interest expenses						**(39,553)**
Share of results of associates						**141**
Profit before taxation						**55,140**
Taxation						**(1,821)**
Profit before minority interests						**53,319**

30.9.2001	Frozen fish HK$'000	Fillets and portions HK$'000	Shipping services HK$'000	Vegetables HK$'000	Others HK$'000	Total HK$'000
REVENUE						
External sales	768,105	647,759	7,365	10,239	1,170	1,434,638
RESULT						
Segment result	64,705	74,019	277	2,613	112	141,726
Unallocated corporate expenses						(45,809)
Profit from operations						95,917
Interest expense						(44,875)
Share of results of associates						254
Profit before taxation						51,296
Taxation						(2,750)
Profit before minority interests						48,546

	Turnover		Contribution to profit from operations	
	Six months ended		Six months ended	
	30.9.2002	30.9.2001	**30.9.2002**	30.9.2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
BY GEOGRAPHICAL MARKET				
The People's Republic of China ("PRC")	**645,056**	701,509	**60,474**	64,888
North America	**415,579**	216,974	**37,743**	21,920
Western Europe	**291,743**	419,230	**34,610**	45,864
Japan	**83,525**	66,092	**8,953**	6,252
Others	**17,202**	30,833	**1,259**	2,802
	1,453,105	1,434,638	**143,039**	141,726
Unallocated corporate expenses			**(48,487)**	(45,809)
			94,552	95,917

4. Profit from operations

Profit from operations has been arrived at after charging:

	Six months ended	
	30.9.2002	30.9.2001
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Depreciation	**15,923**	14,005

5. Taxation

The charge represented Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period.

A substantial portion of the Group's profit is neither arose in, nor is derived from Hong Kong and accordingly it is not subject to Hong Kong Profits Tax.

6. Dividend

During the period, no dividend was paid. In 2001, HK3 cents per share on 656,565,266 shares in issue was paid to shareholders on the final dividend for the year ended 31 March 2001.

The Directors do not declare any interim dividend for the six months ended 30 September 2002 (2001: HK$ Nil).

7. Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30 September 2002 is based on the following data:

	HK$'000
Earnings for the purposes of basic and diluted earnings per share	**41,075**
Weighted average number of ordinary shares for the purposes of basic earnings per share	**677,730,403**
Effect of dilutive potential ordinary shares in respect of share options	**19,246,833**
	696,977,236

The calculation of basic earnings per share for the six months ended 30 September 2001 is based on the unaudited net profit for the period of HK$37,157,000 and on the weighted average number of 656,585,211 of ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2001 has not been presented as the exercise prices of the Company's outstanding share options are higher than the average market price per share.

8. Trade and other receivables

Included in trade and other receivables are trade receivables of HK$407,143,000 (31.3.2002: HK$463,309,000). The Group allows an average credit period of 30 days to 120 days to its trade customers. The aging analysis of trade receivables at balance sheet date is as follows:

	30.9.2002	31.3.2002
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**74,020**	244,584
31 – 60 days	**101,382**	132,175
61 – 90 days	**104,134**	78,971
91 – 120 days	**97,125**	2,120
Over 120 days	**30,482**	5,459
	407,143	463,309

9. Trade receivables with insurance coverage

Certain trade receivables with credit insurance coverage has been pledged to certain banks under the receivables discounting facilities. The aging analysis at the balance sheet date is as follows:

	30.9.2002	31.3.2002
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**126,698**	97,405
31 – 60 days	**54,445**	34,417
61 – 90 days	**49,607**	27,780
91 – 120 days	**101**	–
Over 120 days	**795**	–
	231,646	159,602

10. Trade and other payables

Included in trade and other payables are trade payables of HK$76,932,000 (31.3.2002: HK$221,657,000). The aging analysis of trade payables at the balance sheet is as follows:

	30.9.2002	31.3.2002
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**75,636**	197,935
31 – 60 days	**49**	262
61 – 90 days	**895**	23,216
Over 90 days	**352**	244
	76,932	221,657

11. Bank borrowings

The borrowings bear interest at market rates. During the period, the Group obtained approximately HK$63 million new banking facilities. The banking facilities were obtained to finance the working capital of the Group.

12. Share capital

During the period, 50,100,000 share options to subscribe for 50,100,000 ordinary shares in the Company at an exercise price of HK$0.3336 per share were exercised.

13. Warrants

In September 2002, the Company issued warrants conferring rights to subscribe up to an aggregate nominal amount of HK$120,191,000 for shares in the Company at an initial subscription price of HK$0.85 per share, subject to adjustment, at any time from 26 September 2002 until 25 March 2004, both dates inclusive.

14. Capital Commitments

During the period, the Group had capital expenditure in respect of the acquisition of property, plant and equipment and a land use right located at Qingdao in the Mainland China contracted for but not provided in the financial statements amounted to HK$16,329,000 (31.3.2002: HK$6,283,000).

15. Contingent liabilities

At 30 September 2002, the Group had contingent liabilities in respect of bills discounted with recourse of approximately HK$192,867,000 (31.3.2002: HK$253,937,000).

16. Pledge of assets

At 30 September 2002, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$164 million (31.3.2002: HK$164 million) and HK$24 million (31.3.2002: HK$24 million) respectively, as collateral for mortgage loans granted to the Group by certain banks.

In addition to trade receivables with insurance coverage of HK$53,594,000 (31.3.2002: HK$60,099,000) mentioned in note 9 above, inventories of HK$251,641,000 (31.3.2002: HK$198,280,000) were also pledged as security for the working capital facilities obtained from bankers.

In addition, shares in a subsidiary were also pledged as securities for inventory financing facilities obtained from a banker.

17. Related party transactions

(a) During the period, the Group entered into following significant transactions with an associate of the Group.

	30.9.2002 HK$'000 (unaudited)	30.9.2001 HK$'000 (unaudited)
Sales of frozen seafood *(note i)*	**168,658**	277,397
Administrative income *(note ii)*	**6,000**	–

Notes:

(i) Sales and purchases of frozen seafood were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.

(ii) Administrative income was charged to an associate on a cost allocation basis.

(b) The associate also provides inventories and trade receivables as part of the security to a bank to secure the banking facilities of HK$342,000,000 (31.3.2002: HK$342,000,000) granted to the Group. At 30 September 2002, facilities amounting to HK$48,235,000 (31.3.2002: HK$56,367,000) were utilised by the Group.

DIVIDEND

Starting from fiscal year 2001, the directors adopted a dividend pay-out policy of one third of net profits once every year as a final dividend. Accordingly, the directors do not declare any interim dividend for the six months ended 30 September 2002.

BUSINESS REVIEW

We are pleased to announce that the Group has achieved satisfactory results in the midst of difficult market conditions which dominated the first half of the year. During the period under review, turnover recorded at HK$1,453.1 million, a slight increase of 1.3%. Profit attributable to shareholders reached HK$41.1 million, representing an increase of 10.5% compared to the corresponding period last year. Earnings per share for the six months ended 30 September 2002 were HK6.06 cents, increasing 7.1% against last year's HK5.66 cents.

Overall profitability improved due to our stringent cost controls, productivity enhancements and effective marketing strategies.

In January 2002, the Commission of the European Union ("EU") prohibited the import of all products of animal-origin from the PRC into the EU. Although EU lifted the import ban on frozen fish products on 10 July 2002, this import ban did affect our sales to the Western European market in the first quarter of the fiscal year. However, both the North American and the Japanese markets performed extremely well and this offset the impact of the import ban.

Aiming at continuously improving overall competitiveness, the Group is committed to providing better logistic services for customers. Starting towards the end of the last fiscal year, we stepped up our distribution arrangements by distributing from warehouses to customers in the PRC. As customers were able to reduce their own inventory under such distribution arrangements, we experienced a temporary decrease in sales. However, as these logistic services will benefit our customers by increasing flexibility and shortening delivery lead times, the Management is confident that sales figures will return to normal levels in the coming months.

OPERATIONS REVIEW

Market Analysis

The highest growth rate was observed in the North American market. During the period under review, sales to this market rose 91.5% from HK$217.0 million to HK$415.6 million, accounting for 29% of the Group's total sales and is the Group's second largest market. The result posted by the North American market reflects our strategy last year, during when penetration of this market stepped up in a move to expand and diversify its overall reach.

The Japanese market also recorded encouraging sales growth. During the review period, Japan achieved a 26.4% increase in sales to HK$83.5 million. This year-on-year increase is attributed to the continuing demand for higher value frozen seafood products.

The PRC remained the largest contributor to the Group's sales, accounting for 44% of total turnover. Sales to the PRC decreased by 8.1% from HK$701.5 million in 2001 to HK$645.1 million in 2002. The sales drop was mainly attributed to the development of our enhanced distribution arrangements. Management believes that these distribution arrangements will provide the Group with a revenue growth in the long-term as the Group will be able to attract a broader customer base.

Owing to the import ban imposed by EU, the Group's sales to Western Europe in the first quarter of the fiscal year was accordingly affected. Following the repeal of the import ban by EU on 10 July 2002, the Group recorded strong sales to the EU market in the second quarter of the fiscal year and made up part of the loss of sales suffered from the first quarter. During the period under review, sales to Western Europe decreased 30.4% to HK$291.7 million, representing 20% of total Group sales. The Management is confident the Group will see stronger sales performance in the Western European market in the second half of the fiscal year.

Product Analysis

In terms of total turnover, frozen fish, which was primarily sold to the PRC market, remained the single largest product, accounting for 52% of the Group's total sales. Sales of frozen fish dropped 1.8% to HK$754.1 million for the six months ending 30 September 2002. This was due to the decline in sales to the PRC because of the temporary adjustment in order from customers.

Improvement in sales of fillets and portions in both the North American and Japanese markets offset the loss of sales in the first quarter to Western Europe. During the period under review, sales of fillets and portions increased by 4.7% to HK$678.0 million.

The sales of vegetables continued to show steady growth delivering a sales contribution of HK$12.7 million, representing an increase of 24.3% over that of the previous period.

Notables

- Inventories reduced 31.4% from HK$803 million as at 31 March 2002, to HK$551 million as at 30 September 2002;

- Interest-bearing borrowings reduced from HK$918 million as at 31 March 2002, to HK$627 million as at 30 September 2002, representing a drop of 31.7%; and

- As at 30 September 2002, net debt to equity ratio improved to 56% against 87% as at 31 March 2002 and 83% as at 30 September 2001. The improvement was mainly due to reduced inventory thereby reduced interest-bearing borrowings. Net debt represents interest-bearing borrowings less discounting advances drawn on trade receivables with insurance coverage and cash and deposits with financial institutions.

Liquidity and Financial Resources

At 30 September 2002, the Group had a cash balance of HK$67 million (31.3.2002: HK$101 million). Bank borrowing of HK$627 million (31.3.2002: HK$855 million) were inventory loans, trust receipt loans, mortgage loans and bank overdrafts in nature. Based on the cash resources and sufficient banking facilities, the Group has strong liquidity and financial resources to meet the operation and investment needs.

The Group's exposure to currency risk is minimal as the Group does not maintain a significant open position in any foreign currency at any time. The Group actively protects its foreign currency vulnerabilities through natural hedges, forward contracts and options. Speculative currency transactions are strictly prohibited.

As at 30 September 2002, the Group has pledged land and building and investment properties with aggregate carrying values of approximately HK$164 million and HK$24 million respectively, as collateral for mortgage loans granted to the Group by certain banks.

As at 30 September 2002, the Company had given guarantees to bankers in respect of banking facilities utilized by subsidiaries in the amount of HK$745 million.

Employees and Remuneration

As at 30 September 2002, the Group had a total number of approximately 4,200 employees.

The Group recognises the importance of its employees who contribute to the business. The Group offers remuneration packages in line with industry standards, and they are subject to annual review. Bonuses may be awarded to employees based on individual performance and the Group's performance. Other staff benefits include medical allowance and mandatory provident fund. The Company and its non-wholly owned subsidiary, Pacific Andes (Holdings) Limited each has an employees' share option scheme to allow the granting of share options to selected eligible employees depending on their contribution to the company.

PROSPECTS

The demand for frozen fish and seafood in the PRC is expected to grow as living standards continue to improve. Between the years 1996 to 2001 the GDP per capita in the PRC saw a compounded growth rate of about 5.2% per annum. During the same period, the total imports of frozen fish and seafood into the PRC also rose from US$354 million in 1996 to US$853 million in 2001 (*source: China Customs Statistics*), representing a compounded growth rate of about 15.8% per annum. The Group will continue to focus and expand its business in the PRC.

In conjunction with the expansion plan for the PRC market, we are also committed to enhancing our processing capabilities to meet increasing customer demand for value added products in the North America, EU and Japan. The Group began the construction of a new state-of-the-art food processing center in Hongdao, Qingdao, PRC. The first phase investment cost will be about US$35 million. Upon completion of the first phase of construction by end-2003, the new processing plant will include 30,000 metric tonnes of cold storage facilities. It will also house a frozen fish fillets and portions manufacturing facility with an annual processing capacity of 45,000 metric tonnes. This processing plant will allow us to maximise processing yield, improve operational efficiencies and enhance economies of scale. The management believes the completion of the new processing plant will further strengthen our position in the global market place.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, WARRANTS AND OPTIONS

(i) Shares and warrants

At 30 September 2002, the interests of the directors and chief executives and their associates, within the meaning of the Securities (Disclosure of interests) Ordinance of Hong Kong (the "SDI Ordinance") in the share capital and warrants of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name	Type of interest	Number of shares	Number of warrants
Ng Swee Hong	Corporate *(note a)*	374,128,665	75,097,573
Teh Hong Eng	Personal	10,000,000	2,000,000
Ng Joo Siang	Personal	16,000,000	3,200,000
	Family *(note b)*	422,000	84,400
Ng Joo Kwee	Personal	10,000,000	2,000,000
Ng Joo Puay, Frank	Personal	8,000,000	1,600,000
Ng Puay Yee, Jessie	Personal	2,480,000	496,000
Cheng Nai Ming	Personal	1,454,400	290,880

Notes:

(a) These share are registered in the name of N.S. Hong Investment (BVI) Limited and Ng Swee Hong is deemed to be interested in these shares by virtue of the fact that N.S. Hong Investment (BVI) Limited, a corporation, is accustomed to act in accordance with his directions.

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

(ii) Options

The directors had personal interests in share options to subscribe for shares in the Company as follows:

Name	**Exercise price** *(HK$)*	**Exercisable period (both dates inclusive)**	**Number of share options**
Ng Puay Yee, Jessie	1.1168	11.7.1999 to 10.7.2004	600,000
Cheng Nai Ming	0.9440	25.10.1998 to 24.10.2003	2,000,000
	0.3336	21.8.2000 to 20.5.2005	4,000,000

During the six months ended 30 September 2002, 46,000,000 share options to subscribe for 46,000,000 shares in the Company at an exercise price of HK$0.3336 per share were exercised.

Other than as disclosed above, none of the directors or chief executives or their respective associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives or their respective spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed no person as having an interest of 10% or more in the issued share capital of the Company as at 30 September 2002.

Other than as disclosed above, the Company has not been notified of any other interests representing 10 per cent. or more of the Company's issued share capital at 30 September 2002.

PURCHASE, SALE OR REDEMPTION

During the six months ended 30 September 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed shares of the Company during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the unaudited financial statements.

The interim financial reports have been reviewed by the Company's auditors, in accordance with Statement of Audit Standards No. 700 "Engagements to review interim financial reports".

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

CODE OF BEST PRACTICE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Code of Best Practice") except that its non-executive directors are not appointed for a specific term. Pursuant to the bye-laws of the Company, directors, including non-executive directors, of the Company will retire by rotation on an average of three years and their appointments will be reviewed when they are due for re-election which in the opinion of the Company meets the same objective as the guideline set out in the Code of Best Practice.

By Order of the Board
Ng Joo Siang
Managing Director

Hong Kong, 17 December 2002

INDEPENDENT REVIEW REPORT

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TO THE BOARD OF DIRECTORS OF
PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 9.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report of the six months ended 30 September 2002.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 17 December 2002