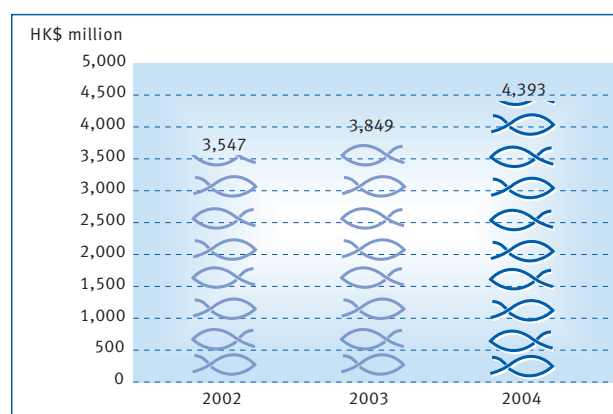


MANAGING DIRECTOR'S STATEMENT AND ANALYSIS

I am pleased to report another year of excellent financial results for Pacific Andes International Holdings Limited ("Pacific Andes" or the "Company") and its subsidiaries (the "Group").

This year marks a significant milestone for Pacific Andes – the Group celebrates the 10th anniversary of becoming listed on the Main Board of The Hong Kong Stock Exchange. Over the past decade, we have demonstrated an ability to rise above the different challenges posed by an increasingly complex global economy and to capture opportunities for business and market expansion. We believe that remaining true to our visions, and insisting on providing our customers with quality products and reliable services, are the cornerstones of Pacific Andes' phenomenal success. The Group's financial records over the last decade validate our flexible and integrated business model, a model that encompasses direct sourcing, processing and distribution.

Financial Highlights

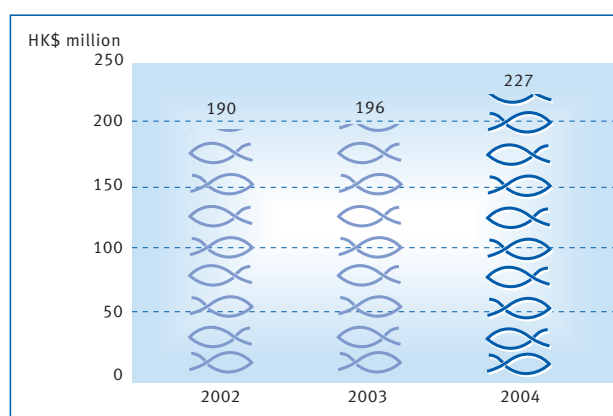


Year ended 31 March

Turnover

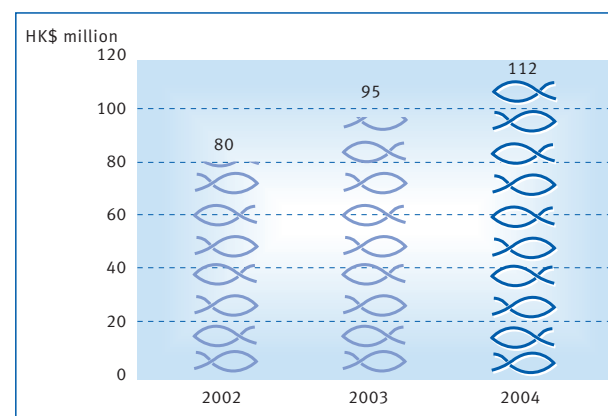
In FY2004, the Group recorded a 14.1% increase in turnover to HK\$4,393 million. The sales growth was prompted primarily by the continued increasing demand for frozen fish and seafood products from our existing markets.

Operating Profit



Year ended 31 March

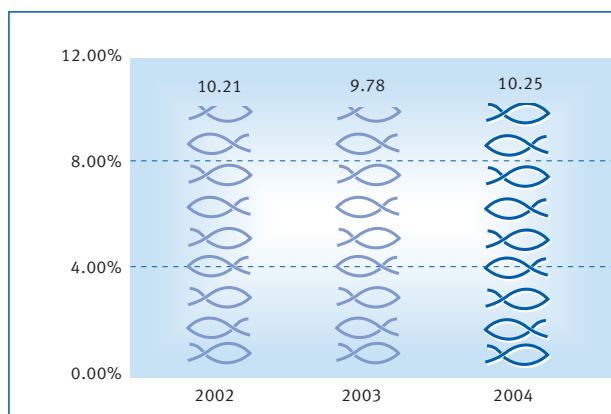
Profit Attributable to Shareholders



Year ended 31 March

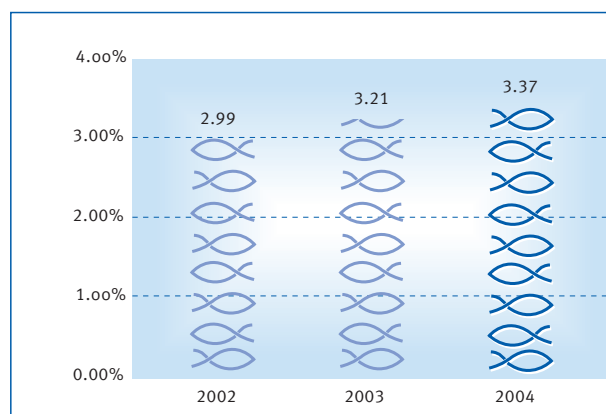
During the year, the Group's profitability improved. Operating profit increased by 15.9% to HK\$227 million. Profit attributable to shareholders increased from HK\$95 million to HK\$112 million in FY2004, representing an increase of 17.9%.

Gross Profit Margin



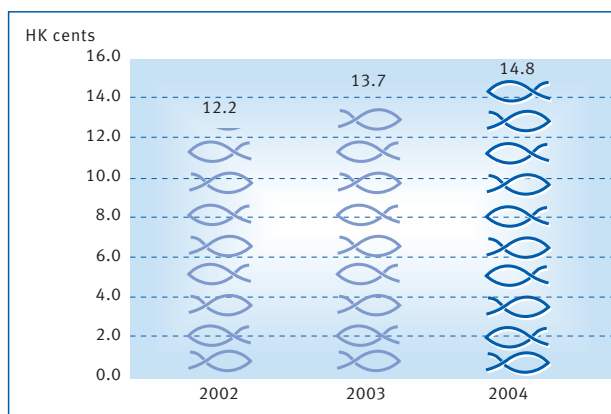
Year ended 31 March

Net Profit Margin



Year ended 31 March

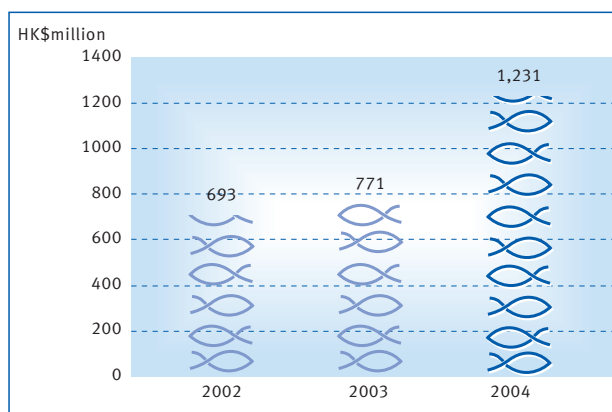
The Group's gross profit margin also improved from 9.78% last year to 10.25% this year, as the result of increased direct sales and marketing via strategic partners. Net profit margin increased from 3.21% to 3.37% (Net profit margin = Profit before minority interest/Total sales).



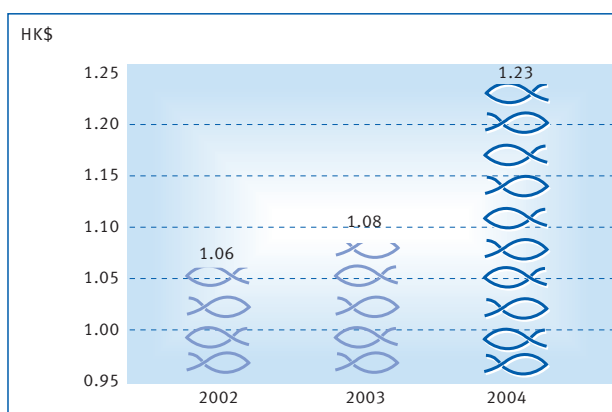
Year ended 31 March

Earnings Per Share

Reflecting our higher profitability, earnings per share for the year were HK14.8 cents compared with HK13.7 cents in 2003, an increase of 8.0%.



At 31 March



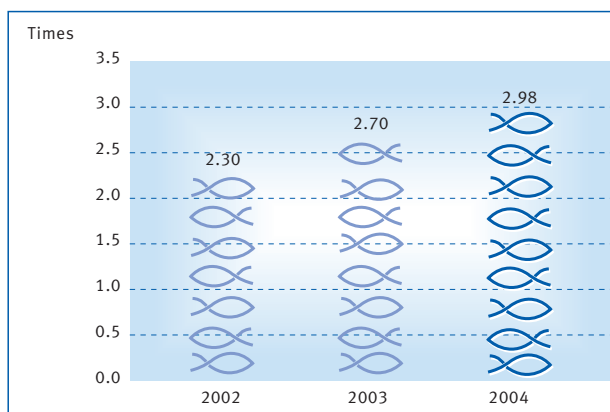
At 31 March

Shareholders' Fund

Shareholders' fund increased 60% to HK\$1,231 million as a result of placement of 145 million shares and subscription of warrants which raised HK\$244 million and HK\$119 million respectively. The broader capital base provides strong working capital for future expansion, including enabling the Group to finance the building of a new processing plant.

Net Assets Per Share

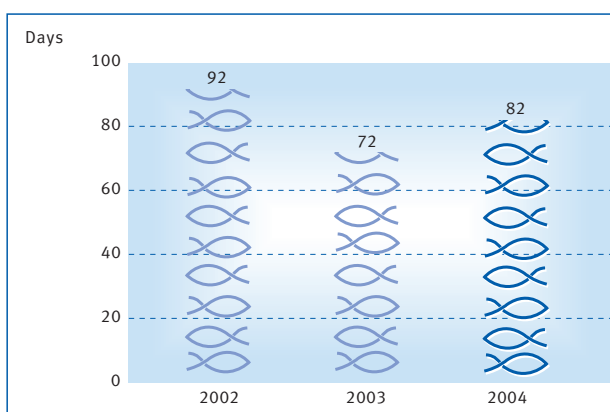
Net assets per share increased 13.9% to HK\$1.23.



Year ended 31 March

Interest Cover

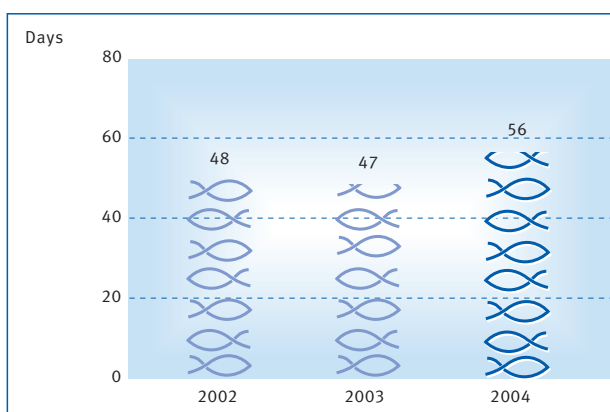
As the Group's operating margin improved, interest cover rose to 2.98 times, compare with last year's 2.70 times.



Year ended 31 March

Stock Turnover

Stock turnover stood at 82 days.

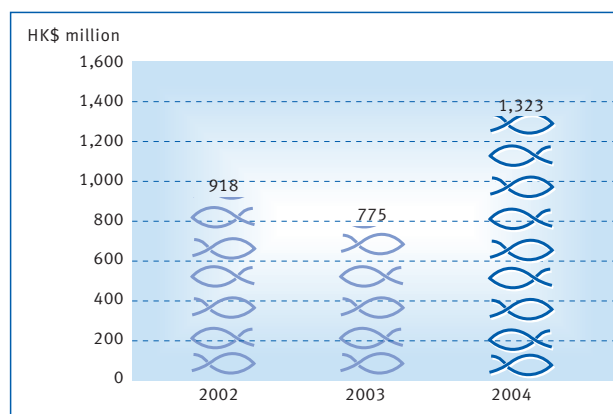


Year ended 31 March

Debtors Turnover and Trade Receivables

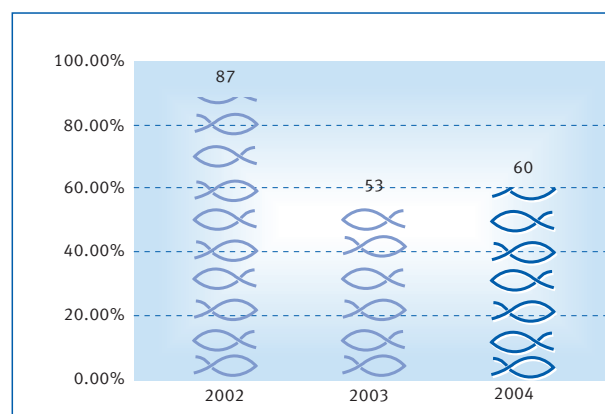
The debtors turnover period increased from 47 days to 56 days. Meanwhile, trade receivables also rose 35% to HK\$672 million. The sharp increase was due to the delay in the allocation of fishing quota by the Russian government, which delayed the commencement of fishing operations. This delay invariably affected the sourcing activities of the Group in the 4th quarter of FY2004. Unlike previous years, when our sourcing activities commenced in January, this year the bulk of our sourcing activities commenced during March, which created an impact across the supply chain, ultimately affecting receipt of payment from clients. This accounts for the temporary surge in the accounts receivables balance at the end of the year.

Total Borrowings Level



At 31 March

Debt-to-Equity Ratio



At 31 March

As at 31 March 2004, total bank borrowings stood at HK\$1,323 million, an increase of 71% from HK\$775 million in the previous year. The sharp increase was a result of the delay in the fishing season, which in turn delayed the Group's sourcing operation. To ensure a smooth flow of working capital for funding inventory and trade receivables, the Group undertook short-term bank borrowings. Net debt to equity ratio was maintained at 60%. Net debt represents interest-bearing borrowings less discounting advances drawn on trade receivables with insurance coverage and cash and deposits with financial institutions. Equity comprises shareholders' funds and minority interests.

APPROPRIATIONS

In line with the Group's persistent dividend policy of distributing one-third of the Group's net profit for payment to shareholders once every year, the board of directors proposes final dividend of HK4.9 cents per ordinary share to shareholders.

REVIEW OF BUSINESS

FY2004 was a successful year for Pacific Andes. The Company recorded another year of strong earnings growth with significant improvement in our operating initiatives and overall financial flexibility. Although global uncertainty and the outbreak of the Severe Acute Respiratory Syndrome ("SARS") posed challenges for us, we remained committed to and focused on our clearly articulated corporate mission – to become a fully integrated global food company. Adhering to stringent quality and International food safety standards, our frozen seafood and vegetables were sold globally and encouraging growth was recorded. The overall frozen seafood consumption in our markets continued to increase, helped partly by our broadened sales strategy and enhanced processing capabilities.

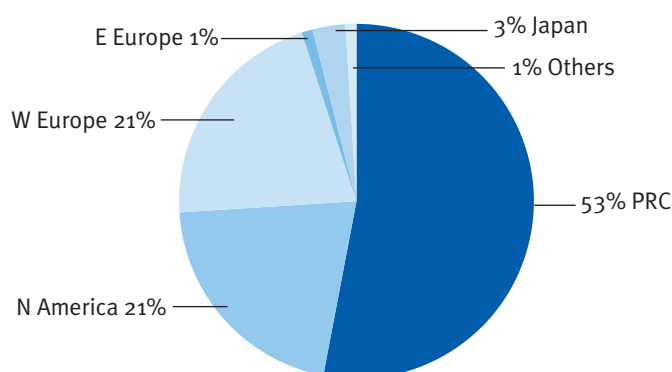
REVIEW OF BUSINESS – Continued

Consistent with our previously articulated strategy on corporate development, we aim to supplement our organic growth with selective investments and acquisitions. The Group's two most recent acquisitions reflect this approach. The Group acquired the Matlaw's Frozen Seafood Product Line ("Matlaw") from Frozen Specialties Inc. in August 2003. The acquisition included the Matlaw's brands of stuffed clam, crab and scallop products, formulae, production equipment and inventory. The well recognized Matlaw's® brand not only promises substantial profitability for Pacific Andes, but also provides a strong leverage for us to introduce new product offerings through Matlaw's existing channels and customer base.

In March 2004, the Group entered into a conditional sale and purchase agreement to acquire 49.9% interest in China Fisheries International Limited ("CFIL"). The acquisition of CFIL is an important milestone in Pacific Andes' corporate development and integration program. The strategic move allows us to have greater access to supply of raw materials, and helps us to further integrate our sourcing operations, thereby enhancing our operational efficiencies.

OPERATIONS REVIEW

Market Analysis



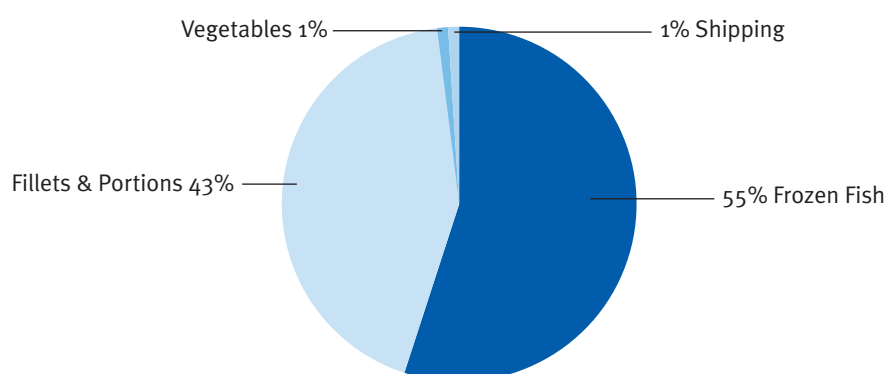
The PRC has been Pacific Andes' major revenue contributor, accounting for 53.4% of the total sales mix for FY2004. The growing affluence of China's population and their rising purchasing power, coupled with increasing emphasis on the importance of a healthy lifestyle, will continue to shift their dietary habits towards more seafood products. According to the Food and Agricultural Organization ("FAO") Food Balance Sheet, China's fisheries consumption per capita was about 24.8kg in 2001, representing a significant increase when compared with 11.5kg in 1990. Our sales in the PRC market increased 21.5% to HK\$2.34 billion, against HK\$1.93 billion last year.

In FY2004, Western Europe surpassed the United States ("U.S.") and became our second largest market, with sales increased by 18.7% to HK\$939 million. The prevailing preference for light meals and convenience products among Europeans makes it a crucial import market for fish fillets of the Group. The Compound Annual Growth Rate of sales of fish fillets by us to this market from 1999 to 2003 was 43% reflected the rising trend in demand.

Sales to North America remained stable at HK\$901 million in FY2004.

OPERATIONS REVIEW – Continued

Product Analysis



Seafood Division

Founded upon the frozen seafood business about two decades ago, the seafood division of Pacific Andes has matured to become one of the world's leading processors and suppliers of frozen seafood. In FY2004, the Group recorded sales of HK\$4.3 billion of frozen seafood products. This equates to approximately 283,000 metric tonnes of frozen seafood products, an increase of 16% compared to 244,000 metric tonnes last year.

Sourcing and trading

During the year, the Group sold approximately 192,000 metric tonnes of frozen fish, compared with last year's 168,000 metric tonnes, with sales increased by 15.9% to HK\$2.44 billion. Sold primarily to the PRC market, frozen fish remained the largest contributor to the Group's turnover, accounting for 55.6% of the total sales.

Processing

Sales of fillets and portions increased 11.8% to HK\$1.88 billion, accounting for 42.9% of the total sales mix. The growth in sales in general was driven by the continual relocation of fillet and portion processing from different parts of the world to the PRC. In FY2004, the Group sold 91,000 metric tons of frozen fillets and portions, representing an increase of 21%.

Positioning the company as a vertically integrated food supplier, Pacific Andes has been exploring opportunities to expand our product range. During the year, the Group introduced processed salted fish fillet products for the Hispanic market in the U.S. and Mediterranean countries like Spain, Portugal and Greece. We believe that there is significant potential for us to offer more products in these markets.

OPERATIONS REVIEW – Continued

Product Analysis – *continued*

Vegetable and Plantation Division

Sale of vegetables recorded a turnover of HK\$44 million, representing an increase of 9% over last year. The Western market accounted for 68% of total vegetable sales. The most popular products among our customers are spinach, broccoli and onions. In comparison to our well-established seafood business, vegetable sales remain small. However, since introducing vegetable sales 5 years ago, we have been encouraged by a steady growth and are confident that the vegetable and plantation business will significantly contribute to our future growth.

Food Safety

With a goal to set an industry-wide standard and nation-wide awareness of food safety, Pacific Andes established the first independent commercial food residue analysis laboratory, Sino Analytica Laboratory (“Sino Analytica”), in the PRC in May 2003. Sino Analytica has its specific focus on food analysis. Its techniques are based upon the Standard Operating Procedures used by Central Science Laboratory and recognized by the United Kingdom Accreditation Service. The laboratory, which has been awarded accreditation to the international standard ISO17025, offers supporting services to a wide range of Chinese and international enterprises, doing its part to ensure that food products from China reach and even surpass accepted international standards.

Liquidity and Financial Resources

As of 31 March 2004, our total bank borrowings increased by 71%, from HK\$775 million in 2003 to HK\$1,323 million. Because of the delay in commencement of our fishing season, the major portion of our sourcing activities this year commenced during March. As a result, we increased the usage of short-term borrowings to fund the inventory and trade receivables during this period.

As of 31 March 2004, our cash on hand increased to HK\$362 million, compared with HK\$221 million in 2003.

As of 31 March 2004, the Group's equity increased by 60% to HK\$1.23 billion. In February 2004, the Group raised HK\$244 million via a placement of 145 million new shares. In addition, the Group raised HK\$119 million through the subscription of warrants during the year. The broadened capital base enabled Pacific Andes to finance the construction of a new processing plant and provides the Group the working capital needed for business expansion.

Net debt to shareholders' equity ratio stood at 60% in 2004.

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

Shares in certain subsidiaries were pledged as securities for the inventory financing obtained from bankers.

OPERATIONS REVIEW – Continued

Employees and Remuneration

As at 31 March 2004, the Group had a total number of 5,180 employees. Remuneration packages offered to employees are in line with industry standards and reviewed annually. The award of bonuses is decided based on the performance of individual employee as well as 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.

OUTLOOK

Looking forward, we will focus on identifying opportunities for Pacific Andes to further expand our product range and market presence in existing and new markets. This requires remaining steadfast to our commitment and our global vision. Our flexible business model gives us latitude to develop new product areas and distribution channels that will enable us to better meet our customers' needs.

To boost our profit margins, we will continue to devise new and focused business strategies to improve our operations. We will also strengthen our relationships with both our customers and our suppliers. Our ability to deliver to the customers what they need, as and when they need it, is a key reason for our success.

Sourcing

Capitalizing on the establishment of Zhonggang Fisheries Limited, we intend to conduct research and identify new and under-utilized seafood species to feed the global population. Approximately 47% of the fish captured from the sea today are used for non-food consumption. In addition, there are many cases of over-fishing and wastage. Our contribution to the global fish industry in exploring, processing and developing a previously under-utilized specie such as Alaskan Pollack, to now considered one of the most highly demanded and consumed white fish in the world, is an example of our capability and our commitment to our vision.

Processing

As customers worldwide search for solutions in terms of quality, price and responsiveness, they are increasingly turning to China to serve their supply chain needs. We are confident that no other company in China can provide a large scale, globally-oriented and flexible business model comparable to those offered by Pacific Andes.

By constructing a new plant, we will increase our existing processing capacity and have greater flexibility in producing value-added products and product variety. We are also ready to further expand our capacity through out-sourcing processing to quality plants in the PRC. All these initiatives are expected to significantly improve our operational efficiencies and in turn strengthen our position in the global market.

OUTLOOK – Continued

Fine foods development

As part of our strategy towards full vertical integration, we have recently set up a new Fine Foods division to develop and process higher value and specialized products such as like breaded, marinated, glazed and grill-marked fillets and portions. We believe this division will be the driving force behind our next phase of growth.

Direct distribution in the PRC

The sale of frozen fish in China will continue to be our major revenue generator. As the country develops and disposable income rises, the demand for fish will continue to grow. According to the most recent FAO trade statistics for 2002, China is now the eighth largest importer of fish. We plan to further strengthen our distribution operation in the PRC so as to further enhance our market penetration and presence.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our customers, suppliers, bankers, business partners and shareholders for their continuous support. I would also like to thank our staff, as well as the fishermen and farmers associated with our business for their contribution to our good results this year.

With great optimism, I look forward to fulfilling more of the vision and potential of Pacific Andes in the years ahead. I am sure our hard work will continue to bring in lucrative returns for our shareholders.

Very truly yours,

Ng Joo Siang
Managing Director

29 June 2004