



**PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**INTERIM REPORT**

**For the six months ended 30 September 2004**

## UNAUDITED INTERIM RESULTS

The Board of Directors (“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 2004 together with the unaudited comparative figures for the corresponding period in 2003 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 September 2004*

		<b>Six months ended</b>	
		<b>30.9.2004</b>	30.9.2003
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Turnover	3	<b>1,970,153</b>	1,695,213
Cost of sales		<b>(1,741,640)</b>	(1,497,710)
Gross profit		<b>228,513</b>	197,503
Other operating income		<b>4,754</b>	9,378
Selling and distribution expenses		<b>(48,331)</b>	(42,348)
Administrative expenses		<b>(72,414)</b>	(63,310)
Profit from operations	4	<b>112,522</b>	101,223
Finance costs		<b>(36,431)</b>	(35,359)
		<b>76,091</b>	65,864
Share of results of associates		<b>11,603</b>	94
Profit before taxation		<b>87,694</b>	65,958
Taxation	5	<b>(2,750)</b>	(2,865)
Profit before minority interests		<b>84,944</b>	63,093
Minority interests		<b>(24,324)</b>	(14,235)
Net profit for the period		<b>60,620</b>	48,858
Dividend	6	<b>—</b>	—
Earnings per share	7		
Basic		<b>HK6.1 cents</b>	HK6.8 cents
Diluted		<b>HK6.0 cents</b>	HK6.5 cents

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2004

	Notes	30.9.2004 HK\$'000 (unaudited)	31.3.2004 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	365,605	334,959
Investment properties		55,900	55,900
Goodwill		16,175	16,757
Negative goodwill		(3,080)	(3,166)
Interests in associates	9	114,111	2,214
Investments in securities		23,891	23,891
		<u>572,602</u>	<u>430,555</u>
<b>CURRENT ASSETS</b>			
Inventories		1,031,613	888,038
Trade and other receivables	10	806,778	1,164,664
Trade receivables with insurance coverage	11	257,946	352,317
Advances to suppliers		12,584	–
Trade receivables from associates		52,437	61,617
Amounts due from associates		93,896	7,279
Tax recoverable		320	320
Pledged deposits		1,923	3,788
Bank balances and cash		130,647	358,458
		<u>2,388,144</u>	<u>2,836,481</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	106,425	157,244
Discounting advances drawn on trade receivables with insurance coverage		146,404	170,031
Taxation		5,028	2,833
Bank borrowings	13	905,490	1,251,392
Dividend payable		48,942	–
		<u>1,212,289</u>	<u>1,581,500</u>
<b>NET CURRENT ASSETS</b>		<u>1,175,855</u>	<u>1,254,981</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,748,457</u>	<u>1,685,536</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	13	77,765	71,624
Deferred taxation		15,950	15,950
		<u>93,715</u>	<u>87,574</u>
<b>MINORITY INTERESTS</b>		<u>410,916</u>	<u>366,484</u>
<b>NET ASSETS</b>		<u>1,243,826</u>	<u>1,231,478</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	99,942	99,882
Share premium and reserves		1,143,884	1,131,596
<b>SHAREHOLDERS' FUNDS</b>		<u>1,243,826</u>	<u>1,231,478</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2003									
– as originally stated	71,089	296,061	(3,756)	26,698	(109,611)	9,800	2,539	491,280	784,100
– prior period adjustment on adoption of HK SSAP 12									
“Deferred tax”	–	–	–	(7,639)	(5,458)	–	–	255	(12,842)
– as restated	71,089	296,061	(3,756)	19,059	(115,069)	9,800	2,539	491,535	771,258
Share issued at a premium	1,521	11,503	–	–	–	–	–	–	13,024
Net revaluation increase not recognised in the income statement	–	–	8,820	–	–	–	–	–	8,820
Deferred tax liability attributable to change in tax rate	–	–	–	(393)	–	–	–	–	(393)
Goodwill reserve realised on deemed disposal of interest in a non-wholly owned subsidiary	–	–	–	–	(2,470)	–	–	–	(2,470)
Net profit for the period	–	–	–	–	–	–	–	48,858	48,858
At 30 September 2003	<u>72,610</u>	<u>307,564</u>	<u>5,064</u>	<u>18,666</u>	<u>(117,539)</u>	<u>9,800</u>	<u>2,539</u>	<u>540,393</u>	<u>839,097</u>
At 1 April 2004	99,882	633,304	–	29,337	(115,069)	9,800	2,539	571,685	1,231,478
Share issued at a premium	60	610	–	–	–	–	–	–	670
Net profit for the period	–	–	–	–	–	–	–	60,620	60,620
Dividend	–	–	–	–	–	–	–	(48,942)	(48,942)
At 30 September 2004	<u>99,942</u>	<u>633,914</u>	<u>–</u>	<u>29,337</u>	<u>(115,069)</u>	<u>9,800</u>	<u>2,539</u>	<u>583,363</u>	<u>1,243,826</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2004*

	<b>Six months ended</b>	
	<b>30.9.2004</b>	30.9.2003
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash from (used in) operating activities	<b>264,643</b>	(52,208)
Net cash used in investing activities	<b>(142,046)</b>	(61,255)
Net cash (used in) from financing	<b>(346,523)</b>	162,479
Net (decrease) increase in cash and cash equivalents	<b>(223,926)</b>	49,016
Cash and cash equivalents at beginning of the period	<b>343,420</b>	193,680
Cash and cash equivalents at end of the period	<b>119,494</b>	242,696
Represented by:		
Bank balances and cash	<b>130,647</b>	251,837
Bank overdrafts	<b>(11,153)</b>	(9,141)
	<b>119,494</b>	242,696

*Notes:*

**1. Basic 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 Institute of Certified Public 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 land and buildings, investment properties and 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 2004, except as described below.

In the current period, the Group has adopted SSAP 36 “Agriculture”. The principal effect of the adoption of SSAP 36 is in relation to the agricultural activity undertaken by its subsidiaries. SSAP 36 requires the measurement of biological assets and agricultural produce at their fair value less estimated point-of-sale costs at each balance sheet date. The gain or loss arising from a change in fair value less estimated point-of-sale costs is included in the profit or loss for the period in which it arises. The adoption of SSAP 36 has had no material effect on the results for the current or prior accounting periods.

**3. Turnover and Segment Information**

The turnover and segment results of the Group for the six months ended 30 September 2004 and 30 September 2003, analysed by principal activity and geographical market are as follows:

*Business segments*

For management purposes, the Group is currently organised into four operating divisions – frozen fish, fillets and portions, shipping services and vegetables. These divisions are the basis on which the Group reports its primary segment information.

**For the six months ended 30 September 2004**

	Frozen fish HK\$'000 (unaudited)	Filletts and portions HK\$'000 (unaudited)	Shipping services HK\$'000 (unaudited)	Vegetables HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>TURNOVER</b>					
External sales ( <i>note</i> )	<u>964,695</u>	<u>980,312</u>	<u>11,443</u>	<u>13,703</u>	<u>1,970,153</u>
<b>RESULT</b>					
Segment results	<u>84,143</u>	<u>97,130</u>	<u>1,360</u>	<u>983</u>	183,616
Unallocated corporate expenses					<u>(71,094)</u>
Profit from operations					112,522
Finance costs					(36,431)
Share of results of associates					
– allocated	12,677	109	–	–	12,786
– unallocated	–	–	–	–	<u>(1,183)</u>
Profit before taxation					87,694
Taxation					<u>(2,750)</u>
Profit before minority interests					<u>84,944</u>

**For the six months ended 30 September 2003**

	Frozen fish HK\$'000 (unaudited)	Filletts and portions HK\$'000 (unaudited)	Shipping services HK\$'000 (unaudited)	Vegetables HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>TURNOVER</b>					
External sales ( <i>note</i> )	<u>871,241</u>	<u>800,402</u>	<u>6,970</u>	<u>16,600</u>	<u>1,695,213</u>
<b>RESULT</b>					
Segment results	<u>69,395</u>	<u>84,243</u>	<u>(93)</u>	<u>1,610</u>	155,155
Unallocated corporate expenses					<u>(53,932)</u>
Profit from operations					101,223
Finance costs					(35,359)
Share of results of associates	–	94	–	–	<u>94</u>
Profit before taxation					65,958
Taxation					<u>(2,865)</u>
Profit before minority interests					<u>63,093</u>

*Note:* There is no inter-segment sales between different business segments for the six months ended 30 September 2004 and 30 September 2003.

### *Geographical segments*

The Group's operations are mainly located in the People's Republic of China (the "PRC"), North America, Western Europe and Japan.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	<b>Six months ended</b>	
	<b>30.9.2004</b>	30.9.2003
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
PRC	<b>928,118</b>	807,813
North America	<b>434,236</b>	419,325
Western Europe	<b>518,432</b>	367,294
Japan	<b>50,403</b>	76,529
Other	<b>38,964</b>	24,252
	<b><u>1,970,153</u></b>	<b><u>1,695,213</u></b>

#### **4. PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after charging (crediting):

	<b>Six months ended</b>	
	<b>30.9.2004</b>	30.9.2003
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Depreciation	<b>12,340</b>	11,728
Amortisation of goodwill included in administrative expenses	<b>1,221</b>	—
Loss (gain) on deemed disposal of interest in subsidiary	<b>1,145</b>	(377)
	<b><u>14,706</u></b>	<b><u>11,351</u></b>

#### **5. TAXATION**

	<b>Six months ended</b>	
	<b>30.9.2004</b>	30.9.2003
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The charge comprises:		
Current tax		
Hong Kong	<b>2,750</b>	2,694
Other jurisdictions	<b>—</b>	110
	<b><u>2,750</u></b>	<b><u>2,804</u></b>
Deferred tax		
Attributable to change in tax rate in Hong Kong	<b>—</b>	61
	<b><u>2,750</u></b>	<b><u>2,865</u></b>



Hong Kong Profits Tax is calculated at 17.5% (six months ended 30.9.2003: 17.5%) of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

## 6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2004.

On 5 October 2004, a dividend of HK4.9 cents (2003: HK4.5 cents) was paid to shareholders as the final dividend for the year ended 31 March 2004.

## 7. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30.9.2004</b>	30.9.2003
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Earnings for the purposes of calculation of basic and diluted earnings per share	<b><u>60,620</u></b>	<u>48,858</u>
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	<b>999,116,420</b>	713,888,351
Effect of dilutive potential ordinary shares in respect of:		
Share options	<b>2,962,824</b>	3,207,942
Warrants	<b>—</b>	34,016,987
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	<b><u>1,002,079,244</u></b>	<u>751,113,280</u>

## 8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$10,977,000 and HK\$21,868,000 on the acquisition of plant and equipment and land and buildings respectively. The Group also incurred HK\$2,491,000 for construction in progress in order to facilitate its processing capabilities.

## 9. INTERESTS IN ASSOCIATES

	30.9.2004 HK\$'000 (unaudited)	31.3.2004 HK\$'000 (audited)
Share of net assets	76,333	2,214
Unamortised goodwill on acquisition of an associate	37,778	–
	<u>114,111</u>	<u>2,214</u>

During the period, the Group spent HK\$100,933,000 on the acquisition of an associate. The amount of goodwill arising as a result of the acquisition was HK\$38,417,000.

## 10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$414,015,000 (31.3.2004: HK\$672,233,000) and bills receivable of HK\$70,850,000 (31.3.2004: HK\$129,880,000). The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to 120 days to its trade customers. The aged analysis of trade receivables and bills receivables at the balance sheet date is as follows:

	30.9.2004 HK\$'000 (unaudited)	31.3.2004 HK\$'000 (audited)
Less than 30 days	152,791	345,609
31 – 60 days	125,783	311,409
61 – 90 days	109,203	41,138
91 – 120 days	96,729	75,779
Over 120 days	359	28,178
	<u>484,865</u>	<u>802,113</u>

## 11. TRADE RECEIVABLES WITH INSURANCE COVERAGE

Included in the trade receivables with insurance coverage are discounted trade receivables of HK\$139,139,000 (31.3.2004: HK\$162,619,000) which have been discounted to certain banks under the receivable discounting advance facilities.

The aged analysis of the trade receivables with insurance coverage at balance sheet date is as follows:

	30.9.2004 HK\$'000 (unaudited)	31.3.2004 HK\$'000 (audited)
Less than 30 days	172,349	201,457
31 – 60 days	61,631	117,293
61 – 90 days	20,446	14,573
91 – 120 days	983	17,567
Over 120 days	2,537	1,427
	<u>257,946</u>	<u>352,317</u>

## 12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$35,014,000 (31.3.2004: HK\$58,626,000). The aged analysis of trade payables at the balance sheet date is as follows:

	<b>30.9.2004</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2004 HK\$'000 (audited)
Less than 30 days	<b>21,089</b>	33,084
31 – 60 days	<b>7,704</b>	25,176
61 – 90 days	<b>6,096</b>	333
Over 90 days	<b>125</b>	33
	<hr/> <b>35,014</b> <hr/>	<hr/> 58,626 <hr/>

Included in trade and other payable are advances from third parties of HK\$30,110,000 (31.3.2004: HK\$25,428,000) which bear interest at prevailing market rate and were secured by inventories of HK\$40,146,000 (31.3.2004: HK\$33,904,000).

## 13. BANK BORROWINGS

During the period, the Group made a net repayment of HK\$335,876,000 in bank borrowings. The borrowings bear interest at market rates.

During the period, the Group also obtained approximately HK\$53,150,000 new banking facilities. The banking facilities were obtained to finance the working capital of the Group.

## 14. SHARE CAPITAL

During the period, 600,000 share options were exercised by the holders to subscribe for 600,000 ordinary shares in the Company at an exercise price of HK\$1.1168 per share.

## 15. CAPITAL COMMITMENTS

At 30 September 2004, the Group had capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements amounted to HK\$10,967,000 (31.3.2004: HK\$12,088,000).

## 16. CONTINGENT LIABILITIES

At 30 September 2004, the Group had contingent liabilities in respect of bills discounted with recourse of approximately HK\$60,620,000 (31.3.2004: HK\$229,946,000).

## 17. PLEDGE OF ASSETS

At 30 September 2004, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK\$191,488,000 (31.3.2004: HK\$171,567,000) and HK\$18,300,000 (31.3.2004: HK\$18,300,000) respectively, as collateral for mortgage loans granted to the Group by certain banks.

Inventories of HK\$384,786,000 (31.3.2004: HK\$213,239,000) were also pledged as security for the revolving inventory financing facilities obtained from banks.

In addition, shares of certain subsidiaries were pledged as securities for revolving inventory financing obtained from banks.

## 18. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group entered into following significant transactions with certain associates of the Group.

	<b>Six months ended</b>	
	<b>30.9.2004</b>	30.9.2003
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Sales of frozen seafood ( <i>note i</i> )	<b>178,622</b>	153,719
Purchases of frozen seafood ( <i>note i</i> )	<b>17,470</b>	–
Administrative income ( <i>note ii</i> )	<b>2,512</b>	3,467

*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) Included in the discounting advances drawn on trade receivables with insurance coverage is an amount of HK\$21,179,000 (31.3.2004: HK\$23,674,000) which were drawn from discounting trading receivables with insurance coverage of an associate of HK\$23,532,000 (31.3.2004: HK\$26,304,000).

## **RESULTS**

Pacific Andes recorded encouraging results in the first half of FY2005, with turnover increased 16.2% to HK\$1,970.2 million and net profits up 24.1% to HK\$60.6 million. Earnings per share in the review period is HK6.1 cents.

Despite that there were signs of recovery in the consumer markets around the world, the prevailing operating environment was still volatile. Over the past six months, we were confronting with various challenges — persistently high raw material price, increasing freight cost due to the hefty oil price. However, achieving economies of scale and improved efficiency of our processing facilities, we successfully overcame these challenges and maintained a similar gross margin.

On 12 July 2004, the Group's Singapore listed subsidiary, Pacific Andes (Holdings) Limited, completed the acquisition of a 34.93% beneficial interest in China Fisheries International Limited ("China Fish") at a total consideration of approximately HK\$70.7 million. China Fish is principally engaged in fishing and the provision of fishing management services for fishing vessels. The strategic acquisition enables the Group to move towards achieving the corporate goal of expanding its business scope to cover fishing activities, further integrating the current business operation and enhancing the profit margins.

The investment in China Fish was proven correct as this brought in immediate reward to the Group. China Fish, with an accounting year ending 31 December, recorded an unaudited profit for the nine months ended 30 September 2004 of approximately HK\$128.7 million.

As the Group had only been able to recognize the contribution from China Fish starting from 13 July 2004, net profit contribution from China Fish during the period under review is approximately HK\$4.68 million.

## **DIVIDEND**

In line with the Group's set policy of paying out one third of its net profits to shareholders once every year as final dividend, the Directors does not declare any interim dividend for the six months ended 30 September 2004.

## **BUSINESS REVIEW AND PROSPECTS**

### **Frozen Fish**

During the period under review, sales of frozen fish, primarily sold to the PRC market, increased 10.7% to HK\$964.7 million, accounting for 49.0% of the Group's total sales. Correspondingly, sales to the PRC rose 14.9%, from HK\$807.8 million in the first half of FY2004 to HK\$928.1 million in the first half of FY2005.

The sales of frozen fish grew mainly due to the continuously increasing urban and rural consumption of fishery products in the PRC. As Chinese consumers' income and purchasing power continues to rise, the Group is optimistic about the capturing market potential of the PRC for its frozen fish products.

## **Fillets and Portions**

Sales of fillets and portions increased 22.5% from HK\$800.4 million in the first half of FY2004 to HK\$980.3 million in the first half of FY2005, accounting for 50% of total sales. The sales growth was driven by the continual relocation of fillet and portion processing from different parts of the world to the PRC and the increasing demand for light meals and convenience food products in the EU countries.

Reflecting this trend, our sales to Western Europe surged 41.2% from HK\$367.3 million in the first half of FY2004 to HK\$518.4 million in the first half of FY2005.

## **FINANCIAL REVIEW**

The Group centralized the funding of all its operations at the Group level. This policy allows the Group better control of treasury operations and lowers the average cost of funds. The Group's major borrowings are in US Dollars and HK Dollars. Borrowings are based on LIBOR or HK Best Lending rates. As the Group's revenue is mainly in US Dollars and major payments are either in US Dollars or HK Dollars, currency risk is relatively low.

As at 30 September 2004, total borrowings amounted to HK\$1,129.7 million from last year's HK\$1,493.0 million. Cash on hand amounted to HK\$132.6 million. The Group continues its policy of maintaining a prudent gearing ratio, resulting in a net debt to equity ratio of 52%.

## **Employees and Remuneration**

As at 30 September 2004, the Group had a total number of 5,483 employees.

The Group recognises the importance of its employees who contribute to the business and offers remuneration packages in line with industry standards. These 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 option to selected eligible employees depending on their contribution to the Company.

## **PROSPECTS**

The PRC will continue to be our sales focus. As demand there for frozen fish and seafood products is expected to continue to grow, the Group will continue to expand its operations in the market. The thrust will primarily be towards profit margin enhancement and expansion of marketing activities.

The Group will also expand our fishing operation through China Fish to have greater access in the supply of raw materials.

To consolidate and strengthen its processing capacity, the Group is constructing a new processing plant in Hongdao, hub of the Qingdao Marine Scientific & Technological Development Zone. A ground-breaking ceremony for the new plant was held on 1 November 2004. When the new plant is completed, the Group will be able to expand its product mix to include a larger proportion of higher margin products and to grow existing and new markets. In addition, the Group will introduce advanced technology in frozen seafood processing, which will significantly enhance its production yield and profitability in the long term.

The key to success for its frozen seafood business is the direct result of the Group's ability to consistently satisfy its evolving preferences of the consumer marketplace. In view of the increasing demand for high quality products that fit their healthy lifestyles, the Group is set to develop more diversified and premium products.

To cope with increasing competition from other food sectors, it is crucial that the Group continue to develop and market new products. Our Fine Food Division expects to see sustainable profitability and enhanced ability to offer new products. This will further extend Pacific Andes' reach in the worldwide market.

The management believes that the success of Pacific Andes in the long run hinges its capability to enhance its economies of scale and the operational efficiency of its business from net in the ocean to plates. In summary, our business is well positioned to deliver better results in the second half of the year.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

At 30 September 2004, the interests and short positions of the directors and chief executive and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive or any associated corporation is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed companies, were as follows:

### **(i) Shares**

Name of directors	Number of ordinary shares held (long positions)			Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	
Ng Swee Hong	–	–	505,785,438 (note a)	50.61%
Ng Joo Siang	–	422,000 (note b)	–	0.04%
Ng Puay Yee	1,176,000	–	–	0.12%
Cheng Nai Ming	1,745,280	–	–	0.17%

*Notes:*

- (a) These shares are registered in the name of N.S. Hong Investment (BVI) Limited, representing approximately 50.61% of the issued share capital of the Company, and Mr. 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 direction.
- (b) These shares are held under the name of the spouse of Ng Joo Siang.

## (ii) Share options scheme

The following table discloses directors' personal interests in share options to subscribe for shares in the Company:

		Number of share options and underlying shares held				
	Period during which option are exercisable	Subscription price per share HK\$	Date of grant	Outstanding at 1.4.2004	Exercised during the period	Outstanding at 30.9.2004
<b>Directors</b>						
Ng Puay Yee	11.7.1999 to 10.7.2004	1.1168	10.7.1997	600,000	(600,000)	–
Cheng Nai Ming	21.8.2000 to 20.8.2005	0.3336	21.2.2000	4,000,000	–	4,000,000
Total number of share options held by directors				<u>4,600,000</u>	<u>(600,000)</u>	<u>4,000,000</u>

During the six months ended 30 September 2004, 600,000 share options to subscribe for 600,000 ordinary shares in the Company at an exercise price of HK\$1.1168 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 or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive is taken or deemed to have taken under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which are required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified the Company or the Stock Exchange.



## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY**

As at 30 September 2004, the interests and short positions of any substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 Part XV of the SFO and have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of issued Ordinary shares held (long positions)</b>	<b>Percentage of the issued share capital of the Company</b>
Ng Swee Hong	Beneficial owner	505,785,438 (note a)	50.61%
Cheah Cheng Hye	Beneficial owner	83,539,836 (note b)	8.36%

### *Notes:*

- (a) These shares are registered in the name of N.S. Hong Investment (BVI) Limited and Mr. 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 direction.
- (b) Cheah Cheng Hye holds a total of 83,539,836 shares by virtue of his deemed interest in the shares held by Value Partners Limited.

Other than as disclosed above, the Company has not been notified of any persons who had interests or short positions in the shares or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **BONUS ISSUE OF WARRANTS**

As a token of gratitude to shareholders, the Directors are declaring the bonus issue of new warrants (the "Bonus Warrants") to the shareholders as referred to below. The Bonus Warrants will be issued under the authority of a general mandate granted to the Directors by shareholders of the Company at the annual general meeting of the Company held on 9 September, 2004 to issue and allot new shares equal to in aggregate up to 20 percent of the issued share capital of the Company as at 9 September 2004. The Directors propose the Bonus Warrants to shareholders whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on Friday, 14 January 2005 on the basis of one Bonus Warrant for every five shares held by such shareholders (the "Bonus Warrant Issue"). The Bonus Warrants will be issued in registered form and will be exercisable at any time from 1 February 2005 until 31 July 2006, both dates inclusive. Each Bonus Warrant will entitle the holder thereof to subscribe for one new share at an initial subscription price of HK\$1.40, subject to adjustment in accordance with the terms of the Bonus Warrants.

Fractional entitlements to the Bonus Warrants will not be issued but will be aggregated and sold for the benefit of the Company.

The Bonus Warrant Issue will be conditional upon: (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listings of, and permission to deal in, the Bonus Warrants and the shares falling to be issued upon the exercise of the subscription rights attached to the Bonus Warrants; and (ii) if necessary, the Bermuda Monetary Authority granting approval for the issue of the Bonus Warrants pursuant to the Bonus Warrant Issue and the shares falling to be issued upon the exercise of the subscription rights attached to the Bonus Warrants. The Directors believe that the Bonus Warrant Issue will provide shareholders with the opportunity to participate further in the future growth of the Group.

A circular setting out the details of the Bonus Warrant Issue will be sent to the shareholders of the Company as soon as practicable.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The Register of Members will be closed from Monday, 10 January 2005 to Friday, 14 January 2005 both days inclusive, during which period no transfer of share will be registered. In order to establish the entitlement of Bonus Warrants, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch registrar in Hong Kong, Secretaries Limited of the Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Friday, 7 January 2005.

## **PURCHASE, SALE OR REDEMPTION**

During the six months ended 30 September 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities 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 interim financial statements for the six months ended 30 September 2004.

The interim financial reports have been reviewed by the Company’s auditors, in accordance with Statement of Audit Standards No. 700 “Engagement to review interim financial reports”.

The members of the Audit Committee are Mr. Lew V. Robert (chairman), Mr. Kwok Lam Kwong, Larry, and Mr. Yeh Man Chun, Kent, the 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 objectives as the guideline set out in the Code of Best Practice.

By Order of the Board

**Ng Joo Siang**

*Managing Director*

Hong Kong, 16 December 2004

## **INDEPENDENT REVIEW REPORT**



### **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 11.

#### **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 No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **REVIEW WORK PERFORMED**

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the 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 for the six months ended 30 September 2004.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 16 December 2004