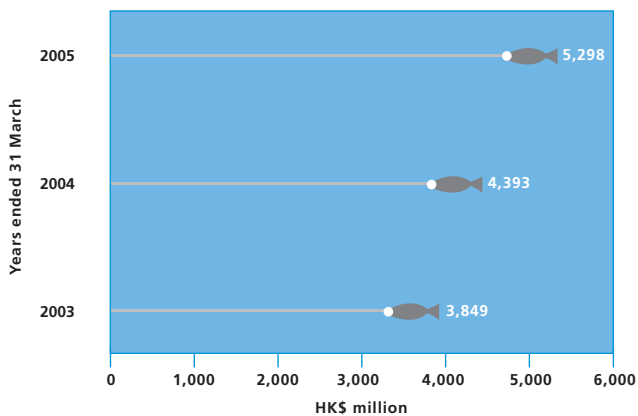


MANAGING DIRECTOR'S STATEMENT AND ANALYSIS

FY2005 was another record year for Pacific Andes International Holdings Limited ("Pacific Andes" or the "Company") and its subsidiaries (the "Group") and we are proud of our significant accomplishments. Our financial performance reflects our position as a world-leading, fully integrated food supplier. We stand out in the seafood industry by the scale and scope of our operations, and through our strategic vision.

During the year, we created value and growth by enhancing our current product range. We created new product categories and expanded existing lines. We focused on enhancing market penetration of existing products and developing markets for the new products we introduced during the year. In addition, we managed our costs by continuing to streamline our processing capabilities.

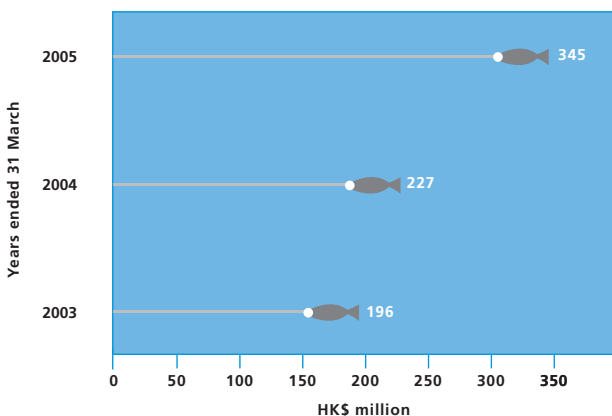
Financial Highlights



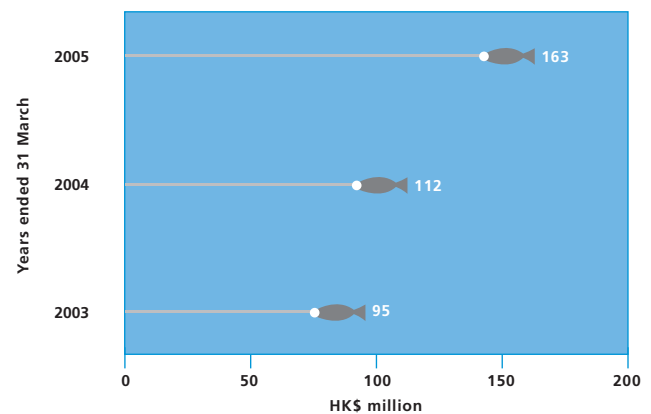
Turnover

In FY2005, the Group recorded an increase of 20.6% of turnover to HK\$5,298 million. The growth was primarily attributable to increasing demand from our existing markets.

Operating Profit



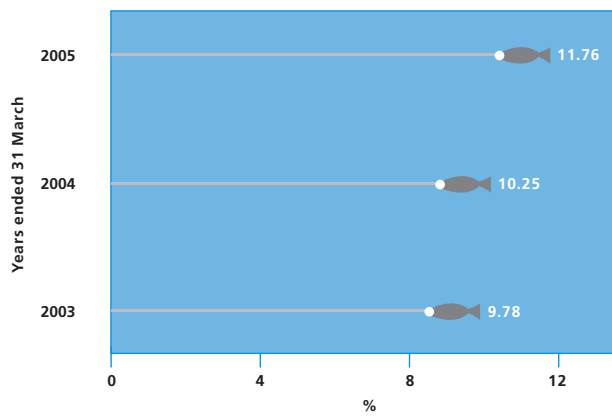
Profit Attributable to Shareholders



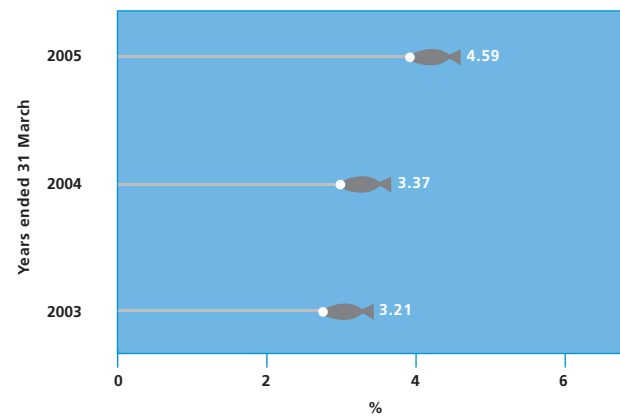
Corresponding to the higher sales, the Group recorded improved profitability. Operating profit increased 51.7% from HK\$227 million in FY2004 to HK\$345 million in FY2005. Profit attributable to shareholders increased from HK\$112 million in FY2004 to HK\$163 million in FY2005.

MANAGING DIRECTOR'S STATEMENT AND ANALYSIS

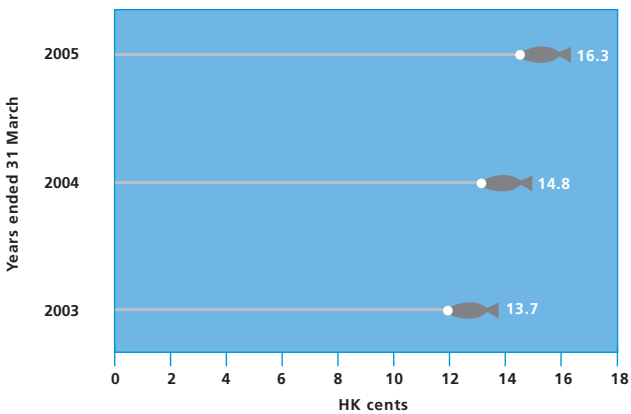
Gross Profit Margin



Net Profit Margin



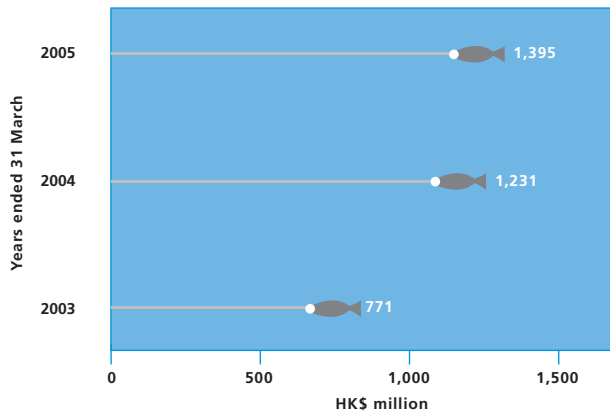
The Group's gross profit margin rose from 10.25% in FY2004 to 11.76% in FY2005, reflected the improvement in the operations and contribution from China Fisheries International Limited ("CFIL"). Net profit margin increased from 3.37% to 4.59% in this year.



Earnings Per Share

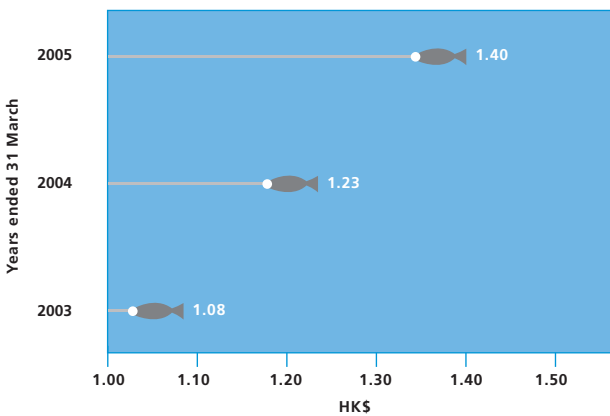
Reflecting our higher profitability, earnings per share for the year increased 10.1% from HK14.8 cents in FY2004 to HK16.3 cents in FY2005.

MANAGING DIRECTOR'S STATEMENT AND ANALYSIS



Shareholders' Fund

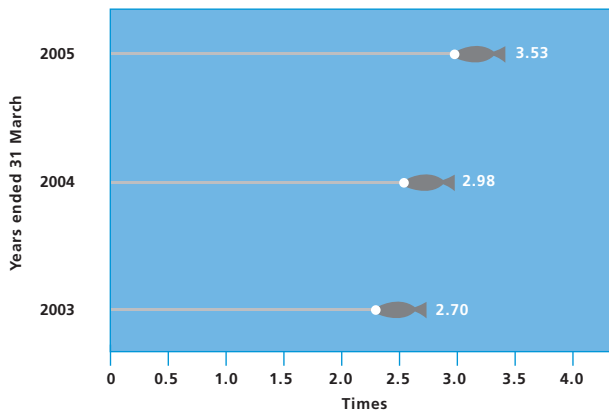
Shareholders' fund increased 13.3% to HK\$1,395 million.



Net Assets Per Share

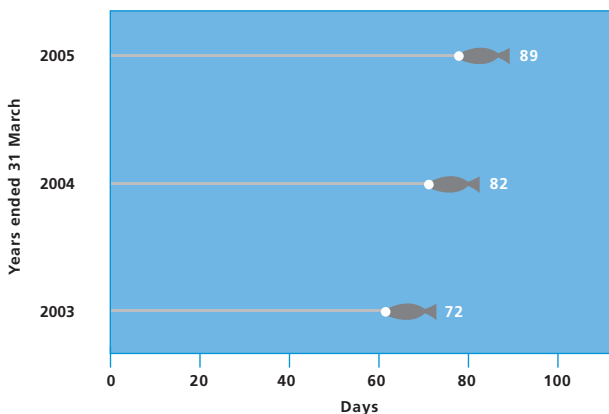
Net assets per share increased 13.8% to HK\$1.40.

MANAGING DIRECTOR'S STATEMENT AND ANALYSIS



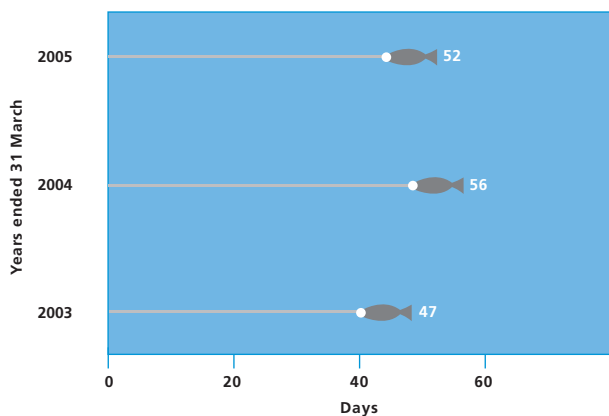
Interest Cover

As the Group's operating margin improved, interest cover rose from 2.98 times in FY2004 to 3.53 times in FY2005.



Stock Turnover

Besides having to meet the strong demand in the PRC market and increase in cost of raw materials for fish products, the Group increased inventory to address increased sales orders for our processed products and the anticipated demand from the Japanese market after acquisition of Kyoshoku Co., Ltd. ("Kyoshoku") in April 2005. Stock turnover period marginally increased from 82 days in FY2004 to 89 days in FY2005.



Debtors Turnover

The debtor turnover period decreased from 56 days to 52 days.

MANAGING DIRECTOR'S STATEMENT AND ANALYSIS

Appropriations

In line with the Group's persistent dividend policy of distributing one-third of its net profit for the payment to shareholders each year, the Board of Directors proposes the payment of final dividend of HK5.4 cents per ordinary share to shareholders.

Review of Business

As consumers around the world are becoming increasingly aware of the many nutritional and health benefits of regular consumption of fish and seafood, demand for our products remained strong.

During this financial year, Pacific Andes made a number of significant developments. In addition to organic growth, the strategic investments and acquisitions we made created satisfying advancements for the Group and rewarding results for our shareholders. Through our investments we realized seamless operational integration giving us full control of the whole supply chain in frozen seafood operations – from fish resources development (harvest and source), to processing and distribution to both wholesalers and retailers.

Our strategy, that began with the acquisition of a 49.9% equity stake in CFIL by Zhonggang Fisheries Limited, culminated in the acquisition of another 2% direct equity stake by Pacific Andes (Holdings) Limited. This move allowed us to have greater access to raw material supplies and further enhanced our sourcing operations, which in turn boosted our operational efficiencies.

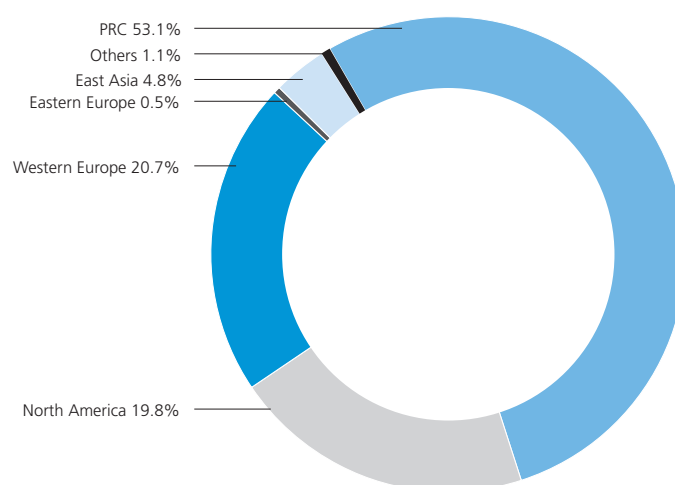
During the period under review, the Group also acquired 60% equity interest in Kyoshoku, a Japanese seafood processing company. Kyoshoku, a company that has operated for over 50 years, owns three processing plants in Japan, producing mainly seasoned, pickled, smoked and salted fish fillets and other seafood products. It sells to customers through the fish markets, food services, supermarkets and wholesale markets. The investment in Kyoshoku will enable us to further penetrate the Japanese market. Additionally, as we will be able to acquire raw materials and sell products directly through it, we will be able to trim distribution costs.

As well as achieving significant operational progress, we also delivered another set of record results with strong earnings growth, solid margin enhancement and improvement in our overall financial position.

MANAGING DIRECTOR'S STATEMENT AND ANALYSIS

Operations Review

Market Analysis



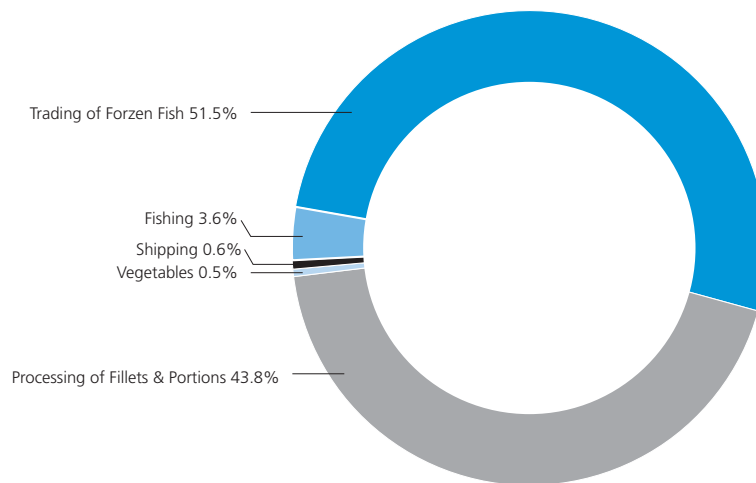
The PRC continues to be Pacific Andes' major revenue contributor, with growth of 19.9% to HK\$2,812 million, accounting for 53.1% of its total sales mix for FY2005. The increasingly affluent Chinese population, with its rising purchasing power and emphasis on healthy lifestyle, will continue to be a strong market.

In FY2005, Western Europe remained our second largest market, accounting for 20.7%, with sales increasing by 16.6% to HK\$1,095 million. Sales to North America increased by 16.1% to HK\$1,047 million in FY2005, accounting for 19.8% of our total sales. Consumers are moving away from fresh fish and smoked and salted fish products in favour of ready-made meals. Convenience food products containing fish are becoming increasingly popular with the younger, working generations who are looking for more ready to eat and easy to use fisheries products. The preference for these types of products resulted in a substantial reliance on imports from companies like Pacific Andes to respond to the needs of the Western European and North American markets.

MANAGING DIRECTOR'S STATEMENT AND ANALYSIS

Operations Review – Continued

Sales Activities Analysis



Seafood Division

Fish is widely known to be nutritious, a good source of protein, vitamins and minerals, and recommended as part of a balanced diet.

Founded 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. This is due to our ability to source seafood products globally and produce top quality seafood products at our processing facilities.

In FY2005, the Group sold approximately 312,000 metric tons of frozen seafood products amounting to HK\$5,242 million.

Fishing

During FY2005, the Group commenced fishing activities through the acquisition of CFIL. The Group operates 34 fishing vessels in the Indian Ocean, Pacific Ocean and Atlantic Ocean, at a total gross tonnage of 39,000 metric tons. The Group harvests and processes a variety of fish species aboard on the sophisticated catcher-processor vessels. As the acquisition of CFIL was only completed on 12 July 2004, the Group was able to recognise only the contribution of CFIL between 13 July 2004 to 31 March 2005. During the year under review, CFIL harvested and processed about 48,000 metric tons of fish. It contributed HK\$192 million in sales and net profit of HK\$34.9 million to the Group.

Sourcing and trading

During the year, the Group sold approximately 220,000 metric tons of frozen fish, compared with last year's 192,000 metric tons and sales value increased by 11.7% to HK\$2,730 million. Primarily sold to the PRC market, frozen fish remained the largest contributor to the Group's turnover, accounting for 51.5% of its total sales.

MANAGING DIRECTOR'S STATEMENT AND ANALYSIS

Operations Review – Continued

Sales Activities Analysis – Continued

Processing

Sales of fillets and portions increased 23.1% to HK\$2,320 million, accounting for 43.8% of the Group's total sales mix. Growth in sales was driven generally by the overwhelming demand for processed seafood from all major markets. In the year under review, the Group sold 92,000 metric tons of frozen fillets and portions.

Vegetable and Plantation Division

Sale of vegetables recorded a turnover of HK\$25.0 million. The most popular products among our customers were spinach, broccoli and onions, all of which are vegetable staples.

Liquidity and Financial Resources

As of 31 March 2005, our total bank borrowings increased by 53%, from HK\$1,323 million in FY2004 to HK\$2,029 million. The increase of bank borrowing was used to finance the increase of inventory. Inventory was increased by 58% from HK\$888 million in FY2004 to HK\$1,404 million in FY2005. Besides having to meet the strong demand in the PRC market and increase in cost of raw materials for fish products, the Group increased inventory to address increased sales orders for our processed products and the anticipated demand from the Japanese market after acquisition of Kyoshoku in April 2005. As a result, inventory turnover period increased from 82 days in FY2004 to 89 days in FY2005. Both inventory and bank borrowings have been reduced significantly in June 2005.

As of 31 March 2005, our cash on hand amounted to HK\$296 million. Net debt to shareholders' equity ratio increased to 96% in 2005. As both inventory and bank borrowings reduced significantly in June 2005, our net debt to equity ratio also decreased substantially by end of June 2005. 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.

As the Group does not maintain a significantly open position in any foreign currency at any time, it has minimal exposure to currency risk. In view of the latest announcement of the revaluation of RMB, the Group sees a slight increase over the operating cost. But since the PRC market for frozen fish accounts for half of the total sales, against the improving purchasing power in the PRC, the currency rise is expected to enhance the sales of frozen fish trading. The Group actively protects its foreign currency vulnerabilities through natural hedges, forward contracts and options. Speculative currency transactions are strictly prohibited.

Employees and Remuneration

As at 31 March 2005, the Group had a total of 5,500 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 the 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.

MANAGING DIRECTOR'S STATEMENT AND ANALYSIS

Operations Review – Continued

Environmental Conservation

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. We are committed to supporting a responsible and efficient fishing industry that is dedicated to striking a balance between consumer demand and conservation of stock for the future. We make sure all our fish caught and sourced, is supported by proper certification and documentation issued by the relevant governmental or other appropriate authorities.

Outlook

Looking ahead, we see a world of opportunity for Pacific Andes.

We have made good progress in our operational integration. The Board is confident that the Group's efforts over the past few years has laid a strong foundation for it to continue to achieve solid growth. We believe that Pacific Andes is well positioned to take advantage of the opportunities to expand and leverage our brands in new and exciting ways over the coming years.

To boost our profit margins and improve our operations we will continue to build our business strategies on our integrated operating platforms. As we make use of developing technology, our aim is to create a completely synergetic value chain for each of our main products.

In addition to our current wholesale channels, we also plan to increase market presence of all of our products by distributing directly through retail channels.

Sourcing

Increasing affluence and health consciousness in many of our markets is pushing up demand for seafood products. However, based on the data from the Food and Agriculture Organisation of the United Nations, the compound annual growth rate of the wild-catch supply over the last 20 years is only 1.6%. In order to ensure we provide sufficient and legitimate supply, we plan to strengthen our fishing capability in the Pacific and Atlantic Oceans by exploring strategic alliances with fishing companies that operate in countries with an abundant supply of fish resources.

Processing

As customers worldwide search for viable solutions to their seafood demands in terms of higher quality, lower costs and steady supply, more and more of them are looking to the PRC to serve their needs. We are confident that no other company in the PRC has the scale of Pacific Andes nor are they able to provide such high quality products at competitive prices.

This past year our processing factories in the PRC operated at full capacity. To increase production, primarily for the Japanese market, the Group acquired a processing factory in Qingdao, PRC during June 2005. The new factory offers a monthly production capacity of 500 metric tons. Our ability to produce good quality, low cost products and distribute them through Kyoshoku will increase our sales significantly in Japan.

At the same time, the new Qingdao processing complex will be operational in the second half of 2006. The facility will house processing lines with an annual production capacity of 60,000 metric tons of frozen fish fillets and portions. It will provide sufficient cold storage, and capacity for the processing of value-added products. This will allow us to further expand our product offering. All these initiatives are expected to significantly improve our operational efficiencies and in turn strengthen our position in the global market.

MANAGING DIRECTOR'S STATEMENT AND ANALYSIS

Outlook – Continued

Direct sales and marketing

To boost our direct sales and marketing coverage, in addition to our existing direct sales and marketing by our US subsidiary, National Fish & Seafood Inc., and the recently acquired of Kyoshoku, we also plan to ally with our customers to sell directly to retailers and to companies that supply to catering services providers. With the well-developed supply chain and processing capability of the Group along with the marketing understanding of our customers in their home countries, it is expected that the combined approach will deliver market-leading innovation and cost effective solutions for customers.

Financing

Our strategy to improve the operational efficiency of our sourcing, processing and logistical operations will require capital investment. This will primarily come from apportioning profits, as well as raising funds externally. The issue of warrants, which will mature by July 2006, will provide additional working capital to support the expansion of the Group, particularly when the new factory begins operation in the second half of 2006. Recently, CFIL made an application to list its shares on The Singapore Exchange Securities Trading Limited. If successful, capital can be raised through this avenue to expand our sourcing ability.

About 95% of the Group's borrowings are short-term. The Group will also look into possibilities to obtain long-term financing to strive for a better financial position for future development.

Appreciation

Our development and success would not be possible without the support of our customers, suppliers, bankers, business partners and shareholders, as well as the operational insights of our Board of Directors. I am deeply grateful and thank you all. I would also like to thank our staff, as well as the fishermen and farmers associated with our business for their contribution to our rewarding results this year. I am excited about all we can accomplish together in the year ahead and look forward to us all prospering because of our collective hard work and commitment.

Ng Joo Siang

Managing Director

25 July 2005