PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

For the six months ended 30 September 2005

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 2005 together with the unaudited comparative figures for the corresponding period in 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	Notes	**Six months ended 30.9.2005 HK$'000 (unaudited)**	Six months ended 30.9.2004 HK$'000 (restated and unaudited)
Turnover	*3*	**2,487,486**	2,032,025
Cost of sales		**(2,100,611)**	(1,782,420)
Gross profit		**386,875**	249,605
Other operating income		**10,086**	4,754
Selling and distribution expenses		**(55,519)**	(51,455)
Administrative expenses		**(120,510)**	(76,681)
Loss on deemed disposal of interests in subsidiaries	*10*	**(12,729)**	(1,145)
Share of results of associates		**13**	(953)
Finance costs		**(74,864)**	(36,431)
Profit before taxation	*4*	**133,352**	87,694
Taxation	*5*	**(3,060)**	(2,750)
Profit for the period		**130,292**	84,944
Attributable to:			
Equity holders of the Company		**71,152**	60,620
Minority interests		**59,140**	24,324
		130,292	84,944
Dividend	*6*	**–**	–
Earnings per share	*7*		
Basic		**HK7.1 cents**	HK6.1 cents
Diluted		**HK7.1 cents**	HK6.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2005

	Notes	As at 30 September 2005 HK$'000 (unaudited)	As at 31 March 2005 HK$'000 (restated and audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**555,866**	403,260
Prepaid lease payments		**15,974**	15,866
Investment properties	*8*	**68,700**	90,700
Other intangible assets	*9*	**22,763**	–
Goodwill	*10*	**135,430**	120,189
Negative goodwill		**–**	(20,399)
Deferred charter hire	*11*	**316,680**	175,692
Interests in associates		**1,481**	1,468
Other long term receivable		**928**	–
Other investments		**–**	29,327
		1,117,822	816,103
CURRENT ASSETS			
Inventories		**1,327,525**	1,403,944
Trade, bills and other receivables	*12*	**1,566,624**	1,701,208
Trade receivables with insurance coverage	*13*	**246,946**	314,423
Trade receivables from associates	*14*	**63,342**	67,378
Advances to suppliers	*15*	**49,266**	31,386
Amounts due from associates		**10,218**	8,857
Amount due from a jointly-controlled entity		**–**	41,816
Prepaid lease payments		**376**	376
Tax recoverable		**740**	492
Pledged deposits		**3,719**	13,845
Bank balances and cash		**236,873**	282,442
		3,505,629	3,866,167
CURRENT LIABILITIES			
Trade, bills and other payables	*16*	**298,428**	539,443
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	*17*	**510,972**	286,228
Amount due to associates		**7,853**	7,863
Amount due to joint venture partner of a jointly-controlled entity		**10,400**	–
Taxation		**10,306**	7,782
Dividend payable		**54,187**	–
Bank borrowings	*18*	**1,357,308**	1,936,607
		2,249,454	2,777,923
NET CURRENT ASSETS		**1,256,175**	1,088,244
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,373,997**	1,904,347

CONDENSED CONSOLIDATED BALANCE SHEET – *Continued*
As at 30 September 2005

	Notes	**As at 30 September 2005 HK$'000 (unaudited)**	As at 31 March 2005 HK$'000 (restated and audited)
NON-CURRENT LIABILITIES			
Bank borrowings	*18*	**306,538**	92,863
Deferred taxation		**24,554**	21,826
		331,092	114,689
NET ASSETS		**2,042,905**	1,789,658
CAPITAL AND RESERVES			
Share capital	*19*	**100,345**	99,942
Share premium and reserves		**1,339,765**	1,293,062
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**1,440,110**	1,393,004
Minority interests		**602,795**	396,654
TOTAL EQUITY		**2,042,905**	1,789,658

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'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	Minority interests HK$'000	Total HK$'000
At 1 April 2004 as originally stated	99,882	633,304	29,337	(115,069)	9,800	2,539	571,685	1,231,478	366,484	1,597,962
Effects of changes in accounting policies *(note 2)*	–	–	(2,245)	–	–	–	–	(2,245)	–	(2,245)
At 1 April 2004 as restated	99,882	633,304	27,092	(115,069)	9,800	2,539	571,685	1,229,233	366,484	1,595,717
Profit for the period and net income recognised directly in equity	–	–	–	–	–	–	60,620	60,620	24,324	84,944
Dividends	–	–	–	–	–	–	(48,942)	(48,942)	(13,783)	(62,725)
Shares issued at premium	60	610	–	–	–	–	–	670	3,611	4,281
Contributions from minority interests	–	–	–	–	–	–	–	–	30,280	30,280
At 30 September 2004	99,942	633,914	27,092	(115,069)	9,800	2,539	583,363	1,241,581	410,916	1,652,497
At 31 March 2005 as originally stated	99,942	633,908	77,858	(115,069)	9,800	2,869	685,941	1,395,249	396,654	1,791,903
Effects of changes in accounting policies *(note 2)*	–	–	(2,245)	–	–	–	–	(2,245)	–	(2,245)
At 31 March 2005 as restated	99,942	633,908	75,613	(115,069)	9,800	2,869	685,941	1,393,004	396,654	1,789,658
Effects of changes in accounting policies *(note 2)*	–	–	(11,487)	(20,844)	–	–	52,730	20,399	–	20,399
At 1 April 2005 as restated	99,942	633,908	64,126	(135,913)	9,800	2,869	738,671	1,413,403	396,654	1,810,057
Surplus on revaluation of property, plant and equipment	–	–	12,265	–	–	–	–	12,265	–	12,265
Deferred tax liability arising on revaluation of property, plant and equipment	–	–	(2,554)	–	–	–	–	(2,554)	–	(2,554)
Exchange difference on translation of the Group's overseas operation	–	–	–	–	–	(1,111)	–	(1,111)	(838)	(1,949)
Net income (expenses) recognised directly in equity	–	–	9,711	–	–	(1,111)	–	8,600	(838)	7,762
Profit for the period	–	–	–	–	–	–	71,152	71,152	59,140	130,292
Total recognised income and expenses for the period	–	–	9,711	–	–	(1,111)	71,152	79,752	58,302	138,054
Share issued at premium	403	974	–	–	–	–	–	1,377	–	1,377
Transaction costs attributable to issue of new shares	–	(235)	–	–	–	–	–	(235)	–	(235)
Dividends	–	–	–	–	–	–	(54,187)	(54,187)	(17,540)	(71,727)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	15,840	15,840
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	(22,417)	(22,417)
Consolidation of former jointly-controlled entities	–	–	–	–	–	–	–	–	135,958	135,958
Contributions from minority interests	–	–	–	–	–	–	–	–	23,269	23,269
Loss on deemed disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	12,729	12,729
At 30 September 2005	100,345	634,647	73,837	(135,913)	9,800	1,758	755,636	1,440,110	602,795	2,042,905

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

For the six months ended 30 September 2005

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	HK$'000
	(unaudited)	(restated and unaudited)
Net cash from operating activities	**482,659**	265,375
Net cash used in investing activities	**(33,965)**	(113,944)
Net cash used in financing	**(511,210)**	(346,523)
Net decrease in cash and cash equivalents	**(62,516)**	(195,092)
Cash and cash equivalents at beginning of the period	**273,335**	343,420
Cash and cash equivalents at end of the period	**210,819**	148,328
Represented by:		
Bank balances and cash	**236,873**	159,481
Bank overdrafts	**(26,054)**	(11,153)
	210,819	148,328

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The Group had early applied HKAS 31 "Investments in joint ventures" in the consolidated financial statements for the year ended 31 March 2005.

HKAS 31 states that a "joint control" exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers). HKAS 31 allows the venturer to recognise its interest in jointly-controlled entities using either:

(a) Proportionate consolidation – an entity may either:

  (i) combine its share of each of the assets, liabilities, income and expenses of the jointly-controlled entity with the similar items, line by line, in the consolidated financial statements; or

  (ii) include separate line items for its share of the assets, liabilities, income and expenses of the jointly-controlled entity in the consolidated financial statements; or

(b) Equity method – an entity will initially record its investment in jointly-controlled entities at cost adjusted thereafter for the post acquisition change its share of net assets of the jointly-controlled entities.

In preparing the interim report of the Group for the six months ended 30 September 2004, the results of China Fisheries International Limited ("CFIL") was equity accounted for and the investment in CFIL was carried at the Group's share of net assets. With the adoption of HKAS 31, proportionate consolidation that combines its share of assets, liabilities, income and expenses with similar items, line by line, has been adopted by the Group in respect of its investment in CFIL. Accordingly, the comparative figures for the six months ended 30 September 2004 have been restated in the preparation of the unaudited condensed consolidated financial statements.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("Int") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

Business Combinations

For the year ended 31 March 2005, the Group has applied HKFRS 3 “Business Combinations”, which is effective for business combinations for which the agreement date is on or after 1 January 2005. In the current period, the Group has applied the transitional provisions of HKFRS 3 and the principal effects of the application of the transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and goodwill arising on acquisitions after 1 April 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves continues to be held in reserves and will be transferred to the retained profits of the Group at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

In the current period, the Group has also applied HKAS 21 “The Effects of Changes in Foreign Exchange Rates” which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on a acquisition of foreign operations was reported at historical rate at each balance sheet date. The Group applied the requirement prospectively. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 April 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior period adjustment has been made.

Excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost (previously known as “negative goodwill”)

In accordance with HKFRS 3, any excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of acquisition (“discount on acquisition”) is recognised immediately in profit or loss in the period in which the acquisition takes places. In previous periods, for business combinations for which the agreement date is before 1 January 2005, negative goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and negative goodwill arising on acquisitions after 1 April 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1 April 2005 (of which negative goodwill of HK$20,844,000 was previously recorded in reserves and of HK$20,399,000 was previously presented as a deduction from assets) with a corresponding increase to retained profits.

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over share ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005.

In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 in accordance with the relevant transitional provisions. The Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 April 2005. However, share options of the Group were granted before 7 November 2002 and therefore no retrospective application of HKFRS 2 was made by the Group.

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no impact on how financial instrument of the Group are presented for current and prior accounting periods. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24. Under SSAP 24, investments in equity securities are classified as "non-trading securities" and measured at fair value. Unrealised gains or losses on "non-trading securities' are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit and loss for that period. From 1 April 2005 onwards, the Group classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified and measured its equity securities in accordance with the requirements of HKAS 39. Equity securities classified under other investments with carrying amount of HK$5,636,000 were reclassified to available-for-sale investments on 1 April 2005.

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

Financial Instruments – *Continued*

Financial assets and financial liabilities other than equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

The adoption of the above transitional provisions in HKAS 39 has had no material impact on the results for the current period.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 April 2005. As a result, the Group's bills receivables with full recourse and trade receivables with insurance coverage factored to banks which were derecognised prior to 1 April 2005 have not been restated. As at 30 September 2005, the Group's bills receivables with full recourse and trade receivables with insurance coverage factored to banks have not been derecognised. Instead, the related borrowings of HK$300,731,000 have been recognised on the balance sheet date. This change has had no effect on the results for the current period.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings and leasehold interest in land under the construction in progress were included in property, plant and equipment and are stated at open market value and cost respectively. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plants and equipment. In respect of the leasehold interest in land and under the construction in progress, the amount has been reclassified to prepaid lease payments under operating lease and applied retrospectively.

During the period, the management reassessed and revised the useful lives of its leasehold land and buildings. The change in estimate has been applied prospectively and the effect of this change resulted in additional depreciation charge of approximately HK$4,259,000 during the period.

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

Investment Properties

In the current period, the Group has applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under SSAP 13 were measured at open market values, with revaluation surplus or deficit credited or charged to asset revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the asset revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extend of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 April 2005 onwards. The amount held in asset revaluation reserve at 1 April 2005 has been transferred to the Group's retained profits.

Deferred Taxes related to Investment Properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Int 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Int 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

Intangible Assets

On 1 April 2005, the Group reassessed its club debentures in accordance with the requirements of HKFRS. Investment in club debentures, which was previously classified under other investments, with a carrying amount of HK$22,763,000 were reclassified to other intangible assets with indefinite useful lives as the terms and characteristics of the club debentures do not meet the definition of a financial asset. Other intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses (if any).

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

Summary of the effects of the changes in accounting policies/estimates

The effects of the changes in the accounting policies/estimates described above on the results for the six months ended 30 September 2005 (unaudited) and 30 September 2004 (unaudited) are as follows:

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Increase in turnover arising from proportionate consolidation of the turnover of jointly-controlled entities	**–**	61,872
Increase in cost of sales arising from proportionate consolidation of the cost of sales of jointly-controlled entities	**–**	(40,780)
Decrease in release of negative goodwill to income statement	**(546)**	–
Decrease in amortisation of goodwill	**6,023**	–
Increase in selling and distribution expenses arising from proportionate consolidation of the selling and distribution expenses of jointly-controlled entities	**–**	(3,124)
Increase in administrative expenses arising from proportionate consolidation of the administrative expenses of jointly-controlled entities	**–**	(5,412)
Gain arising from change in fair value of investment properties	**3,000**	–
Increase in depreciation or property, plant and equipment	**(4,259)**	–
Increase in deferred tax relating to investment properties	**(1,336)**	–
Decrease in share of results of associates arising from consolidation of former jointly-controlled entities	**–**	(12,556)
Increase in profit for the period	**2,882**	–

Analysis of increase in profit for the period by line items presented according to their functions.

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Increase in turnover	**–**	61,872
Increase in cost of sales	**–**	(40,780)
Increase in other operating income	**2,454**	–
Increase in selling and distribution expenses	**–**	(3,124)
Decrease (increase) in administrative expenses	**1,764**	(5,412)
Increase in taxation	**(1,336)**	–
Decrease in share of results of associates	**–**	(12,556)
Increase in profit for the period	**2,882**	–

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

Summary of the effect of the changes in accounting policies/estimates – *Continued*

The cumulative effect of the adoption of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (Originally stated)	Retrospective adjustments			As at 31 March 2005 (Restated)	Adjustments on 1 April 2005			As at 1 April 2005 (Restated)
		HKAS 1	HKAS 17	HKAS Int21		HKAS 32 & 39	HKAS 40	HKFRS3	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance sheet items									
Property, plant and equipment	419,502	–	(16,242)	–	403,260	–	–	–	403,260
Prepaid lease payments	–	–	16,242	–	16,242	–	–	–	16,242
Negative goodwill	(20,399)	–	–	–	(20,399)	–	–	20,399	–
Other investments	29,327	–	–	–	29,327	(29,327)	–	–	–
Other intangible assets	–	–	–	–	–	22,763	–	–	22,763
Available-for-sale investments	–	–	–	–	–	5,636	–	–	5,636
Other long term receivable	–	–	–	–	–	928	–	–	928
Deferred taxation	(19,581)	–	–	(2,245)	(21,826)	–	–	–	(21,826)
Total effect on assets and liabilities	408,849	–	–	(2,245)	406,604	–	–	20,399	427,003
Retained profits	685,941	–	–	–	685,941	–	11,487	41,243	738,671
Asset revaluation reserve	77,858	–	–	(2,245)	75,613	–	(11,487)	–	64,126
Goodwill reserve	(115,069)	–	–	–	(115,069)	–	–	(20,844)	(135,913)
Minority interests	–	396,654	–	–	396,654	–	–	–	396,654
Total effects on equity	648,730	396,654	–	(2,245)	1,043,139	–	–	20,399	1,063,538
Minority interests	396,654	(396,654)	–	–	–	–	–	–	–

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)- Int 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment

3. TURNOVER AND SEGMENT INFORMATION

The turnover and segment results of the Group for the six months ended 30 September 2005 and 30 September 2004, analysed by principal activity and geographical market are as follows:

Business segments

For management purposes, the Group is currently organised into five operating divisions – frozen fish trading, fillets and portions processing and distribution, fishing, 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 2005

	Frozen fish trading HK$'000 (unaudited)	Fillets and portions processing and distribution HK$'000 (unaudited)	Fishing HK$'000 (unaudited)	Shipping services HK$'000 (unaudited)	Vegetables HK$'000 (unaudited)	Elimination HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
TURNOVER							
External sales	1,257,620	1,041,305	145,381	33,296	9,884	–	2,487,486
Inter-segment sales	–	–	132,171	17,956	–	(150,127)	–
Total	1,257,620	1,041,305	277,552	51,252	9,884	(150,127)	2,487,486
RESULT							
Segment result	121,742	113,386	89,702	7,199	(673)	–	331,356
Unallocated corporate income							10,086
Unallocated corporate expenses							(120,510)
Share of result of associates							13
Loss on deemed disposal of interests in subsidiaries							(12,729)
Finance costs							(74,864)
Profit before taxation							133,352
Taxation							(3,060)
Profit for the period							130,292

Inter-segment sales are charged at prevailing market rates.

3. **TURNOVER AND SEGMENT INFORMATION** – *Continued*

Business segments – *Continued*

For the six months ended 30 September 2004

	Frozen fish trading HK$'000 (unaudited)	Fillets and portions processing and distribution HK$'000 (unaudited)	Fishing HK$'000 (restated and unaudited)	Shipping services HK$'000 (unaudited)	Vegetables HK$'000 (unaudited)	Consolidated HK$'000 (restated and unaudited)
TURNOVER						
External sales	964,695	980,312	61,872	11,443	13,703	2,032,025
RESULT						
Segment result	84,143	97,130	17,968	1,360	983	201,584
Unallocated corporate income						1,320
Unallocated corporate expenses						(76,681)
Share of result of associates						(953)
Loss on deemed disposal of interests in subsidiaries						(1,145)
Finance costs						(36,431)
Profit before taxation						87,694
Taxation						(2,750)
Profit for the period						84,944

There are no inter-segment sales between different segments for the six months ended 30 September 2004.

3. TURNOVER AND SEGMENT INFORMATION – *Continued*

Geographical segments

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

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

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	HK$'000
	(unaudited)	(restated and unaudited)
PRC	**1,257,076**	927,112
North America	**419,682**	444,892
Western Europe	**538,774**	526,230
East Asia	**177,786**	94,762
Other	**94,168**	39,029
	2,487,486	2,032,025

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	HK$'000
	(unaudited)	(restated and unaudited)
Amortisation of deferred charter hire included in cost of sales	**16,588**	5,449
Amortisation of goodwill included in administrative expenses	**–**	1,221
Depreciation	**22,716**	12,340
Changes in fair value of investment properties	**(3,000)**	–
Surplus on revaluation of property, plant and equipment	**(1,628)**	–

5. TAXATION

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	HK$'000
	(unaudited)	(restated and unaudited)
Hong Kong Profits Tax	**2,885**	2,750
Deferred taxation	**175**	–
	3,060	2,750

The amount represents the taxation charge for Hong Kong Profits Tax.

5. TAXATION – *Continued*

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30.9.2004: 17.5%) of the estimated assessable profit for the period.

In the opinion of the directors of the Company, 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. Moreover, there are no other known tax liabilities elsewhere.

6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2005.

Subsequent to the period end, a dividend of HK5.4 cents (six months ended 30.9.2004: HK4.9 cents) was paid to shareholders as the final dividend for the year ended 31 March 2005.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purposes of calculation of basic and diluted earnings per share	**71,152**	60,620
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	**1,000,513,075**	999,116,420
Effect of dilutive potential ordinary shares in respect of share options	**2,187,210**	2,962,824
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	**1,002,700,285**	1,002,079,244

The computation of diluted earnings per share does not assume the subscription of the Company's warrants as the subscription price of the Company's warrants was higher than the average market prices for shares in both periods.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 September 2005, the Group spent approximately HK$6,246,000 in land and buildings, approximately HK$4,884,000 in furniture, fixtures and office equipment, approximately HK$9,703,000 in plant and machinery and approximately HK$70,200,000 in purchase a vessel.

In addition, the Group incurred approximately HK$11,200,000 on the construction of a new manufacturing plant in the PRC, in order to expand its processing capabilities.

During the six months ended 30 September 2005, the Group commenced owner-occupation of an investment property with a carrying amount of approximately HK$19,500,000, and accordingly, the investment property was reclassified as property, plant and equipment.

Moreover, as set out in note 20, the Group through acquisition of subsidiaries acquired certain property, plant and equipment at a provisional fair value of HK$38,478,000.

As set out in note 21, the Group through consolidation of former jointly-controlled entities to include additional property, plant and equipment attributable to minority interests with a carrying amount of HK$1,204,000.

The Groups leasehold land and buildings classified as property, plant and equipment were revalued by BMI Appraisals Limited, an independent property valuer, at 30 September 2005. The resulting revaluation surplus of HK$12,265,000 and HK$1,628,000 have been credited to the asset revaluation reserve and income statement respectively.

During the six months ended 30 September 2005, the Group disposed of an investment property with a carrying amount of HK$5,500,000 to an independent third party for HK$5,500,000.

The Group’s investment properties were revalued by BMI Appraisals Limited, an independent property valuer, at 30 September 2005. The resulting increase in fair value of investment properties of HK$3,000,000 has been recognised directly in the income statement.

9. OTHER INTANGIBLE ASSETS

Other intangible assets consist of club debentures with indefinite useful lives.

10. GOODWILL

	HK$'000 (unaudited)
COST	
At 1 April 2005	126,263
Elimination of accumulated amortisation upon the application of HKFRS 3 *(note 2)*	(6,074)
Arising on the acquisition of additional interests in subsidiaries *(Note)*	9,709
Arising on the acquisition of subsidiaries *(note 20)*	5,532
At 30 September 2005	135,430
AMORTISATION	
At 1 April 2005	6,074
Elimination of accumulated amortisation upon the application of HKFRS 3 *(note 2)*	(6,074)
At 30 September 2005	–
CARRYING AMOUNTS	
At 30 September 2005	135,430
At 31 March 2005	120,189

Note: During the period, the Group purchased shares of its listed subsidiary from the market and also purchased and subsequently exercised the warrants of its listed subsidiary. The purchase of shares and the exercise of warrants resulted in goodwill arising on acquisition of additional interests in subsidiaries of HK$9,709,000. The minority shareholders also exercised the warrants of the listed subsidiary which resulted in a loss on deemed disposal of interests in subsidiaries of HK$12,729,000 charged to the income statement.

11. DEFERRED CHARTER HIRE

Deferred charter hire represents future charter hire expense for fishing vessels which have been prepaid. They are amortised and charged to the consolidated income statements as charter hire expense pro-ratedly over the period for which prepayments is made and the benefits are expected to accrue.

During the six months ended 30 September 2005, the Group through consolidation of former jointly-controlled entities to include additional deferred charter hire attributable to minority interests with a carrying amount of HK$157,576,000.

Additional information relating to the consolidation of the former jointly-controlled entities are set out in note 21.

12. TRADE, BILLS AND OTHER RECEIVABLES

Included in trade, bills and other receivables are trade receivables of HK$626,984,000 (31.3.2005: HK$753,643,000) and bills receivables of HK$370,776,000 (31.3.2005: HK$123,081,000). 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:

	30.9.2005 HK$'000 (unaudited)	31.3.2005 HK$'000 (audited)
Less than 30 days	**285,408**	594,241
31 – 60 days	**214,448**	190,493
61 – 90 days	**181,234**	82,518
91 – 120 days	**132,651**	7,465
Over 120 days	**184,019**	2,007
	997,760	876,724

Included in the bills receivables above are amounts of HK$248,947,000 (31.3.2005: nil) in respect of bills discounted to certain banks under the receivable discounting advance facilities.

Included in other receivables are amounts of HK$410,351,000 (31.3.2005: HK$762,447,000) in respect of prepayments made for the purchase of frozen fish inventories. These amounts are unsecured and interest-free.

13. TRADE RECEIVABLES WITH INSURANCE COVERAGE

Included in the trade receivables with insurance coverage are discounted trade receivables of HK$195,162,000 (31.3.2005: HK$280,707,000) and factored trade receivables of HK$51,784,000 (31.3.2005: nil) which have been discounted and factored to certain banks under the receivable discounting and factoring advance facilities.

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

	30.9.2005 HK$'000 (unaudited)	31.3.2005 HK$'000 (audited)
Less than 30 days	**138,220**	178,864
31 – 60 days	**78,563**	115,066
61 – 90 days	**25,727**	16,547
91 – 120 days	**3,437**	2,155
Over 120 days	**999**	1,791
	246,946	314,423

14. TRADE RECEIVABLES FROM ASSOCIATES

All the trade receivables from associates at balance sheet dates are aged less than 30 days.

15. ADVANCES TO SUPPLIERS

The Group's advances to suppliers are unsecured and repayable on demand. Except for an advance of HK$15,627,000 outstanding as at 31 March 2005 which was charged interest at 10% per annum and compounded monthly, the remaining advances are interest fee.

16. TRADE, BILLS AND OTHER PAYABLES

Include in trade, bills and other payables are trade and bills payables of HK$160,476,000 (31.3.2005: HK$347,187,000). The aged analysis of trade payables at the balance sheet date is as follows:

	30.9.2005	31.3.2005
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**117,416**	263,015
31 – 60 days	**42,667**	84,098
61 – 90 days	**60**	74
Over 90 days	**333**	–
	160,476	347,187

Included in other payables are advances from third parties of HK$22,225,000 (31.3.2005: HK$16,790,000) which bear interest at prevailing market rate and were secured by inventories of HK$29,634,000 (31.3.2005: HK$22,386,000).

17. BANK ADVANCES DRAWN ON DISCOUNTED TRADE RECEIVABLES WITH INSURANCE COVERAGE AND DISCOUNTED BILLS

Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills as set out in notes 13 and 14 represent advances from bank on discounting and factoring certain bills receivables and trade receivables with insurances coverage under the receivable discounting advance facilities.

18. BANK BORROWINGS

During the period, CFIL, and indirect subsidiary with 24% effective equity interest held by the Group since 1 July 2005 as set out in note 21, obtained new bank loan of approximately HK$312,000,000 and made repayment of HK$844,643,000. The proceeds were used to finance the working capital and the payment of deferred charter hire.

19. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Issued and fully paid		
At 1 April 2005	999,425,557	99,942
Exercise of share options	4,000,000	400
Exercise of warrants	29,575	3
At 30 September 2005	1,003,455,132	100,345

20. ACQUISITION OF SUBSIDIARIES

On 14 January 2005, the Group entered into an agreement to subscribe 60% of shares in Kyoshoku Co., Ltd. ("Kyoshoku"), a company incorporated in Japan for cash consideration of 400 million yen (approximately HK$29,292,000). Kyoshoku and its subsidiary are principally engaged in processing, selling and distribution of seafood products in Japan. This transaction has been accounted for using the purchase method of accounting.

The acquisition was completed upon fulfilment of the conditions contemplated under the sales and purchase agreement during the period.

Pursuant to the sales and purchase agreement, the minority shareholder is entitled, after the initial five years from the date of the agreement, to sell their entire shareholding to the Group upon the fulfilment of the following conditions:

(i) the entire class of preferred shares of Kyoshoku has been redeemed or after the preferred shares has become non-redeemable;

(ii) Kyoshoku has no accumulated losses at the date the minority shareholder exercise its put option; and

(iii) prior approval of the exercise of this put option by the minority shareholder by the shareholders of the Company.

On the contrary, the Group has been granted a call option by the minority shareholder upon exercise of which, the Group is entitled to buy from the minority shareholder of their entire shareholding in Kyoshoku after the entire class of preferred shares of Kyoshoku has been redeemed or after the preferred shares has become non-redeemable.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Carrying amount before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment *(Note)*	38,478
Inventories *(Note)*	40,844
Trade, bills and other receivables	27,405
Bank balances and cash	20,419
Trade, bills and other payables	(31,234)
Amounts due to shareholders	(56,312)
	39,600
Goodwill	5,532
Minority interests	(15,840)
Consideration, satisfied by cash	29,292
Net cash outflow arising on acquisition:	
Cash consideration paid	(29,292)
Cash and cash equivalents acquired	20,419
	(8,873)

20. ACQUISITION OF SUBSIDIARIES – *Continued*

Note: The fair values are determined provisionally based on the information available up to the date of this report. The directors of the Company are still in the process of finalising the fair values of the assets acquired.

Kyoshoku contributed HK$90,878,000 revenue and net loss of HK$24,428,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2005, the total Group revenue for the period would have been HK$2,508,930,000 and profit for the period would have been HK$127,591,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2005, nor is it intended to be a projection of future results.

21. CONSOLIDATION OF FORMER JOINTLY-CONTROLLED ENTITIES

In the previous year, CFIL and its subsidiaries, in which the results and net assets were proportionately consolidated, were accounted for as jointly-controlled entities pursuant to the shareholders' agreement where strategic financial and operating decisions relating to its activities require unanimous consent of the shareholders sharing control.

Upon the termination of the abovementioned shareholders' agreement on 1 July 2005, the Group, through its board representation and shareholdings of more than 50%, is able to govern the financial and operating policies of CFIL and its subsidiaries. Accordingly, CFIL and its subsidiaries became the subsidiaries of the Group. The effect of consolidation of the assets and liabilities of CFIL and its subsidiaries is summarised below:

The net assets consolidation in the financial statements of the Group and the minority interests arising, are as follows:

	HK$'000
Net assets consolidated:	
Property, plant and equipment	1,204
Deferred charter hire	157,576
Trade, bills and other receivables	75,265
Bank balances and cash	78,885
Trade, bills and other payables	(26,900)
Bank borrowings	(150,072)
Minority interests	135,958

Subsequent to CFIL and its subsidiaries became subsidiaries of the Group, CFIL and its subsidiaries have contributed HK$188,688,000 to the Group's turnover and HK$54,962,000 to the Group's profit before taxation for the period from 1 July 2005 to 30 September 2005.

22. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

During the period, the Group entered into a joint venture agreement with two other joint venture partners for incorporation of a jointly-controlled entity, Able Team Investments Limited ("Able Team"), which is proposed to be engaged in property investment in Russia.

22. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY – *Continued*

The results of the jointly-controlled entity have been proportionately accounted for since the date of incorporation.

The net assets proportionately consolidated in the financial statements of the Group are as follows:

	HK$'000
Bank balances and cash	12,957
Amount due to joint venture partner	(10,400)
Amount attributable to the Group	2,557

The amount due to joint venture partner is unsecured, interest free and repayable on demand.

Able Team did not have significant contribution to the Group's turnover and profit before taxation for the period between incorporation and the balance sheet date.

23. CAPITAL COMMITMENTS

	30.9.2005 HK$'000 (unaudited)	31.3.2005 HK$'000 (audited)
At the balance sheet date, the Group had commitment for capital expenditure in respect of the acquisition of property, plant and equipment		
Contracted for but not provided in the financial statements	**44,301**	19,934
Authorised but not contracted for	**–**	14,838

24. CONTINGENT LIABILITIES

(a) Feoso (Singapore) Private Limited ("Feoso") issued a writ of summons against the Company, two employees ("the Employees") of the Company and Ever Bright Energy Co. Ltd. ("Ever Bright") on 21 June 2005 in relation to a dispute over supply of oil products by Ever Bright to Feoso in November 1999. The amount claimed in the writ approximates US$3,709,000 (equivalent to approximately HK$28,930,000) plus interest, costs and other ancillary relief. Ever Bright was formerly an indirectly wholly-owned subsidiary of PAH. The Group disposed its interest in Ever Bright on 31 January 2000.

The view of the Company's legal advisors is that the Company has a good defence and the case is likely to be resolved in the Company's favour. The Company and the Employees filed a defence on 2 September 2005. The Company has, through its solicitors, requested Feoso to put up security for the Company's legal costs for the proceedings in case Feoso's claim fails. The parties are at present in negotiation as to the Company's request for security for legal costs.

In the opinion of the directors, the Company has valid grounds to defend the claim and as such, no provision for this claim has been made in the financial statements.

(b) At 31 March 2005, the Group had contingent liabilities in respect of bills discounted with recourse of HK$154,686,000.

25. PLEDGE OF ASSETS

At 30 September 2005, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$264,200,000 (31.3.2005: HK$240,267,000) and HK$27,000,000 (31.3.2005: HK$46,500,000) respectively, as collateral for mortgage loans granted to the Group by certain banks.

In addition to the above, property, plant and equipment and inventories of a subsidiary in United States of America of HK$27,381,000 (31.3.2005: HK$14,120,000) and HK$76,804,000 (31.3.2005: HK$97,206,000), respectively, were pledged as to secure the general banking facilities granted to that subsidiary.

Inventories of HK$348,434,000 (31.3.2005: HK$451,149,000) were also pledged to secure the revolving inventory financing facilities obtained from banks.

In additions, shares of certain subsidiaries were pledged as securities for revolving inventory financing obtained from banks for both balance sheet dates.

26. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of frozen seafood *(note i)*	**193,325**	178,622
Purchases of frozen seafood *(note i)*	**4,832**	17,470
Administrative income *(note ii)*	**2,056**	2,512

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 associates on a cost allocation basis.

(b) Included in bank advances drawn on discounted trade receivables with insurance coverage and discounted bills are discounting advances drawn on trade receivables with insurance coverage of HK$30,226,000 (31.3.2005: HK$33,591,000) which are drawn from discounting trade receivables with insurance coverage of associates of HK$33,584,000 (31.3.2005: HK$37,323,000).

(c) The amounts due from/to associates/jointly-controlled entity/joint venture partner of a jointly-controlled entity are unsecured, interest free and repayable on demand.

27. SUBSEQUENT EVENT

China Fishery Group Limited ("China Fish"), a holding company of CFIL, which engaged in the management and operation of fishing vessels and sale of fish, has applied to list its shares (the "Proposed Listing") on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). On 21 October 2005, China Fish had been notified by the SGX-ST of its eligibility for admission on the Official List of the SGX-ST. The Proposed Listing is subject to the approval of the relevant authorities in Singapore and the final decision of the management of China Fish. On 2 November 2005, the directors of the Company announced that China Fish has lodged its preliminary prospectus with the Monetary Authority of Singapore. The listing will help expand equity base and directly tap the capital markets to fund future growth.

RESULTS

Continued growing demand for quality frozen fish and seafood products worldwide coupled with the full integration of the Group's fishing arm, China Fish into the Group's operation have rewarded the Group with encouraging results. Total Group turnover increased 22.4% to HK$2,487.5 million for the six months under review. Total group profit after tax increased 53.4% to HK$130.3 million. Net profits rose 17.4% to HK$71.2 million. Earnings per share grew 16.9% to HK7.1 cents against HK6.1 cents for the corresponding period last year. During the period under review, the minority shareholders of Pacific Andes (Holdings) Limited ("PAH") exercised their warrants to subscribe for 25,225,863 shares of PAH at S$0.20 each. As a result, the Group's interest in PAH is diluted and recorded a non-operating loss of HK$12.7 million resulting from the deemed disposal of interests in subsidiaries. Excluding this loss on deemed disposal of interests in subsidiaries, the Group's net profit attributable to shareholders would be HK$83.9 million, an increase of HK$22.1 million or 35.8% over the interim results of HK$61.8 million in 2004.

DIVIDEND

Since 2001, the Directors has declared a dividend pay-out policy of one third of net-profits once every year as a final dividend. As such, the Directors do no declare any interim dividend for the six months ended 30 September 2005.

BUSINESS REVIEW AND PROSPECTS

Fishing

China Fish operates 34 fishing vessels in the Indian Ocean, Pacific Ocean and Atlantic Ocean. During the period under review, revenue generated from the fishing operations amounted to HK$145.4 million, representing a 135.0% jump against last year's HK$61.9 million.

To gain a higher profile and tap the capital market to fund its continuing growth, China Fish has applied to list its shares on the Main Board of the Singapore Stock Exchange. It is expected that, upon the listing, China Fish will see its financial position enhanced enabling it to further expand its business.

Frozen Fish Trading

Sales of frozen fish increased 30.4% to HK$1,257.6 million, accounting for 50.6% of the Group's total sales during the period under review. The robust growth of the fish trading business was largely due to the increased frozen fish consumption in the PRC. Currently, the market for fish or seafood products is primarily located in the coastal cities of the PRC where consumers have more disposable income and are more familiar to having seafood products in their diet.

Processing and Distribution

Sales of fillets and portions increased 6.2% from HK$980.3 million to HK$1,041.3 million during the period under review, accounting for 41.9% of the total sales. The full utilization of processing capacity of existing processing plant had limited sales growth of the processed products. Addressing this operational challenge, the Group pursued its expansion plan at full steam adding a new processing center in Qingdao. When the new center commences operation by second half of FY2007, the Group will see its processing capacity strengthen and great leaps in its operational returns, as well as development of more products of higher value and margins.

To strengthen our capabilities of direct distribution to Japan's food services and retail industry, the Group acquired 60% interest in Kyoshoku Co., Ltd ("Kyoshoku"), a Japanese seafood processing company in April 2005. The original Kyoshoku filed for bankruptcy in 2002. Therefore, until the restructuring and integration process is completed and a major part of its production is shifted to the PRC, Kyoshoku will continue to operate at a loss. During the period under review, Kyoshoku reported a loss of HK$24.5 million and the Group recognised 60% of this loss of HK$14.7 million in the current financial results. The Group, however, expect that Kyoshoku will achieve breakeven by 2007.

Financial Review

Results Analysis

The Group reported a turnover growth of 22.4% for the six months ended 30 September 2005 to HK$2.49 billion, contributed by strong organic growth in frozen fish trading and processing and distribution and fishing business. Profit attributable to shareholders of the Company for the period increased by 35.8% to HK$83.9 million from HK$61.8 million, excluding the non-operating loss of HK$12.7 million resulted from loss on deemed disposal of interests in subsidiaries. Profit margin improved to 5.24%, despite the higher administrative and financing expenses incurred because of the acquisitions of China Fish and Kyoshoku.

Gross margin continued to improve from 12.3% to 15.6% as a result of higher net contribution from China Fish and higher operational efficiency gains. The Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the period under review increased by 73.5% to HK$247.5 million from HK$143.1 million. EBITDA margin improved from 7.04% to 9.95%.

During the period under review, the minority shareholders of PAH exercised their warrants to subscribe for 25,225,863 shares of PAH at S$0.20 each. As a result, the Group's interest in PAH is diluted and recorded a non-operating loss of HK$12.7 million resulted from deemed disposal of interests in subsidiaries. Including this loss on deemed disposal of interests in subsidiaries, the Group's net profit attributable to shareholders would be HK$71.2 million, an increase of 17.4% over the interim results of HK$60.6 million in 2004. Earnings per share increased by 16.9% from HK6.1 cents to HK7.1 cents.

Selling and distribution expenses efficiency improved from 2.53% to turnover reported last year to 2.23% for the period under review.

Financial Review – *Continued*

Results Analysis – Continued

The PRC remained as the largest market with turnover growth of 35.6% to HK$1.26 billion, representing 50.5% of Group total turnover (2004: 45.6%). Sales to Western Europe increased 2.4% to HK$538.8 million in the first half of FY2006, which accounted for 21.7% of Group's turnover (2004: 25.9%). The Group exploited market potentials for its frozen fish business in north-eastern Asia such as Japan and Korea. Sales to these markets increased 87.6% to HK$177.8 million during the period under review.

Liquidity and Financial Resources

The Group's working capital remained healthy. As at 30 September 2005, net current assets was at HK$1.26 billion as compared to HK$1.09 billion as at 31 March 2005.

The Group continues to maintain a prudent gearing ratio to support its long-term growth strategy. It is able to secure additional financing to expand the newly acquired business. During the period under review, China Fish was granted a US$40 million (equivalent to approximately HK$312 million) non-revolving term loan facility to fund its operation. As at 30 September 2005, total borrowings of the Group amounted to HK$2,175 million compared to HK$2,316 million as at 31 March 2005. The Group's net debt to equity ratio is 70%. Excluding this term loan drawn by China Fish, the Group's net debt to equity ratio would be 55%. Net debt represents interest-bearing borrowings less bank advances drawn on discounted trade receivables with insurance coverage and discounted bills and cash and deposits with financial institutions. Equity comprises equity attributable to equity holders of the company and minority interests.

Net interest expenses amounted to HK$74.9 million this period verses HK$36.4 million in the same period last year, resulting mainly from the additional borrowings secured in March 2005 to finance working capital needs and term loan of China Fish.

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, it faces relatively low currency risks.

Employees and Remuneration

As at 30 September 2005, the Group had a total number of 5,800 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.

Prospects

The Group remains bullish on the overall market environment and its business development. The PRC will continue to be Pacific Andes' sales focus, serving as a major market for its frozen fish trading business, as well as a processing base for its frozen seafood.

Since its strategic investment in China Fish in July 2004, the Group has been actively expanding its business scope to cover fishing activities and integrating them into its current business operation to enhance profit margins. This investment has enabled the Group to gain a better control of the whole supply chain in its frozen seafood operations – from harvesting and sourcing to processing and distribution of seafood products worldwide.

The key to success for its frozen seafood business is the Group's ability to consistently satisfy evolving consumer preferences. Interest in eating healthy foods remains high among consumers and fish generally scores well in that respect. Besides growing health consciousness and heightened awareness of fish being a healthier source of animal protein, escalating anxieties over the possible spread of the avian flu to humans have also put more deep-sea fish and frozen seafood products into consumers' daily diet. The Group sees in the avian flu scare obvious opportunities for its business.

Fishing business will continue to be a growth driver as a part of the Group's seamless seafood supply-chain operations. The Group plans to use the proceeds from the listing of China Fish to strengthen its fishing capability in the Pacific and Atlantic Oceans. It will add new fishing vessels to its fleet and / or explore strategic alliances with fishing companies that operate in countries with an abundant supply of fishery resources.

To meet the increasing worldwide needs for quality processed seafood products and convenient foods, the Group is committed to expanding its processing capabilities. The new Qingdao processing complex will begin operation in the second half of 2006. The facility will house processing lines capable of producing up to a total of 60,000 metric tonnes of frozen fish fillets and portions a year. The expansion will allow the Group to include a larger proportion of higher margin products in its offerings, and also grow existing and new markets. In addition, the Group will adopt advanced frozen seafood processing technology, which is expected to markedly enhance its production yields and profitability in the long term.

The Group is currently working with its bankers to arrange a syndication loan to finance the new processing facility and refinance part of its short-term borrowings. This will put the Group in a better financial position for future development.

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

As at 30 September 2005, the interests and short positions of the Directors and chief executive of the Company 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 (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 or any associated corporation is taken or deemed to have under such provisions of the SFO); or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

(i) Shares and warrants

	Number of ordinary shares and warrants held (long position)			
Name of directors	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Percentage of the issued share capital of the Company**
Ng Joo Siang				
– Shares	–	622,000 *Note (a)*	–	0.06%
– Warrants	–	84,400 *Note (a)*	–	0.01%
Ng Puay Yee				
– Shares	1,176,000	–	–	0.12%
– Warrants	235,200	–	–	0.02%
Cheng Nai Ming				
– Shares	3,745,280	–	–	0.37%
– Warrants	349,056	–	–	0.03%

Notes:

(a) These shares and warrants are held under the name of the spouse of Ng Joo Siang.

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

(ii) Share options scheme

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

Directors	Vesting period	Period under which option are exercisable	Subscription price per share *HK$*	Date of grant	Number of share options and underlying shares held: Outstanding at 1.4.2005	Exercised during the period	Outstanding at 30.9.2005
Cheng Nai Ming	21.2.2000 to 20.8.2000	21.8.2000 to 20.8.2005	0.3336	21.2.2000	4,000,000	(4,000,000)	–

During the six months ended 30 September 2005, 4,000,000 share options to subscribe for 4,000,000 ordinary 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 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 2005, the interests or 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 of Part XV of the SFO and have been recorded in the register to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary shares and warrants held (long positions)	Percentage of the issued share capital of the Company
N. S. Hong Investment (BVI) Limited	Beneficial owner	617,384,525 *Note (a)*	61.53%
Cheah Cheng Hye	Beneficial owner	140,394,168 *Note (b)*	13.99%

Notes:

(a) N. S. Hong Investment (BVI) Limited directly hold such shares and warrants.

(b) Cheah Cheng Hye holds a total of 140,394,168 shares and warrants by virtue of his deemed interest in the shares and warrants held by Value Partners Limited.

Other than 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 SFO.

PURCHASE, SALE OR REDEMPTION

During the six months ended 30 September 2005, 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 2005.

The interim financial reports have been reviewed by the Company's auditors, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports".

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

CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 30 September 2005 with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except for the following deviations:

CG Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company’s bye-laws.

CG Code Provision B.1.1 provides that a remuneration committee with specific written terms of reference should be established. A majority of the members of the remuneration committee should be independent non-executive directors. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

On 20 December 2005, the Board of Directors established the remuneration committee with specific written terms of reference. The Company’s remuneration committee consists of three independent non-executive directors, namely Mr. Lew V Robert, Mr. Kwok Lam Kwong, Larry and Mr. Yeh Man Chun, Kent and two executive directors, Mr. Ng Joo Siang and Mr. Ng Joo Puay, Frank.

By Order of the Board
Ng Joo Siang
Managing Director

Hong Kong, 20 December 2005

INDEPENDENT REVIEW REPORT

Deloitte.
德勤

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 24.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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 Hong Kong Accounting Standard 34 "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 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 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 20 December 2005