PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

For the six months ended 30 September 2006

STOCK CODE : 1174

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of Pacific Andes International Holdings Limited ("Pacific Andes" or the "Company") are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries ("Pacific Andes Group" or the "Group") for the six months ended 30 September 2006 together with the unaudited comparative figures for the corresponding period in 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

		Six months ended	
		30.9.2006	30.9.2005
	Notes	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
Turnover	*3*	**3,789,776**	2,487,486
Cost of sales		**(3,178,717)**	(2,100,611)
Gross profit		**611,059**	386,875
Other income		**43,878**	10,086
Selling and distribution expenses		**(46,190)**	(55,519)
Administrative expenses		**(114,966)**	(120,510)
Loss on deemed disposal of interest in a subsidiary		**–**	(12,729)
Finance costs		**(111,920)**	(74,864)
Share of results of associates		**1,002**	13
Profit before taxation	*4*	**382,863**	133,352
Taxation	*5*	**(12,014)**	(3,060)
Profit for the period		**370,849**	130,292
Attributable to:			
Equity holders of the Company		**176,132**	71,152
Minority interests		**194,717**	59,140
		370,849	130,292
Dividend	*6*	**62,490**	–
Earnings per share	*7*		
Basic		**HK16.0 cents**	HK7.1 cents
Diluted		**HK15.7 cents**	HK7.1 cents

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2006

	Notes	**As at 30.9.2006 HK$'000 (unaudited)**	As at 31.3.2006 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**757,725**	578,205
Investment properties	*8*	**109,333**	104,835
Prepaid lease payments		**28,045**	28,039
Goodwill	*9*	**137,361**	129,500
Deferred charter hire	*10*	**800,670**	604,890
Interests in associates		**2,092**	1,090
Loan to a jointly-controlled entity		**11,050**	11,050
Loan receivables		**33,050**	33,163
Intangible assets	*11*	**67,683**	22,763
Deposit paid for acquisition of property		**20,666**	–
Deposit paid for acquisition of subsidiaries	*12*	**101,400**	–
Other long term receivable		**928**	928
		2,070,003	1,514,463
CURRENT ASSETS			
Inventories		**1,869,596**	1,951,465
Trade, bills and other receivables	*13*	**1,303,147**	2,329,681
Trade receivables with insurance coverage	*14*	**283,306**	252,893
Trade receivables from associates	*15*	**141,229**	119,988
Amounts due from associates		**23,746**	23,074
Amount due from a jointly-controlled entity		**864**	575
Tax recoverable		**861**	1,124
Pledged deposits		**885**	1,789
Bank balances and cash		**395,811**	337,271
		4,019,445	5,017,860
CURRENT LIABILITIES			
Trade and other payables	*16*	**440,532**	362,928
Amount due to an associate		**7,406**	7,847
Taxation		**23,684**	13,924
Obligation under finance lease – due within one year		**1,536**	–
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	*17*	**276,388**	437,189
Bank borrowings – due within one year	*18*	**1,366,868**	2,865,340
		2,116,414	3,687,228
NET CURRENT ASSETS		**1,903,031**	1,330,632
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,973,034**	2,845,095

CONDENSED CONSOLIDATED BALANCE SHEET – *Continued*
As at 30 September 2006

	Notes	**As at 30.9.2006 HK$'000 (unaudited)**	As at 31.3.2006 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Obligation under finance lease – due after one year		**7,144**	–
Bank borrowings – due after one year	*18*	**741,467**	208,504
Amount due to joint venture partner of a jointly-controlled entity		**11,050**	11,050
Deferred taxation		**48,477**	26,490
		808,138	246,044
NET ASSETS		**3,164,896**	2,599,051
CAPITAL AND RESERVES			
Share capital	*19*	**120,173**	101,586
Share premium and reserves		**1,871,673**	1,478,813
Equity attributable to equity holders of the Company		**1,991,846**	1,580,399
Minority interests		**1,173,050**	1,018,652
TOTAL EQUITY		**3,164,896**	2,599,051

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Goodwill reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2005	99,942	633,908	64,126	2,869	(135,913)	9,800	738,671	1,413,403	396,654	1,810,057
Surplus on revaluation of properties	–	–	12,265	–	–	–	–	12,265	–	12,265
Deferred tax liability arising on revaluation of properties	–	–	(2,554)	–	–	–	–	(2,554)	–	(2,554)
Exchange differences on translation of foreign operations	–	–	–	(1,111)	–	–	–	(1,111)	(838)	(1,949)
Net income (expense) 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 expense 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)
Dividend	–	–	–	–	–	–	(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
Deemed disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	12,729	12,729
At 30 September 2005	100,345	634,647	73,837	1,758	(135,913)	9,800	755,636	1,440,110	602,795	2,042,905
At 1 April 2006	101,586	650,772	88,182	(1,570)	(135,913)	9,800	867,542	1,580,399	1,018,652	2,599,051
Surplus on revaluation of properties	–	–	31,447	–	–	–	–	31,447	312	31,759
Deferred tax liability arising on revaluation of properties	–	–	(4,332)	–	–	–	–	(4,332)	–	(4,332)
Exchange differences on translation of foreign operations	–	–	–	10,475	–	–	–	10,475	388	10,863
Net income recognised directly in equity	–	–	27,115	10,475	–	–	–	37,590	700	38,290
Profit for the period	–	–	–	–	–	–	176,132	176,132	194,717	370,849
Total recognised income and expense for the period	–	–	27,115	10,475	–	–	176,132	213,722	195,417	409,139
Share issued at premium	18,587	241,628	–	–	–	–	–	260,215	–	260,215
Dividend	–	–	–	–	–	–	(62,490)	(62,490)	(41,019)	(103,509)
At 30 September 2006	**120,173**	**892,400**	**115,297**	**8,905**	**(135,913)**	**9,800**	**981,184**	**1,991,846**	**1,173,050**	**3,164,896**

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

For the six months ended 30 September 2006

	Six months ended	
	30.9.2006	30.9.2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**1,316,431**	482,659
Net cash used in investing activities	**(299,700)**	(33,965)
Net cash used in financing activities	**(966,391)**	(494,263)
Net increase (decrease) in cash and cash equivalents	**50,340**	(45,569)
Cash and cash equivalents at beginning of the period	**337,271**	282,442
Effect of foreign exchange rate changes	**8,200**	–
Cash and cash equivalents at end of the period	**395,811**	236,873
Representing:		
Bank balances and cash	**395,811**	236,873

Notes:

1. BASIC OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with 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 the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed 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 accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006, except as described below.

In the current period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (herein after collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning either on or after 1 December 2005, 1 January 2006 and 1 March 2006.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
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
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following news standards or interpretations that have been issued but are not yet effective. The Group is still not in the position to reasonably estimate the impact that may arise from the application of these standards or interpretations.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC)-INT 8	Scope of HKFRS 2[2]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 May 2006.
[3] Effective for annual periods beginning on or after 1 June 2006.
[4] Effective for annual periods beginning on or after 1 November 2006.

3. TURNOVER AND SEGMENT INFORMATION

The turnover and segment results of the Group for the six months ended 30 September 2006 and 2005, analysed by principal activity and geographical market by sales are as follows:

Business segments

For management purposes, the Group is currently organised into four operating divisions – frozen fish supply chain management ("SCM"), fillets and portions, fishing and others.

For the six months ended 30 September 2006

	Frozen fish SCM HK$'000 (unaudited)	**Fillets and portions HK$'000 (unaudited)**	**Fishing HK$'000 (unaudited)**	**Others HK$'000 (unaudited)**	**Consolidated HK$'000 (unaudited)**
TURNOVER					
External Sales	**1,682,714**	**1,533,537**	**565,515**	**8,010**	**3,789,776**
RESULT					
Segment results	**123,507**	**153,054**	**205,400**	**(422)**	**481,539**
Unallocated corporate income					**31,818**
Unallocated corporate expenses					**(19,576)**
Finance costs					**(111,920)**
Share of results of associates	**832**	**170**	**–**	**–**	**1,002**
Profit before taxation					**382,863**
Taxation					**(12,014)**
Profit for the period					**370,849**

There are no inter-segment sales between different segments for the six months ended 30 September 2006.

For the six months ended 30 September 2005

	Frozen fish SCM HK$'000 (unaudited)	Fillets and portions HK$'000 (unaudited)	Fishing HK$'000 (unaudited)	Others HK$'000 (unaudited)	Elimination HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
TURNOVER						
External Sales	1,290,916	1,041,305	145,381	9,884	–	2,487,486
Inter-segment sales	17,956	–	132,171	–	(150,127)	–
Total	1,308,872	1,041,305	277,552	9,884	(150,127)	2,487,486
RESULT						
Segment result	108,610	63,276	66,729	(2,777)	–	235,838
Unallocated corporate income						589
Unallocated corporate expenses						(15,495)
Loss on deemed disposal of interest in a subsidiary						(12,729)
Finance costs						(74,864)
Share of results of associates	(38)	51	–	–	–	13
Profit before taxation						133,352
Taxation						(3,060)
Profit for the period						130,292

Inter-segment sales are charged at cost plus a percentage profit mark up.

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

Geographical segments

The Group's operations are 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	
	30.9.2006	30.9.2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
PRC	**1,877,964**	1,257,076
North America	**702,986**	419,682
Western Europe	**791,567**	538,774
East Asia	**328,127**	177,786
Others	**89,132**	94,168
	3,789,776	2,487,486

4. **PROFIT BEFORE TAXATION**

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

	Six months ended	
	30.9.2006	30.9.2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Amortisation of deferred charter hire included in cost of sales	**53,820**	16,588
Amortisation of prepaid lease payments	**140**	140
Depreciation	**34,078**	22,716
Loss on disposal of property, plant and equipment	**1,665**	365
Fair value changes on investment properties	**(4,498)**	(3,000)
Interest income	**(26,632)**	(589)
Reversal of revaluation decrease of land and buildings previously charged to income statement	**(889)**	(1,628)

5. **TAXATION**

	Six months ended	
	30.9.2006	30.9.2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax	**10,917**	2,885
Deferred taxation	**1,097**	175
Tax charge for the period	**12,014**	3,060

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the period.

In the opinion of the directors of the Company, substantial portion of the Group's profit neither arises in, nor is derived from, Hong Kong and accordingly that portion of profit is not subject to Hong Kong Profits Tax.

6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006.

During the period, a dividend of HK5.2 cents was paid to shareholders as the final dividend for the year ended 31 March 2006 (30.9.2005: Subsequent to the period end, a dividend of HK5.4 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	
	30.9.2006	30.9.2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculation of basic and diluted earnings per share	**176,132**	71,152
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	**1,102,185,204**	1,000,513,075
Effect of dilutive potential ordinary shares in respect of:		
– warrants	**17,900,966**	–
– share options	**–**	2,187,210
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	**1,120,086,170**	1,002,700,285

For the six months ended 30 September 2005, 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 price of the shares.

For the six months ended 30 September 2006, the computation of diluted earnings per share does not account for the effect of share options as there is no outstanding share options during the period.

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

During the six months ended 30 September 2006, the Group spent HK$57,306,000 on land and buildings, HK$6,548,000 on leasehold improvements, HK$8,741,000 on furniture, fixtures and office equipment, HK$28,104,000 on plant and machinery and HK$6,324,000 on motor vehicles.

In addition, the Group incurred HK$51,122,000 on the construction of a new manufacturing plant in the PRC, in order to expand its processing capabilities.

Moreover, as set out in note 20, the Group through acquisition of subsidiaries acquired certain property, plant and equipment at a fair value of HK$28,945,000.

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 2006. The resulting revaluation surplus of HK$31,447,000 and HK$889,000 have been credited to the property revaluation reserve and income statement respectively.

During the six months ended 30 September 2006, the Group disposed of property, plant and equipment with a carrying amount of HK$8,475,000 to independent third parties for HK$6,810,000.

The Group's investment properties were revalued by BMI Appraisals Limited, an independent property valuer, at 30 September 2006. The resulting increase in fair value of investment properties of HK$4,498,000 has been recognised directly in the income statement.

9. GOODWILL

	30.9.2006 **HK$'000** **(unaudited)**	31.3.2006 HK$'000 (audited)
GROSS AMOUNT		
At beginning of period/year	**142,855**	120,189
Arising on the acquisition of subsidiaries (note 20)	**7,861**	12,460
Arising on the acquisition of a jointly-controlled entity	**–**	497
Arising on the acquisition of additional interest in a subsidiary	**–**	9,709
At end of period/year	**150,716**	142,855
IMPAIRMENT		
Impairment loss recognised in the year ended 31 March 2006 and balance at 31 March 2006 and 30 September 2006	**(13,355)**	(13,355)
CARRYING AMOUNTS		
At end of period/year	**137,361**	129,500

10. 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 statement as charter hire expense pro-ratably over the period for which prepayments are made and the benefits are expected to accrue.

During the six months ended 30 September 2006, the Group has prepaid additional deferred charter hire expense of HK$249,600,000 according to the new vessel operating agreements ("VOA"). The new VOA enables the Group to utilise the requisite fishing quotas and licenses to catch in Russian economic waters in the North Pacific Ocean.

11. INTANGIBLE ASSETS

Intangible assets comprise club debentures of HK$23,963,000 (31.3.2006: HK$22,763,000) and fishing permits of HK$43,720,000 (31.3.2006: HK$Nil) granted by the authority in Peru with indefinite useful lives.

During the period, the Group purchased and through acquisition of a subsidiary acquired fishing permits with a carrying amount of HK$17,058,000 and HK$26,662,000 respectively. These fishing permits are attached to fishing vessels and are transferable to other vessels with same or lower capacity should the original vessels become obsolete or sink. The cost of purchasing the fishing vessel with the attached permit and the cost of acquiring the subsidiary which owns fishing vessels and attached fishing permits are allocated to the respective components of assets acquired on the basis of valuation reports prepared by an independent third party valuer.

Management has obtained legal advice that these fishing permits do not have a finite term and remain in full force and good standing as long as the applicable legal requirements are complied with.

12. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

On 12 June 2006, the Group's subsidiary, CFG Investment S.A.C., entered into a conditional share purchase agreement to acquire the entire equity interests in Alexandra S.A.C. and its subsidiaries, Pesquera Victor S.A.C. and Pesquera Flor Ilo S.R.L. (the "Alexandra Group"). Alexandra and its subsidiaries are incorporated in Peru and are engaged in the extraction, production, transformation, industrialisation and commercialisation of hydrobiological resources and related products such as fishmeal and fish oil.

At 30 September 2006, deposit of US$13,000,000 (approximately HK$101,400,000) was paid for the acquisition of Alexandra Group. The acquisition of Alexandra Group was completed on 26 October 2006 and the consideration was determined to be US$103,600,000 (approximately HK$808,100,000). The management of the Company is still in the process of determining the financial effect of the acquisition.

13. TRADE, BILLS AND OTHER RECEIVABLES

Included in trade, bills and other receivables are trade receivables of HK$676,804,000 (31.3.2006: HK$1,355,559,000) and bills receivables of HK$31,900,000 (31.3.2006: HK$107,618,000). 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 the trade customers. The aged analysis of trade receivables and bills receivables at the balance sheets date is as follows:

	30.9.2006	31.3.2006
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**138,052**	518,420
31 – 60 days	**141,518**	367,987
61 – 90 days	**240,475**	384,081
91 – 120 days	**187,601**	192,689
Over 120 days	**1,058**	–
	708,704	1,463,177

Included in the bills receivables are amount of HK$31,900,000 (31.3.2006: HK$107,210,000) in respect of bills discounted to certain banks under the bills discounting advance facilities.

Included in other receivables are amounts of HK$302,312,000 (31.3.2006: HK$491,648,000) in respect of prepayments made for the purchase of frozen fish inventories and current portion of deferred charter hire of HK$107,640,000 (31.3.2006: HK$107,640,000). These amounts are unsecured and interest free.

14. TRADE RECEIVABLES WITH INSURANCE COVERAGE

Included in the trade receivables with insurance coverage are discounted trade receivables of HK$192,275,000 (31.3.2006: HK$231,858,000) and factored trade receivable of HK$33,498,000 (31.3.2006: HK$21,035,000) which have been discounted and factored to certain banks under the receivable discounting and factoring advance facilities (note 17).

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

	30.9.2006	31.3.2006
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**201,025**	168,711
31 – 60 days	**65,275**	62,710
61 – 90 days	**16,210**	20,793
91 – 120 days	**322**	524
Over 120 days	**474**	155
	283,306	252,893

15. TRADE RECEIVABLES FROM ASSOCIATES

For trade receivables from associates on sales of goods, the Group allows an average credit period of 30 days to 60 days. The age of trade receivables from associates at balance sheet date are all less than 30 days.

16. **TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade payables of HK$241,021,000 (31.3.2006: HK$226,405,000). The aged analysis of trade payables at the balance sheet date is as follows:

	30.9.2006 HK$'000 (unaudited)	31.3.2006 HK$'000 (audited)
Less than 30 days	**173,277**	107,980
31 – 60 days	**35,184**	19,859
61 – 90 days	**25,004**	66,465
Over 90 days	**7,556**	32,101
	241,021	226,405

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

Bank advances drawn on discounted trade receivables with insurance coverage (note 14) and discounted bills (note 13) represent advances from bank on discounting and factoring certain trade receivables with insurance coverage and bills receivable under the receivable discounting and factoring advance facilities.

18. **BANK BORROWINGS**

During the period, the Group entered into a syndicated term loan agreement with 20 international and local banks for US$160 million (approximately HK$1,248,000,000). The Group has drawn US$100,000,000 (approximately HK$780,000,000) during the period to refinance part of the Group's short term borrowings into long term borrowings and made net repayment of HK$953,479,000.

19. **SHARE CAPTIAL**

	Nubmer of shares	**Amount** HK$'000
Ordinary shares of HK$0.10 each		
Issued and fully paid		
At 1 April 2006	1,015,859,684	101,586
Exercise of warrants	185,868,069	18,587
At 30 September 2006	1,201,727,753	120,173

Each warrants entitles the registered holder to subscribe in cash at an initial subscription price of HK$1.40, subject to adjustment, for one ordinary share of HK$0.10 each in the Company, at any time from 1 February 2005 to 31 July 2006 (both dates inclusive).

During the period, 185,868,069 (1.4.2005 to 31.3.2006: 12,434,127) warrants were exercised to subscribe for ordinary shares. At 30 September 2006, the Company had no outstanding warrants (31.3.2006: 187,445,921 outstanding warrants). As at 31 March 2006, exercise in full of such warrants would result in the issue of 187,445,921 additional shares.

20. ACQUISITION OF A SUBSIDIARY

On 4 May 2006, the Group acquired 100% of the issued capital of Procesadora Del Carmen S.A. ("Procesadora"), a company incorporated in Peru which is principally engaged in fishing operations in the Peruvian waters for cash consideration of US$4,632,000 (approximately HK$36,130,000). This transaction has been accounted for using the purchase method of accounting.

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

	Carrying amount before combination	**Adjustments**	**Fair value**
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	8,223	20,722	28,945
Intangible assets	–	26,662	26,662
Trade, bills and other receivables	649	–	649
Bank balances and cash	43	–	43
Trade and other payables	(7,622)	–	(7,622)
Bank borrowings	(4,160)	–	(4,160)
Deferred taxation	–	(16,248)	(16,248)
			28,269
Goodwill			7,861
Consideration, satisfied by cash			36,130
Net cash outflow arising on acquisition:			
Cash consideration paid			(36,130)
Cash and cash equivalents acquired			43
			(36,087)

Note:

The goodwill arising on the acquisition of Procesadora is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Procesadora contributed HK$4,337,000 revenue and net loss of HK$1,288,000 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 2006, the total Group revenue for the period would have been HK$3,791,023,000 and profit for the period would have been HK$369,684,000. The proforma information is for illustrative purpose 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 2006, nor is it intended to be a projection of future results.

21. CAPITAL COMMITMENTS

	30.9.2006	31.3.2006
	HK$'000	HK$'000
	(unaudited)	(audited)
At the balance sheet date, the Group had commitment for capital expenditure as follows:		
Contracted for but not provided in the financial statements		
– acquisition of property, plant and equipment	**115,738**	27,538
– acquisition of subsidiaries	**658,400**	–

22. CONTINGENT LIABILITIES

Feoso (Singapore) Private Limited ("Feoso") has 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 (approximately HK$28,930,000) plus interest, costs and other ancillary relief. Ever Bright was formerly an indirectly wholly-owned subsidiary of Pacific Andes (Holdings) Limited, a subsidiary of the Company with its shares listed on The Singapore Exchange Securities Trading Limited. The Group disposed its interest in Ever Bright on 31 January 2000.

The Company's legal advisors are still at the preliminary stage of investigating the claim and in the process of instructing counsel to advise on the matter. However, their preliminary view is that the Company has a good defence and the case is likely to be resolved in the Company's favour.

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.

23. PLEDGE OF ASSETS

At 30 September 2006, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$313,267,000 (31.3.2006: HK$257,467,000) and HK$29,500,000 (31.3.2006: HK$27,000,000) 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 HK$10,166,000 (31.3.2006: HK$11,296,000) and HK$192,066,000 (31.3.2006: HK$124,055,000), respectively, were pledged as security for general banking facilities granted for that subsidiary.

Inventories for frozen fish of HK$624,205,000 (31.3.2006: HK$758,970,000) were also pledged as security for the syndicated term loan facilities (31.3.2006: revolving inventory financing facilities) obtained from banks.

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

24. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30.9.2006	30.9.2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of frozaen seafood *(note i)*	**254,245**	193,325
Purchase of frozen seafood *(note i)*	**17,126**	4,832
Agency income *(note ii)*	**2,800**	2,056

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) Agency income were charged to associates on a cost allocation basis.

(b) Included in the discounting advances drawn on trade receivables with insurance coverage is an amount of HK$41,292,000 (31.3.2006: HK$75,099,000) which were drawn from discounting trade receivables with insurance coverage of an associate of HK$45,880,000 (31.3.2006: HK$83,443,000).

25. SUBSEQUENT EVENT

On 12 December 2006, CFG Investment S.A.C. issued 9.25% senior notes due 2013 with an aggregate amount US$225 million (approximately HK$1,755 million) to finance the acquisition of Alexandra S.A.C. for future expansion of the Group's fishing business.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

In a business that spans the entire industry value chain to include upstream fishing, supply chain management, processing and distribution activities, the Pacific Andes Group has enjoyed healthy growth across all segments of its business portfolio in the period under review, taking strong advantage of the steadily increasing demand for fish and fish products globally.

For the six months ended 30 September 2006, the Group posted a 52.4% increase in turnover to HK$3,789.8 million. Profit after tax surged 184.6% to HK$370.8 million, while net profit attributable to equity holders of the Company soared 147.5% to HK$176.1 million. Earnings per share grew 125.4% to HK16.0 cents.

Dividend

In line with past practice, the Directors have not declared any interim dividend for the six months ended 30 September 2006.

BUSINESS REVIEW AND PROSPECTS

Business Review

Fishing

With the signing of the fishing division's second Vessel Operating Agreement in February 2006, the Group doubled its fishing and onboard processing capabilities in the Pacific Ocean waters. As at the end of the reporting period, the Group operated and managed a total of 44 fishing vessels, including purse seiners, trawlers and supertrawlers. The significant increase in capacities has resulted in a 289.0% surge in revenue from fishing operations to HK$565.5 million, against last year's HK$145.4 million. This division accounted for 14.9% of total Group revenue in the six-month period.

Frozen Fish SCM Division

Underpinned by strong demand for ocean-harvested fish, especially in the PRC, the Group's frozen fish supply chain management ("SCM") division recorded a 30.4% growth in sales to HK$1,682.7 million, accounting for 44.4% of the Group's total sales during the period under review.

Processing and Distribution

As increasing affluence worldwide drives global demand for processed seafood such as fish fillets and various other value-added products, the Group has seen revenue from this business segment grow 47.3% to HK$1,533.5 million, thereby accounting for 40.5% of the Group's total sales.

Industry

Strong growth in global demand for fish products has drawn attention to the long term vitality of global fisheries. Pacific Andes has a fundamental commitment to – and reliance on – the long term sustainability of ocean fishing, and it strongly shares this concern and is committed to playing its part in ensuring the sustainability of global marine resources. The Group hopes to play a greater role in promoting under-utilized fish species for human consumption, thereby achieving diversification of food fish species that consumers have access to. Also, improving efficiencies of operations and yields will constantly feature highly on management agenda, so as to allow the Group to utilize resources more effectively. This will not only further bottom-line and client interests, but also ensure that valuable fish resources are not wastefully utilized.

As a proponent of best practices in the industry, and reflecting its commitment to sustainable management of fisheries worldwide, the Group has implemented independent quarterly audits of its procurement process, undertaken with the aim of ensuring that no supplies derived from unregulated or unreported fishing activities enter the Group's supply chain.

The management believes that the Group is one of the first seafood companies in the world to implement such practice. In so doing, the Group wishes to reinforce its commitment to establish new benchmarks and encourage sustainable fishing practices in the industry. It also believes that this is an essential move towards further strengthening confidence among its customers, who are leading global food processors or retailers.

Financial Review

Results Analysis

For the six months ended 30 September 2006, the Group's turnover grew 52.4% to HK$3,789.8 million. The increase can primarily be attributed to growth across the Group's business portfolio, which spans the entire industry value chain to include upstream fishing, supply chain management, processing and distribution activities. Consequentially, EBITDA (earnings before interest, tax, depreciation and amortisation) during the review period increased by 135.5% from HK$247.5 million to HK$582.8 million, and net profit attributable to equity holders of the Company for the period increased 147.5% from HK$71.2 million to HK$176.1 million.

The Group's gross profit margin during the period review rose from 15.6% to 16.1% as a result of improvement in contribution from its fishing division, as well as higher operational efficiencies across the board. Accordingly, excluding the non-cash expenses of asset depreciation and amortisation, EBITDA margin improved from 10.0% to 15.4%. Earnings per share increased by 125.4% from HK7.1 cents to HK16.0 cents.

BUSINESS REVIEW AND PROSPECTS – *Continued*

Financial Review – *Continued*

Results Analysis – Continued

Selling and distribution expenses as a proportion of turnover was 1.2% for the period under review, an improvement against last year's 2.2%.

By geographical market, the Group's biggest revenue contributor – the PRC – witnessed sustained robust demand and generated earnings of HK$1,878.0 million, a 49.4% increase against the same period last year. The amount made up 49.6% of Group total turnover (2005: 50.5%). Apart from absolute increases in turnover from each geographical market, the Group has also achieved greater diversification and hence optimization of its revenue mix. During the first half of this financial year, higher sales of fillet products to Western Europe has seen turnover from this market rise 46.9% to HK$791.6 million, accounting for 20.9% of Group's turnover (2005: 21.7%), while sales to North America increased 67.5% to HK$703.0 million, which accounted for 18.5% of the total turnover (2005: 16.9%). With more sales of higher-value fish products by the Group's fishing division, revenue from Japan and Korea amounted to HK$328.1 million in total, representing an increase of 84.6%, and accounted for 8.7% of the Group's total turnover for the review period.

Liquidity and Financial Resources

The Group maintained a healthy financial position. As at 30 September 2006, net current assets amounted to HK$1,903.0 million, up 43.0% from HK$1,330.6 million as at 31 March 2006. The Group's cash on hand amounted to HK$395.8 million.

Towards the end of the review period, the Group signed an agreement with 20 international and local banks for a US$160 million (approximately HK$1,250 million) syndicated loan. The proceeds from the syndicated loan are to be used in part to finance construction of the Group's new processing plant in Hongdao, Qingdao city. Funds will also be used to refinance and convert part of the Group's short term borrowings into long term borrowing, which is part of our strategy to optimise the Group's capital structure. The loan will cut interest expense by about HK$15 million per annum for the coming years.

In line with historical seasonalities, short-term loans undertaken for working capital purposes decreased at the end the period. Total borrowings of the Group as at 30 September 2006 amounted to HK$2,393.4 million, compared to HK$3,511.0 million as at 31 March 2006. Gearing ratio, being total debts to total assets, improved to 39% as at 30 September 2006 from 54% as at 31 March 2006. As the short term borrowings were refinanced in August, the Group's net interest expenses amounted to HK$111.9 million for the reporting period, versus HK$74.9 million in the corresponding period last year.

Liquidity and Financial Resources – *Continued*

The Group's major borrowings are in US Dollars and carry LIBOR plus rates. As the Group's revenue is mainly denominated in US Dollars and major payments are made in US Dollars, it faces relatively low currency risks.

Employees and Remuneration

As at 30 September 2006, the Group had a total number of approximately 6,100 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 employees' share option scheme to allow the granting of share options to selected eligible employees, depending on their contribution to the company.

On 28 October 2006, the Company adopted a share award plan for the benefit of directors and the employees of the Group. The purpose of the plan is to increase the Group's flexibility and effectiveness in its continuing efforts to recruit and motivate employees and directors of the Group to achieve superior performance.

Prospects

Looking forward, as increasingly affluent consumers gain greater awareness of the nutritional benefits of a fish-rich diet, the Group expects to see strong growth in global demand for fish products. At the same time, with continued development expected of the PRC economy, the Group anticipates robust growth ahead for its largest market. As evidenced by its performance in recent years, the Group is benefiting from the synergies created by integrating upstream fishing activities into its production chain.

Going forward, the Group will continue to extend access to new, sustainable fish resources as its core strategy. The growth enjoyed across each segment of Pacific Andes' business portfolio has also seen the Group progressively derive cost savings through improved operational efficiencies and economies of scale. The management is confident that the Group is now uniquely positioned to capture opportunities arising within the industry.

Prospects – *Continued*

In the year ahead, the Group's development will be underpinned by two major thrusts:

(1) Major Acquisition and Senior Notes Issue by Fishing Division

In October 2006, the Group's fishing division completed its acquisition of the entire share capital of Alexandra S.A.C. ("Alexandra"), one of Peru's top fishmeal processing companies. Alexandra has 13 vessels licensed to harvest the Anchovy and Sardines species, and four fishmeal processing plants with a combined raw material processing capacity of 381 metric tons per hour located strategically along the Peruvian coastline. This strategic move has enabled the Group to gain an immediate foothold in Peru, one of the world's most important fisheries and the largest producer and exporter of fishmeal in the world. With a firm presence already established within the North Pacific Ocean, the Group shall subsequently also leverage on Peru's strategic location to fortify its fishing operations in the South Pacific Ocean.

The management is pleased to report that the new unit has been integrated very satisfactorily, with Alexandra having completed one fishing season successfully post-acquisition. In the fishing months of November and December 2006, Alexandra harvested approximately 57,000 metric tons of Anchovy, and produced 17,000 metric tons of fishmeal. As strong global demand has strengthened the prices of Peruvian fishmeal, the Group expects Alexandra to make profit contributions in the second half of the fiscal year.

Subsequent to this acquisition, the Group's fishing division has issued US$225 million (approximately HK$1,755 million) in senior notes with 7 years to maturity through its Peruvian-domiciled investment subsidiary. Apart from injecting stability into the division's capital structure, the notes issue may more importantly increase returns on equity and enhance capital flexibility for the Group. Proceeds from the issue will be used to finance the Alexandra acquisition, as well as both recent and future acquisitions of additional vessels, plants, licences and other vessel operating agreements.

(2) Expected Completion of Hongdao Processing Plant

As a world market leader in fish processing, the Group constantly endeavours to bring its service capabilities to world-class levels. In late 2004, the Group announced the construction of a new state-of-the-art processing plant in Hongdao, Qingdao city. Construction of the site has progressed smoothly, and completion is expected to be on schedule in mid-2007.

BUSINESS REVIEW AND PROSPECTS – *Continued*

Prospects – *Continued*

(2) Expected Completion of Hongdao Processing Plant – Continued

The 333,000-square-metre site will house an extensive processing and cold storage complex, complete with advanced air and waste water treatment facilities that will be vital in maintaining the highest possible food safety standards. The processing complex is capable of producing 60,000 metric tons of frozen fish fillets and portions annually, and also has facilities for highly customised value-added fish and seafood products. The site also includes a product development centre, offices, employee accommodation, recreational and social facilities.

By consolidating most operations at the Hongdao plant, the Group expects to enjoy a high level of integration and economies of scale and proximity. This will allow the Group to capture opportunities for value-addition in the market, and set new standards for seafood processing in the PRC.

Based on the aforesaid, the Group is optimistic of sustaining business growth ahead.

A MESSAGE OF CONDOLENCE

Mr. Ng Swee Hong, Founder and Executive Chairman of the Group, passed away on 16 September 2006. In his time, Mr. Ng had created an enterprising culture and laid a solid foundation upon which the Group grows. An outstanding leader, his work ethic, spirit and vision will continue to be the charting force behind the Group's development ahead.

PURCHASE, SALE OR REDEMPTION

During the six months ended 30 September 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities of the Company during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions (the "Model Code").

Specific enquiry has been made of all the directors of the Company who have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 September 2006.

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 2006.

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, Larry and Mr. Yeh Man Chun, Kent, the independent non-executive directors of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 September 2006 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.2 provides the role of the Chairman with respect to the management of the Board. The late Mr. Ng Swee Hong, Founder of the Company, was Chairman of the Board until he passed away on 16 September 2006. The Company has yet to formally appoint an individual and the function of Chairman is provisionally assumed by Executive Director Madam Teh Hong Eng. The Board will review the effectiveness of this arrangement at an appropriate time.

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. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

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

As at 30 September 2006, the interests and short positions of the directors or chief executive of the Company 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 they were taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; 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:

Shares

	Number of ordinary shares held (long position)		
Directors	**Personal Interest**	**Family Interest**	**Percentage of the issued share capital of the Company**
Ng Joo Siang	–	706,400 *(Note)*	0.06%
Ng Puay Yee	1,411,200	–	0.12%
Cheng Nai Ming	4,094,336	–	0.34%

Note: These shares are held under the name of the spouse of Ng Joo Siang.

Save as disclosed above, as at 30 September 2006, none of the directors and the chief executive of the Company had any 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 any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

Save as disclosed below, as at 30 September 2006, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the directors or chief executive of the Company, no other person or companies (other than a director or chief executive of the Company whose interests are disclosed above) had an interest or a short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members the Group or had any option in respect of such capital:

Name of shareholder	Capacity	Total number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
N. S. Hong Investment (BVI) Limited *(Note 1)*	Beneficial owner	617,384,525	51.37%
Cheah Cheng Hye *(Note 2)*	Beneficial owner	141,071,836	11.74%

Notes:

(1) N.S. Hong Investment (BVI) Limited directly holds such shares.

(2) Cheah Cheng Hye holds a total of 141,071,836 shares by virtue of his deemed interest in the shares 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.

By Order of the Board
Ng Joo Siang
Managing Director

Hong Kong, 21 December 2006

As at the date of this report, the executive directors of the Company are Mr. Ng Joo Siang, Madam Teh Hong Eng, Mr. Ng Joo Kwee, Mr. Ng Joo Puay, Frank, Ms. Ng Puay Yee and Mr. Cheng Nai Ming whilst the independent non-executive directors of the Company are Mr. Lew V. Robert, Mr. Kwok Lam Kwong, Larry and Mr. Yeh Man Chun, Kent.

INDEPENDENT INTERIM 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 16.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with 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 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 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 December 2006