PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

For the six months ended 30 September 2007

STOCK CODE : 1174

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 2007 together with the unaudited comparative figures for the corresponding period in 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Notes	Six months ended **30.9.2007** **HK$'000** **(unaudited)**	30.9.2006 HK$'000 (unaudited)
Turnover	*3*	**5,084,980**	3,789,776
Cost of sales		**(4,181,375)**	(3,178,717)
Gross profit		**903,605**	611,059
Other income	*4*	**95,689**	43,878
Selling and distribution expenses		**(119,421)**	(46,190)
Administrative expenses		**(174,757)**	(114,966)
Other expenses		**(30,900)**	–
Gain on dilution of interest in a subsidiary	*5*	**24,721**	–
Finance costs		**(255,607)**	(111,920)
Share of results of associates		**637**	1,002
Profit before taxation	*6*	**443,967**	382,863
Taxation	*7*	**(21,629)**	(12,014)
Profit for the period		**422,338**	370,849
Attributable to:			
Equity holders of the Company		**187,494**	176,132
Minority interests		**234,844**	194,717
		422,338	370,849
Dividend	*8*	**–**	62,490
Earnings per share	*9*		
Basic		**HK11.5 cents**	HK13.9 cents
Diluted		**HK10.7 cents**	HK13.7 cents

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2007

	Notes	As at 30 September 2007 HK$'000 (unaudited)	As at 31 March 2007 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,250,667**	1,566,472
Investment properties	*10*	**150,804**	118,129
Prepaid lease payments		**31,732**	32,153
Goodwill	*11*	**2,606,345**	498,761
Deferred charter hire	*12*	**1,749,280**	1,835,600
Interests in associates		**2,103**	1,466
Loan to a jointly-controlled entity		**–**	11,050
Deposit paid for acquisition of property, plant and equipment		**26,281**	21,345
Other intangible assets	*13*	**464,438**	276,996
Other long term receivable		**928**	928
		7,282,578	4,362,900
CURRENT ASSETS			
Inventories		**1,769,517**	1,927,579
Trade, bills and other receivables	*14*	**2,409,120**	3,162,092
Trade receivables with insurance coverage	*15*	**237,020**	216,192
Trade receivables from associates	*16*	**73,724**	109,492
Amounts due from associates		**18,064**	14,862
Loan receivables		**–**	33,163
Advances to suppliers		**6,913**	18,605
Amount due from a jointly-controlled entity		**1,276**	1,127
Tax recoverable		**6,029**	751
Pledged deposits		**292**	312
Bank balances and cash		**375,444**	287,926
		4,897,399	5,772,101
CURRENT LIABILITIES			
Trade and other payables	*17*	**863,147**	775,988
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	*18*	**322,939**	353,449
Amount due to an associate		**6,903**	6,905
Dividend payable		**73,906**	–
Taxation		**29,068**	54,548
Obligation under finance lease – due within one year		**20,583**	17,970
Bank borrowings – due within one year	*19*	**2,286,523**	1,989,245
		3,603,069	3,198,105
NET CURRENT ASSETS		**1,294,330**	2,573,996
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,576,908**	6,936,896

CONDENSED CONSOLIDATED BALANCE SHEET – *Continued*
As at 30 September 2007

	Notes	As at 30 September 2007 HK$'000 (unaudited)	As at 31 March 2007 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Obligation under finance lease – due after one year		**54,933**	31,994
Bank borrowings – due after one year	*19*	**469,853**	1,050,404
Amount due to joint venture partner of a jointly-controlled entity		**–**	11,050
Statutory employees' profit share		**41,419**	50,242
Convertible bonds	*20*	**608,446**	–
Senior notes	*21*	**1,692,557**	1,687,558
Deferred taxation		**249,215**	204,043
Deferred consideration payable	*22*	**416,520**	–
		3,532,943	3,035,291
NET ASSETS		**5,043,965**	3,901,605
CAPITAL AND RESERVES			
Share capital	*23*	**180,259**	120,173
Share premium and reserves		**2,824,700**	2,022,213
Equity attributable to equity holders of the Company		**3,004,959**	2,142,386
Equity component of convertible bonds of a listed subsidiary	*20*	**42,226**	–
Minority interests		**1,996,780**	1,759,219
TOTAL EQUITY		**5,043,965**	3,901,605

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Attributable to equity holders of the Company											
	Share Capital HK$'000	Share Premium HK$'000	Property Revaluation Reserve HK$'000	Translation Reserve HK$'000	Other Reserve HK$'000	Goodwill Reserve HK$'000	Special Reserve HK$'000	Retained Profits HK$'000	Total HK$'000	Equity component of convertible bonds of a listed subsidiary HK$'000	Minority Interests HK$'000	Total HK$'000
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 arising 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
Shares issued at premium	18,587	241,628	–	–	–	–	–	–	260,215	–	–	260,215
Dividend paid	–	–	–	–	–	–	–	(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 STATEMENT OF CHANGES IN EQUITY – *Continued*

For the six months ended 30 September 2007

	Attributable to equity holders of the Company											
	Share Capital HK$'000	Share Premium HK$'000	Property Revaluation Reserve HK$'000	Translation Reserve HK$'000	Other Reserve HK$'000	Goodwill Reserve HK$'000	Special Reserve HK$'000	Retained Profits HK$'000	Total HK$'000	Equity component to convertible bonds of a listed subsidiary HK$'000	Minority Interests HK$'000	Total HK$'000
At 1 April 2007	120,173	892,400	119,286	13,972	–	(135,913)	9,800	1,122,668	2,142,386	–	1,759,219	3,901,605
Surplus on revaluation of properties	–	–	20,632	–	–	–	–	–	20,632	–	3,507	24,139
Deferred tax liability arising on revaluation of properties	–	–	(3,313)	–	–	–	–	–	(3,313)	–	–	(3,313)
Exchange differences arising on translation of foreign operations	–	–	–	12,648	–	–	–	–	12,648	–	(146)	12,502
Net income recognised directly in equity	–	–	17,319	12,648	–	–	–	–	29,967	–	3,361	33,328
Profit for the period	–	–	–	–	–	–	–	187,494	187,494	–	234,844	422,338
Total recognised income and expense for the period	–	–	17,319	12,648	–	–	–	187,494	217,461	–	238,205	455,666
Issue of rights shares	60,086	871,253	–	–	–	–	–	–	931,339	–	–	931,339
Transaction costs attributable to issue of rights shares	–	(20,430)	–	–	–	–	–	–	(20,430)	–	–	(20,430)
Recognition of equity component of convertible bonds of a listed subsidiary	–	–	–	–	–	–	–	–	–	46,806	–	46,806
Conversion of convertible bonds of a listed subsidiary	–	–	–	–	–	–	–	–	–	(4,580)	70,980	(66,400)
Dilution of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(24,721)	(24,721)
Acquisition of additional interest in a subsidiary	–	–	–	–	(191,891)	–	–	–	(191,891)	–	(647,867)	(839,758)
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	654,663	654,663
Winding up of a subsidiary	–	–	–	–	–	–	–	–	–	–	(754)	(754)
Dividend paid	–	–	–	–	–	–	–	–	–	–	(52,945)	(52,945)
Declared final dividend	–	–	–	–	–	–	–	(73,906)	(73,906)	–	–	(73,906)
At 30 September 2007	180,259	1,743,223	136,605	26,620	(191,891)	(135,913)	9,800	1,236,256	3,004,959	42,226	1,996,780	5,043,965

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

For the six months ended 30 September 2007

	Six months ended	
	30.9.2007	30.9.2006
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**1,500,607**	1,316,431
Net cash used in investing activities		
Acquisition of additional interest of a subsidiary	**(2,360,280)**	–
Purchase of property, plant and equipment	**(594,489)**	(158,145)
Acquisition of subsidiaries	**(293,924)**	(36,087)
Other investing cash flows	**(36,224)**	(105,468)
	(3,284,917)	(299,700)
Net cash from (used in) financing activities		
Issue of right shares/ordinary shares	**910,909**	260,215
Contribution from minority interests	**654,663**	–
Net proceeds from issuance of convertible bonds	**707,949**	–
Other financing cash flows	**(403,991)**	(1,226,606)
	1,869,530	(966,391)
Net increase in cash and cash equivalents	**85,220**	50,340
Cash and cash equivalents at beginning of the period	**287,926**	337,271
Effect of foreign exchange rate changes	**2,298**	8,200
Cash and cash equivalents at end of the period	**375,444**	395,811
Representing:		
Bank balances and cash	**375,444**	395,811

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 and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on 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 consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2007, except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendment and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning either on or after 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of embedded derivatives
HK(IFRIC)-INT 10	Interim financial reporting and impairment
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions

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 new and revised HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments, or interpretations will have no material impact on the results and interpretations will have no impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC)-INT 12	Service concession arrangements[2]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[3]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 January 2008
3 Effective for annual periods beginning on or after 1 July 2008

3. TURNOVER AND SEGMENT INFORMATION

The turnover and segment results of the Group for the six months ended 30 September 2007 and 2006, analysed by principal activity and geographical market by sales are as follows:

Business segments

For management purposes, the Group is currently organized into four operating divisions – frozen fish supply chain management ("Frozen fish SCM"), fish fillets processing and distribution, fishing and fishmeal and others.

For the six months ended 30 September 2007

	Frozen fish SCM HK$'000 (unaudited)	Fish fillets processing and distribution HK$'000 (unaudited)	Fishing and fishmeal HK$'000 (unaudited)	Others HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
TURNOVER					
External Sales	2,118,191	1,354,846	1,606,669	5,274	5,084,980
RESULT					
Segment results	106,687	70,472	443,381	4,115	624,655
Unallocated corporate income					69,715
Unallocated corporate expenses					(20,154)
Gain on dilution of interest in a subsidiary					24,721
Finance costs					(255,607)
Share of results of associates	283	354	–	–	637
Profit before taxation					443,967
Taxation					(21,629)
Profit for the period					422,338

There are no inter-segment sales between different segments for the six months ended 30 September 2007.

3. TURNOVER AND SEGMENT INFORMATION – *Continued*

For the six months ended 30 September 2006

	Frozen fish SCM HK$'000 (unaudited)	Fish fillets processing and distribution HK$'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.

Geographical segments

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

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 **30.9.2007** **HK$'000** **(unaudited)**	30.9.2006 HK$'000 (unaudited)
PRC	**2,612,597**	1,877,964
North America	**653,030**	702,986
South America	**26,975**	–
Europe	**891,696**	833,515
East Asia	**878,789**	356,450
Others	**21,893**	18,861
	5,084,980	3,789,776

4. OTHER INCOME

	Six months ended	
	30.9.2007	30.9.2006
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Gross rental income	**744**	1,510
Agency income	**2,500**	2,800
Fair value changes on investment properties	**15,032**	4,498
Reversal of revaluation decrease of land and buildings previously charged to income statement	**6,127**	889
Interest income	**49,420**	26,632
Exchange gain, net	**7,442**	5,191
Sundry income	**14,424**	2,358
	95,689	43,878

5. GAIN ON DILUTION OF INTEREST IN A SUBSIDIARY

In April 2007, Pacific Andes (Holdings) Limited ("PAH"), a non-wholly owned subsidiary of the Company, issued convertible bonds of the principal amount of US$93,000,000 (note 20). US$9,100,000 out of US$93,000,000 was converted into ordinary shares of PAH during the period. The Company's interest in PAH was diluted from 65.07% to 63.82%, resulting in a gain on dilution of interest in PAH of HK$24,721,000.

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended	
	30.9.2007	30.9.2006
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Amortisation of deferred charter hire (included in cost of sales)	**86,320**	53,820
Amortisation of prepaid lease payments	**140**	140
Depreciation	**62,547**	34,078
Loss on disposal of property, plant and equipment	**693**	1,665

7. TAXATION

	Six months ended	
	30.9.2007	30.9.2006
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
– Hong Kong	**5,151**	5,620
– Other jurisdictions	**28,614**	5,297
	33,765	10,917
Deferred taxation	**(12,136)**	1,097
Tax charge for the period	**21,629**	12,014

7. TAXATION – *Continued*

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

Taxation in other jurisdictions are calculated of the rate prevailing in the respective jurisdictions.

In the opinion of directors, a 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.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007.

On 19 September 2007, the Company declared a final dividend of HK4.1 cents per share for the year ended 31 March 2007 with a scrip alternative to offer the right to shareholders to elect to receive the final dividend by allotment of new shares. Subsequent to the period ended, 25,553,581 shares of HK$0.10 each in the Company were issued at HK$2.17 per share as scrip dividend and cash dividend of HK$18,454,985 were paid.

During the period ended 30 September 2006, a dividend of HK5.2 cents per share was paid to shareholders as the final dividend for the year ended 31 March 2006.

9. 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	
	30.9.2007	30.9.2006
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculation of basic earnings per share	**187,494**	176,132
Effect of dilution of share of a subsidiary arising on potential conversion of convertible bonds	**(13,160)**	–
Earnings for the purpose of calculation of diluted earnings per share	**174,334**	176,132
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	**1,633,975,405**	1,265,595,416
Effect of dilutive potential ordinary shares in respect of warrants	**–**	20,554,967
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	**1,633,975,405**	1,286,150,383

The weighted average number of ordinary shares outstanding during the current and prior period have been adjusted for the effect of rights issue in June 2007.

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

During the six months ended 30 September 2007, the Group spent HK$37,571,000 on leasehold land and buildings, HK$5,432,000 on freehold land and buildings, HK$5,048,000 on leasehold improvements, HK$4,299,000 on furniture, fixtures and office equipment, HK$187,101,000 on plant and machinery, HK$1,037,000 on motor vehicles and HK$90,506,000 on vessels and fishing nets.

In addition, the Group incurred HK$268,370,000 mainly on the construction of a new processing plant in the PRC, in order to expand its processing capabilities.

Moreover, as set out in note 24, the Group through acquisition of subsidiaries acquired certain property, plant and equipment at a fair value of HK$126,763,000.

The Group's leasehold land and buildings classified as property, plant and equipment were revalued by BMI Appraisals Limited, an independent property valuer, at 30 September 2007. The resulting revaluation surplus of HK$24,139,000 and HK$6,127,000 have been credited to the property revaluation reserve and income statement respectively.

During the six months ended 30 September 2007, the Group disposed of property, plant and equipment with a carrying amount of HK$1,590,000 to independent third parties for HK$897,000.

The Group's investment properties were revalued by BMI Appraisals Limited, an independent property valuer, at 30 September 2007. The resulting increase in fair value of investment properties of HK$15,032,000 has been recognised directly in the income statement.

11. GOODWILL

	30.9.2007 **HK$'000** **(unaudited)**	31.3.2007 HK$'000 (audited)
GROSS AMOUNT		
At beginning of period/year	**512,116**	142,855
Arising on the acquisition of subsidiaries *(note 24)*	**170,542**	369,261
Arising on the acquisition of additional interest in a subsidiary	**1,937,042**	–
At end of period/year	**2,619,700**	512,116
IMPAIRMENT		
Impairment loss recognised in the year ended 31 March 2007 and balance at 31 March 2007 and 30 September 2007	**(13,355)**	(13,355)
CARRYING AMOUNTS		
At end of period/year	**2,606,345**	498,761

11. GOODWILL – *Continued*

During the period ended 30 September 2007, the Group acquired an additional 45% interest in a subsidiary for a cash consideration of US$356,000,000 (approximately HK$2,776,800,000). Included in the consideration is an amount of US$53,400,000 (approximately HK$416,520,000) which shall be paid on or before the second anniversary date of the completion of the acquisition. The subsidiary is the investment holding company of China Fishery Group Limited ("China Fishery"), a listed subsidiary engaging in operating and managing fishing vessels for coastal and deep sea industrial fishing, and production of fishmeal. The difference between the fair value and the carrying amount of the net assets attributable to the additional interest acquired from minority interests is debited to "other reserve". 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 these fair values. The difference between the consideration paid and the provisional fair value of the additional interest acquired is recognised as goodwill at an amount of HK$1,937,042,000.

The Group uses business segments as it primary segment for reporting segment information. For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to three cash generating units (CGUs) before impairment, The carrying amount of goodwill after impairment as at 30 September 2007 allocated to the units as follows:

	HK$'000
Frozen fish SCM operation – PAH	13,245
Fish fillets processing and distribution operation – National Fish and Seafood Inc.	15,594
Pacific Ocean fishing operation – China Fisheries International Limited	1,648,036
Peruvian fishing and fishmeal operations – CFG Investment S.A.C. ("CFGI")	929,470
	2,606,345

The recoverable amounts of the CGUs are determined from value in use calculations of the CGUs operate in a related and similar business environment. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs. Management estimates discount rates using that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the period ended 30 September 2007, management of the Group conducted an impairment review on the goodwill which is based on the cash flow forecast derived from the most recent financial budgets for the next five years for Frozen fish SCM and fish fillets processing and distribution operations. The pre-tax discount rates of 20% is estimated from the rate implicit in the weighted average cost of capital of a similar investment with similar risk. A key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount.

In addition to the above, the Group has engaged an independent financial advisor, BMI Appraisals Limited, to determine the value of the Pacific Ocean fishing and Peruvian fishing and fishmeal operations. Based on the report of the valuer dated 27 December 2007 and management's assessment of business prospects, management expects that carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

11. GOODWILL – *Continued*

The assessment of recoverability of the carrying amount of goodwill for the Pacific Ocean fishing and Peruvian fishing and fishmeal operations include:

(i) forecasted projected cash flows up to 2016 and projection of a terminal value using the perpetuity method based on a growth rate of 2% for the terminal value, which does not exceed the long term growth rate of the industry;

(ii) growth rate 3.3%; and

(iii) use of pre-tax discount rates of 11.4%–16.4% to discount the projected cash flows to net present values.

12. 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.

13. OTHER INTANGIBLE ASSETS

Other intangible assets comprise fishing permits of HK$440,475,000 (31.3.2007: HK$253,033,000) granted by the authority in Peru with indefinite useful lives and club debentures of HK$23,963,000 (31.3.2007:HK$23,963,000).

During the period, the Group acquired fishing permits through the acquisition of vessels and through the acquisition of a subsidiary with a fair value of HK$85,739,000 and HK$101,703,000 respectively.

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 component 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.

14. TRADE, BILLS AND OTHER RECEIVABLES

Included in trade, bills and other receivables are trade receivables of HK$1,413,910,000 (31.3.2007: HK$1,528,073,000) and bills receivable of HK$50,584,000 (31.3.2007: HK$70,405,000). The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to 180 days to the trade customers. The aged analysis of trade receivables and bills receivables at the balance sheets date is as follows:

	30.9.2007 **HK$'000** **(unaudited)**	31.3.2007 HK$'000 (audited)
Less than 30 days	**306,934**	954,138
31 – 60 days	**258,582**	358,598
61 – 90 days	**335,765**	138,023
91 – 120 days	**299,601**	80,315
Over 120 days	**263,612**	67,404
	1,464,494	1,598,478

14. TRADE, BILLS AND OTHER RECEIVABLES – *Continued*

Included in the bills receivables are amount of HK$50,584,000 (31.3.2007: HK$68,632,000) in respect of bills discounted to certain banks under the bills discounting advance facilities.

Included in other receivables are amounts of HK$340,189,000 (31.3.2007: HK$894,390,000) in respect of prepayments made for the purchase of frozen fish inventories and the current portion of deferred charter hire of HK$172,640,000 (31.3.2007: HK$172,640,000). Included in prepayments made for the purchase of frozen fish inventories is amount of HK$103,913,000 which carries interest at ranges 8% to 10% per annum. The remaining amounts are unsecured and interest free.

15. TRADE RECEIVABLES WITH INSURANCE COVERAGE

Included in the trade receivables with insurance coverage are discounted trade receivables of HK$235,813,000 (31.3.2007: HK$213,044,000) and factored trade receivable of HK$1,207,000 (31.3.2007: HK$3,148,000) which have been discounted and factored to certain banks under the receivable discounting and factoring advance facilities (note 18).

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

	30.9.2007 **HK$'000** **(unaudited)**	31.3.2007 HK$'000 (audited)
Less than 30 days	**109,418**	116,525
31 – 60 days	**110,425**	89,012
61 – 90 days	**8,269**	5,425
91 – 120 days	**8,644**	2,736
Over 120 days	**264**	2,494
	237,020	216,192

16. 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.

17. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$304,863,000 (31.3.2007: HK$510,010,000). The aged analysis of trade payables at the balance sheet date is as follows:

	30.9.2007 **HK$'000** **(unaudited)**	31.3.2007 HK$'000 (audited)
Less than 30 days	**145,400**	178,494
31 – 60 days	**82,632**	20,785
61 – 90 days	**75,741**	282,830
Over 90 days	**1,090**	27,901
	304,863	510,010

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

Bank advances drawn on discounted trade receivables with insurance coverage (note 15) and discounted bills (note 14) 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.

19. BANK BORROWINGS

In respect of the syndicated bank loans with an aggregate carrying amount of HK$609,000,000 outstanding at 30 September 2007, the Group had breached a financial covenant contained in the loan agreement. The financial covenant requires the Group to maintain a minimum amount of consolidated net tangible assets. On discovery of the breach, the directors of the Company informed the banks and commenced renegotiation of the terms of the loans. At 30 September 2007, those negotiations, which might result in a waiver by the banks of the covenants, had not been concluded. Accordingly, the portion of loans of HK$403,376,000 repayable after one year from 30 September 2007 were classified as current liabilities in the consolidated balance sheet as at 30 September 2007.

Up to the date of issue these financial statements, the negotiations are still in progress. However, the directors of the Company are confident that an agreement would ultimately be reached with the banks and the banks will agree to waive for strictly compliance of the financial covenant. In any event, should the banks call for immediate repayment of the syndicated loans, the directors believe that adequate alternative source of finance, including refinancing from certain banks, will be available to ensure that there is no threat to the continuing operations of the Group.

20. CONVERTIBLE BONDS

On 18 April 2007, PAH issued convertible bonds of the principal amount of US$93,000,000 (approximately HK$725,400,000), which bear coupon interest rate at 4% per annum payable semi-annually in arrears. Each holder of the notes has the option to convert the notes into shares at an initial conversion price of S$1.0813 per share, subject to adjustment, at any time on or after 29 May 2007 up to close of business on 8 April 2012. The conversion price was subsequently adjusted to S$0.8553 pursuant to the rights issue of PAH in June 2007. The number of shares to be issued on conversion of a bond will be determined by dividing the principal amount of bond to be converted (translated into Singapore dollars at a fixed rate of S$1.5265 = US$1.00) by the conversion price in effect at the conversion date. PAH may purchase/redeem in whole and not in part of the notes at any time on or after 18 April 2007, at par together with accrued interest.

The fair value of the liability component was determined at issuance of the notes. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amount represents the value of the equity conversion component. The effective interest rate of the liability component is 8.85% per annum.

In June 2007, a total principal amount of US$9,100,000 (approximately HK$70,980,000) was converted into ordinary shares of PAH.

20. CONVERTIBLE BONDS – *Continued*

The movements of the liability component and equity conversion option of the convertible bonds for the period are set out as below:

	Liability component HK$'000	**Equity conversion component** HK$'000
Issue of convertible bonds	661,142	46,806
Interest expenses	23,804	–
Interest paid	(11,808)	–
Conversion	(64,692)	(4,580)
Balance at 30 September 2007	608,446	42,226

21. SENIOR NOTES

On 19 December 2006, the Group, through its subsidiary, CFGI, issued guaranteed senior fixed rate notes with aggregate nominal value of US$225,000,000 (approximately HK$1,755,000,000) (the "Notes") which carry fixed interest of 9.25% per annum and will be fully repayable by 19 December 2013.

The Notes are listed on the Singapore Exchange Securities Trading Limited. They are unsecured and guaranteed by China Fishery and certain subsidiaries of China Fishery. The guarantees are effectively subordinated to secured obligations of each guarantor, to the extent of the value of assets serving as security.

At any time prior to 19 December 2010, China Fishery may redeem the Notes in whole or in part at the principal amount of the Notes plus an applicable premium and accrued interest provided that any partial redemption shall not result in less than US$100 million of outstanding Notes. At any time prior to and up to 19 December 2009, China Fishery may redeem up to 35% of the Notes with net cash proceeds from issue of ordinary shares of China Fishery or sale of ordinary shares of CFGI at the redemption price equal to 109.25% of the principal amount of the Notes plus accrued and unpaid interests, if any, as of the redemption date.

As the risk and characteristics of the early redemption option are not closely related to the host contract. It is separately accounted for as financial derivatives and measured at fair value with changes in fair value recognised in profit and loss. The directors consider that the fair value of the redemption option is immaterial as at 30 September 2007.

The Notes contain certain covenants that limit the China Fishery's ability and the ability of certain subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred shares;
- declare dividends or purchase or redeem shares;
- make investments or other specified restricted payments;
- issue or sell shares of certain subsidiaries;
- sell assets or create any lien; and
- enter into sale and leaseback transactions.

The effective interest rates (after the consideration of issuing expenses of HK$69,865,000) on the Group's borrowing is 9.26%.

22. DEFERRED CONSIDERATION PAYABLE

During the six months ended 30 September 2007, the Group acquired an additional interest in a subsidiary for a cash consideration of US$356,000,000 (approximately HK$2,776,800,000). Included in the consideration is an amount of US$53,400,000 (approximately HK$416,520,000) which shall be paid on or before the second anniversary date of the completion of the acquisition. The amount bears interest at London Inter-Bank Offering Rate minus 2%.

23. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Issued and fully paid		
At 1 April 2007	1,201,727,753	120,173
Issue of shares as a result of rights issue	600,863,876	60,086
At 30 September 2007	1,802,591,629	180,259

On 12 June 2007, the Company issued 600,863,876 rights shares at the issue price of HK$1.55 each on the basis of one share for every existing two shares held. Net proceeds were approximately HK$911,000,000 and were used to raise sufficient funding to subscribe for its entitlement under the rights issue of PAH, a listed subsidiary of the Group.

24. ACQUISITION OF SUBSIDIARIES

During the period, the Group acquired following subsidiaries and accounted for these acquisitions using the purchase method of accounting:

Subsidiaries incorporated in Peru	Date of acquisition
Pesquera Pocoma S.A.C.	23 May 2007
Pesquera El Pilar S.A.C.	1 June 2007
Pesquera Maru S.A.C.	1 June 2007

Subsidiaries incorporated in Panama	Date of acquisition
Inversionista La Candelaria S.A.	1 June 2007
Altoreal S.A.	1 June 2007

The acquisition of the above subsidiaries is collectively referred as "Subsidiaries".

24. ACQUISITION OF SUBSIDIARIES – *Continued*

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

	Acquirees' carrying amount before combination HK$'000	Provisional fair value adjustments HK$'000	Provisional fair value HK$'000
Property, plant and equipment	80,485	46,278	126,763
Intangible assets	18,541	83,162	101,703
Inventories	499	–	499
Trade, bills and other receivables	114,067	–	114,067
Bank balances and cash	133	–	133
Trade and other payables	(108,512)	–	(108,512)
Taxation	(414)	–	(414)
Finance leases	(56,667)	–	(56,667)
Deferred taxation	(15,230)	(38,827)	(54,057)
	32,902	90,613	123,515
Goodwill arising on acquisition			170,542
Total consideration, satisfied by cash			294,057
Net cash outflow arising on acquisition:			
Cash consideration paid			294,057
Cash and cash equivalents acquired			(133)
			293,924

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 finalizing the fair values of the assets acquired.

The goodwill arising on the acquisition of Subsidiaries is attributable to the anticipated profitability of the business of the Group's fishing and fishmeal operations and the anticipated future operating synergies from the combination.

The acquisition of Subsidiaries contributed revenue of HK$4,337,000 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 2007, the total Group revenue for the period would have been HK$5,102,030,000 and profit for the period would have been HK$423,190,000. 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 2007, nor is it intended to be a projection of future results.

25. CAPITAL COMMITMENTS

	30.9.2007	31.3.2007
	HK$'000	HK$'000
	(unaudited)	(audited)
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	**432,102**	221,246

26. 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 (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 ("PAH"), 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 and the Employees filed a Defence on 2 September 2005. The Company has, through its solicitors filed its application for security for costs and requested Feoso to put up a security for the PAH's legal cost of proceedings in case Feoso's claim fails. The Company request for security is still under negotiation by the relevant parties. On 11 April 2007, the court issued an order for the parties to the court proceedings to exchange lists of documents and written statements.

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) Certain members of the Group are parties to legal processes in Peru. These relate to environmental matters, former employees and miscellaneous claims. The Group's legal advisor has advised the Group that US$1,490,000 (approximately HK$11,622,000) of these claims is likely to have unfavourable outcome for the Group and the outcome for claims of US$584,000(approximately HK$4,555,000) cannot be reasonably ascertained. Additionally, there are claims which the legal advisor has opined to have remote chances of resulting in unfavourable outcomes for the Group.

The Group had made a provision of US$1,490,000 (approximately HK$11,622,000) for these claims where the outcome is likely to be unfavourable to the Group. Save as disclosed above, no member of the Group in engaged in any litigation or claims of material importance known to the Directors to be pending and threatened against any members of the Group.

27. PLEDGE OF ASSETS

At 30 September 2007, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$293,647,000 (31.3.2007: HK$297,747,000) and HK$53,200,000 (31.3.2007: HK$32,100,000) respectively, as collateral for mortgage loans granted to certain subsidiaries by certain banks. In addition to the above, property, plant and equipment and inventories of a subsidiary in United States of HK$6,354,000 (31.3.2007: HK$8,472,000) and HK$199,940,000 (31.3.2007: HK$234,001,000), respectively, were pledged as security for general banking facilities granted for that subsidiary.

Inventories of fishmeal of HK$31,200,000 (31.3.2007: HK$83,380,000) were also pledged as security for the revolving inventory financing facilities obtained from banks for a subsidiary in Peru.

In addition, shares and net assets amounted to HK$796,311,000 (31.3.2007: HK$894,370,000) of certain subsidiaries were pledged as securities for syndicated bank loan facilities obtained from banks.

28. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30.9.2007	30.9.2006
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of frozaen seafood *(note i)*	**183,796**	254,245
Purchase of frozen seafood *(note i)*	**10,913**	17,126
Agency income *(note ii)*	**2,500**	2,800

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 percertange 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$27,382,000 (31.3.2007: HK$43,029,000) which were drawn from discounting trade receivables with insurance coverage of an associate of HK$30,424,000 (31.3.2007: HK$47,810,000).

29. SUBSEQUENT EVENT

On 10 October 2007, the Group acquired new plant in Peru at a consideration of US$15,250,000 (approximately HK$118,950,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2007 ("1HFY2008"), the Group continued to record financial growth on the back of steadily increasing demand for seafood worldwide. During the period under review, the Group achieved a total turnover of HK$5,085.0 million, up 34.2% from HK$3,789.8 million in the last corresponding period.

In 1HFY2008, the Group further tapped the value of its rapidly growing upstream fishing division. Through Singapore-listed subsidiary Pacific Andes (Holdings) Limited ("PAH"), the Group raised its effective stake in China Fishery Group Limited ("China Fishery") from 18.4% to 40.8% in late July 2007. This stake increase was funded through a US$93 million (approximately HK$725.4 million) convertible bond issue and rights issue executed by PAH. To subscribe to PAH's rights, the Company itself also completed a rights issue in June 2007, which has effectively enlarged the Company's share capital base from 1,201,727,753 shares to 1,802,591,629 shares.

Fishing Division

During the review period, the fishing division recorded HK$1,606.7 million in revenue, 184.1% more against HK$565.5 million in 1HFY2007. The Group significantly enhanced the earning capabilities of this division by increasing Vessel Operating Agreements ("VOAs") and establishing new fishmeal processing operations in Peru.

In 1HFY2008, the fishing division operated a total of 23 supertrawlers in the Pacific Ocean under 4 VOAs. It also acquired 16 fishing vessels and 3 fishmeal plants in Peru for its fishmeal processing operations, bringing the total to 34 fishing vessels and 6 fishmeal plants as at the end of the reporting period.

To enhance the proportion of earnings contributed, the Group raised its effective stake in China Fishery from 18.4% to 40.8%. As the transaction was completed only late into 1HFY2008, the effects of contribution are yet to be reflected fully. In spite of this, the Group has already captured part of the value of raising its stake in China Fishery, which increased its segmental contribution to Group sales to 31.6% in 1HFY2008, from 14.9% in 1HFY2007.

Frozen Fish Supply Chain Management ("SCM") Division

Bolstered by continually rising demand for fish for both domestic consumption and re-export purposes, the People's Republic of China (the "PRC") remained a robust market for the Group. As one of the PRC's largest frozen fish importer, the SCM division recorded a segmental turnover of HK$2,118.2 million in 1HFY2008, which stood at 41.7% of Group total sales. This also represented a 25.9% increase from HK$1,682.7 million achieved in the same period last year.

Business Review – *Continued*

Processing and Distribution Division

The Group's processing and distribution division recorded a turnover of HK$1,354.8 million in 1HFY2008, or 26.6% of the Group's total sales for the period.

In mid-2007, various imported products from the PRC, including pet food, toys, medical products and farm-raised seafood, were affected under import alerts issued by the Food and Drug Administration ("FDA") and also manufacturer recalls within the United States ("US"). Although the Group's PRC's operations do not involve any farm-raised seafood, and none of the Group's products were involved in the safety issues or rejection from any country, general consumer perception towards all Chinese products in the US has been adversely affected. This has resulted in declined orders from the North American market for the Group during the period under review.

Following this series of incidents, the PRC Entry-Exit Inspection and Quarantine Bureau ("CIQ") stepped up on controls of US, Europe and Japan-bound export products. As a result of the more frequent and stringent safety checks conducted by CIQ, shipment of products now takes an extensively longer process; the Group's production and delivery schedules have also been affected as a result.

Compounding this issue, one of the Group's fish processing facilities in Qingdao, PRC, was affected by two flash floods that occurred over August and September 2007. Operations at this facility were halted for one month, but production has since resumed, and the necessary insurance claims lodged.

The above reasons have collectively attributed to an 11.9% year-on-year decline in segmental sales generated by the processing and distribution division in 1HFY2008.

Financial Review

Results

In 1HFY2008, the Group recorded a total turnover of HK$5,085.0 million, a 34.2% increase from HK$3,789.8 million year-on-year. The growth was driven primarily by increased contribution from China Fishery and strong organic sales growth achieved in the frozen fish SCM division, while offset by weaker performance arising from unforeseen circumstances in the processing division.

Gross profit rose 47.9% to HK$903.6 million, while EBITDA (i.e. earnings before interest, tax, depreciation and amortization) surged 45.6% to HK$848.6 million, reflecting the effects of integrating high-margin fishing operations into the Group's business.

In line with a larger scope of operations, the Group experienced rising operating expenses. Finance expenses during 1HFY2008 increased because of the issue of senior notes, convertible bonds as well as syndicated loan facility was drawn down to finance the construction of the Group's new processing plant in Hongdao, the PRC. Increases in other expenses were due to the issuing expenses of PAH's convertible bond and rights issue undertaken during the review period. Notwithstanding these factors, profit for the period increased 13.9% to HK$422.3 million. In this period, the Group recorded a gain of HK$24.7 million on the deemed dilution of interest in PAH, arising from the conversion of some PAH convertible bonds into PAH shares.

Financial Review – *Continued*

Results – Continued

Net profit attributable to equity holders of the company increased 6.5% to HK$187.5 million. Earnings per share recorded HK11.5 cents (1HFY2007: HK13.9 cents), as a result of an increased share base attributable to the rights issue carried out by the Company in June 2007.

In terms of profit margins, the Group's gross margin improved from 16.1% in 1HFY2007 to 17.8% in 1HFY2008. EBITDA margin improved from 15.4% to 16.7%, while profit for the period margin declined from 9.8% to 8.3%, for reasons as explained above.

Performance by Markets

Analysing sales by geographical areas, the PRC remained as the largest market for the Group. Sales to the PRC recorded HK$2,612.6 million in 1HFY2008, a 39.1% increase against the same period last year. The amount made up 51.4% (1HFY2007: 49.6%) of Group total turnover. On increased sales of premium fish products, sales to East Asia surged 146.5% to HK$878.8 million, accounting for 17.3% (1HFY2007: 9.4%) of Group's turnover. Sales to Europe increased by 7.0% to HK$891.7 million, accounting for 17.5% (1HFY2007: 22.0%) of 1HFY2008 total turnover. Due to temporarily dampened consumer demand, sales to North America decreased 7.1% to HK$653.0 million, which accounted for 12.8% (1HFY2007: 18.5%) of total sales.

Liquidity, Financial Resources and Capital Structure

In the period under review, the Group maintained a sound financial position. It increased its total equity by enlarging the Company's share capital through a rights issue and increasing retained earnings. As at 30 September 2007, the Group's total equity amounted to HK$5,044.0 million, as compared to HK$3,901.6 million as at 31 March 2007.

As at the end of the review period, the Group held total assets valued at HK$12.2 billion, up 20.2% from HK$10.1 billion as at 31 March 2007. Of this, HK$375.4 million are in cash and bank balances. Non-current assets, which comprised mainly of fixed assets, goodwill and deferred charter hire fees increased substantially to HK$7,282.6 million over 1HFY2008. This increase is mainly to the fishing division's expansion activities, as well as significant goodwill arising from PAH's stake increase in China Fishery. Current assets, including trade and related receivables, decreased slightly to HK$4,897.4 million in line with industry seasonality patterns. As at the end of the period, the Group maintained net current assets of HK$1,294.3 million.

The Group increased its interest-bearing borrowings in the period under review to HK$5,455.8 million as at 30 September 2007 from HK$5,130.6 million as at 31 March 2007, attributable mainly to PAH's convertible bonds, which offset decreased trade-related borrowings that are in line with a seasonally lower period.

Correspondingly, gearing ratio, being total debts to total assets as at 30 September 2007 stood at 45%, as compared to 51% as at 31 March 2007.

The Group's major borrowings are in US Dollars and carry non-fixed interest rates, except for the abovementioned China Fishery senior notes and PAH convertible bonds. As the Group's revenue is mainly denominated in US Dollars and major payments are made in either US Dollars or HK Dollars, it faces relatively low currency risks.

Financial Review – *Continued*

Dividend

In line with the Group's past practice of distributing dividends at the end of each financial year, the Board of Directors has not recommended any interim dividend for the six months ended 30 September 2007.

Employees and Remuneration

As at 30 September 2007, the Group employed a total of 7,700 employees on both a permanent as well as contractual basis worldwide. The Group adopts a localised remuneration policy that is in line with the respective geographical markets, and has in place a share award plan to further incentives eligible directors and staff.

Prospects

Global Demand for Seafood

The Group expects strong global and in particular Chinese demand to underpin its future performance. As a result of rising consumption, the PRC is importing more frozen fish and stepping up on aquaculture production annually. Its significance as a global processing base for seafood should also remain, as high efficiencies and a good industry infrastructure continues to draw seafood companies to source from the PRC. The Group's businesses in fishmeal processing, fishing, trading and processing are all well positioned to tap into the opportunities presented in each of these areas.

On the other hand, the management is confident that US demand should return to normal progressively, as the US FDA and PRC CIQ cooperate to develop measures to enforce the safety of Chinese imported products and restore consumer confidence. Prior to the food safety incidences, American consumption of seafood has been on a general rising trend for the past five years, according to statistics from the National Marine Fisheries Service. As the US should continue to rely significantly on external imports of seafood to meet domestic demand, the long-term outlook on the North American market remains positive for the Group.

Responding to a growing demand for seafood worldwide, the Group will continue to execute its strategy of increasing access to fish resources on the upstream level, such as increasing its fishing capabilities or making acquisitions in strategic fishing nations. It also aims to develop its operations downstream to engage in higher value-added activities, and strive to increase operational efficiencies so as to maximise the profits from current operations. Some of the immediate plans include:

1. South Pacific Expansion

   The fishing division will focus on developing its South Pacific operations in the near-term. It is currently carrying out enhancement works to selected supertrawlers that are to be deployed to the South Pacific Ocean for the fishing of a new fish species - Chilean Jack Mackerel - in 2008. Having enlarged its fleet and processing capacities significantly in the year to date, the Group will continue to improve the efficiencies of its fishing and fishmeal processing operations in Peru. It will also maintain a lookout for attractive acquisitive opportunities that can strengthen its competitive edge in the industry.

Prospects – *Continued*

Global Demand for Seafood – Continued

2. Increasing Transportation Fleet

   The Group is continually looking into opportunities to expand its transportation fleet owned under the frozen fish SCM division. Due to a prolonged global shortage in reefer vessel capacity, expanding the Group's self-owned transportation fleet will allow it to reduce chartering expenses, which can rise significantly during peak fishing seasons.

3. Hongdao Processing Plant

   The processing division's new processing complex located in Hongdao of the PRC is scheduled to begin trial operations in early-2008. Through the new facility, the Group will be better placed to meet the demand for value-added seafood products, particularly from the American and European markets. It can also expect to rationalise production, optimise output, minimise raw material wastages and use water and energy resources more efficiently.

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

PURCHASE, SALE OR REDEMPTION

During the six months ended 30 September 2007, 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 2007.

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 2007.

The interim financial reports have been reviewed by the Company's auditors, in accordance with Hong Kong Standard on Review Engagements 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity".

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 2007 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 Ng Swee Hong, founder of the Company, was Chairman of the Board until he passed away on 16 September 2006. As a transitional arrangement, Executive Director Teh Hong Eng provisionally assumed the role of Chairperson from 17 September 2006 to 18 April 2007.

On 19 April 2007, Teh Hong Eng was formally appointed as Chairperson of the Company to succeed the late Ng Swee Hong. Ng Joo Siang, who has been the Managing Director of the Company, was appointed as the Vice-Chairman of the Company.

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 2007, 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 *(Note)*	–	1,059,600	0.06%
Ng Puay Yee	2,116,800	–	0.12%

Note: These shares 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*

Save as disclosed above, as at 30 September 2007, 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.

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

Save as disclosed below, as at 30 September 2007, 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	946,710,913	51.10%
Cheah Cheng Hye *(Note 2)*	Beneficial owner	162,200,754	9.00%
Leung Hok Pang	Beneficial owner	96,118,000	5.33%

Notes:

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

(2) Cheah Cheng Hye holds a total of 162,200,754 shares by virtue of his deemed interest in the shares held by Value Partners Limited.

SUNSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY – *Continued*

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
Vice-Chairman and Managing Director

Hong Kong, 28 December 2007

As at the date of this report, the executive directors of the Company are Madam Teh Hong Eng, Mr. Ng Joo Siang, Mr. Ng Joo Kwee, Mr. Ng Joo Puay, Frank and Ms. Ng Puay Yee 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 1 to 21, which comprises the condensed consolidated balance sheet of Pacific Andes International Holdings Limited as of 30 September 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 December 2007