PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

For the six months ended 30 September 2008

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 2008 together with the unaudited comparative figures for the corresponding period in 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended	
		30.9.2008	30.9.2007
	Notes	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
Turnover	*3*	**5,460,116**	5,084,980
Cost of sales		**(4,592,791)**	(4,181,375)
Gross profit		**867,325**	903,605
Other income	*4*	**62,915**	95,689
Selling and distribution expenses		**(135,473)**	(119,421)
Administrative expenses		**(160,944)**	(174,757)
Other expenses		**(7,426)**	(30,900)
Gain on deemed acquisition of additional interest in a subsidiary	*5*	**5,805**	–
Gain on dilution of interest in a subsidiary	*6*	**–**	24,721
Finance costs		**(254,311)**	(255,607)
Share of results of associates		**(625)**	637
Profit before taxation	*7*	**377,266**	443,967
Taxation	*8*	**(7,091)**	(21,629)
Profit for the period		**370,175**	422,338
Attributable to:			
Equity holders of the Company		**189,795**	187,494
Minority interests		**180,380**	234,844
		370,175	422,338
Dividend	*9*	**–**	–
Earnings per share	*10*		
Basic		**HK10.4 cents**	HK11.5 cents
Diluted		**HK10.4 cents**	HK10.7 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Notes	**As at 30 September 2008 HK$'000 (unaudited)**	As at 31 March 2008 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**3,299,029**	2,864,425
Investment properties	*11*	**230,764**	213,522
Prepaid lease payments		**33,415**	33,438
Goodwill	*12*	**2,775,982**	2,729,782
Deferred charter hire	*13*	**1,576,640**	1,662,960
Interests in associates		**12,902**	13,527
Other intangible assets	*14*	**597,862**	493,894
Other long term receivable		**928**	928
		8,527,522	8,012,476
CURRENT ASSETS			
Inventories		**1,744,049**	1,933,488
Trade, bills and other receivables	*15*	**3,361,042**	3,633,602
Trade receivables with insurance coverage	*16*	**238,458**	196,352
Trade receivables from associates	*17*	**51,765**	77,933
Amounts due from associates		**22,114**	25,756
Amount due from a jointly-controlled entity		**1,318**	1,318
Tax recoverable		**54,948**	3,708
Pledged deposits		**2,605**	539
Bank balances and cash		**431,259**	376,025
		5,907,558	6,248,721
CURRENT LIABILITIES			
Trade and other payables	*18*	**529,550**	696,616
Bank advances drawn on discounted trade receivables with insurance coverage and discounted bills	*19*	**392,702**	266,586
Amounts due to associates		**8,539**	10,138
Dividend payable		**100,548**	–
Deferred consideration payable	*23*	**514,755**	–
Taxation		**40,372**	40,181
Obligation under finance leases – due within one year		**43,281**	22,706
Bank borrowings – due within one year	*20*	**3,036,971**	3,898,642
		4,666,718	4,934,869
NET CURRENT ASSETS		**1,240,840**	1,313,852
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,768,362**	9,326,328

CONDENSED CONSOLIDATED BALANCE SHEET – *Continued*
As at 30 September 2008

	Notes	**As at 30 September 2008 HK$'000 (unaudited)**	As at 31 March 2008 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Obligation under finance leases			
– due after one year		**82,180**	44,599
Bank borrowings – due after one year	*20*	**983,312**	414,509
Statutory employees' profit share		**61,949**	64,043
Convertible bonds	*21*	**636,748**	622,199
Senior notes	*22*	**1,702,602**	1,697,610
Deferred taxation		**321,549**	255,743
Deferred consideration payable	*23*	**18,943**	416,520
		3,807,283	3,515,223
NET ASSETS		**5,961,079**	5,811,105
CAPITAL AND RESERVES			
Share capital	*24*	**182,814**	182,814
Share premium and reserves		**3,394,051**	3,310,653
Equity attributable to equity holders of the Company		**3,576,865**	3,493,467
Equity component of convertible bonds of a listed subsidiary	*21*	**42,226**	42,226
Minority interests		**2,341,988**	2,275,412
TOTAL EQUITY		**5,961,079**	5,811,105

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	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 2007 (audited)	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 difference 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 interests 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 (unaudited)	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
At 1 April 2008 (audited)	182,814	1,794,174	175,990	97,586	(52,655)	(135,913)	9,800	1,421,671	3,493,467	42,226	2,275,412	5,811,105
Surplus on revaluation of properties	–	–	6,364	–	–	–	–	–	6,364	–	6,571	12,935
Deferred tax liability arising on revaluation of properties	–	–	(7)	–	–	–	–	–	(7)	–	–	(7)
Exchange difference on translation of foreign operations	–	–	–	(12,206)	–	–	–		(12,206)	–	(863)	(13,069)
Net expense recognised directly in equity	–	–	6,357	(12,206)	–	–	–	–	(5,849)	–	5,708	(141)
Profit for the period	–	–	–	–	–	–	–	189,795	189,795	–	180,380	370,175
Total recognised income and expense for the period	–	–	6,357	(12,206)	–	–	–	189,795	183,946	–	186,088	370,034
Acquisition of addition interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(5,805)	(5,805)
Contributions from minority shareholders	–	–	–	–	–	–	–	–	–	–	1,902	1,902
Dividend paid	–	–	–	–	–	–	–	–	–	–	(115,609)	(115,609)
Declared final dividend	–	–	–	–	–	–	–	(100,548)	(100,548)	–	–	(100,548)
At 30 September 2008 (unaudited)	182,814	1,794,174	182,347	85,380	(52,655)	(135,913)	9,800	1,510,918	3,576,865	42,226	2,341,988	5,961,079

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**722,277**	1,500,607
Net cash used in investing activities		
Acquisition of additional interest of a subsidiary	**–**	(2,360,280)
Purchase of property, plant and equipment	**(247,219)**	(594,489)
Acquisition of subsidiaries	**(119,568)**	(293,924)
Other investing cash flows	**23,010**	(36,224)
	(343,777)	(3,284,917)
Net cash (used in) from financing activities		
Issue of rights shares	**–**	910,909
Contribution from minority interests	**1,902**	654,663
Net proceeds from issuance of convertible bonds	**–**	707,948
Dividend paid to minority shareholders	**(115,609)**	(52,945)
Syndicated loans repaid	**(520,000)**	–
Syndicated loans raised	**1,248,000**	–
Other financing cash flows	**(910,639)**	(351,045)
	(296,346)	1,869,530
Net increase in cash and cash equivalents	**82,154**	85,220
Cash and cash equivalents at beginning of the period	**376,025**	287,926
Effect of foreign exchange rate changes	**(26,920)**	2,298
Cash and cash equivalents at end of the period	**431,259**	375,444
Representing:		
Bank balances and cash	**431,259**	375,444

Notes:

1. BASIC OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008, except as described below.

In the current period, the Group has applied, for the first time, a number of new amendments and interpretations (hereinafter collectively referred to as the "new Amendments and Interpretations") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new Amendments and Interpretations 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 standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods beginning on or after 1 July 2008.
[5] Effective for annual periods beginning on or after 1 October 2008.

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The turnover and segment results of the Group for the six months ended 30 September 2008 and 2007, 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 ("Frozen fish SCM"), fish fillets processing and distribution, fishing and fishmeal and others.

For the six months ended 30 September 2008

	Frozen fish SCM HK$'000 (unaudited)	**Fish fillets processing and distribution** HK$'000 (unaudited)	**Fishing and fishmeal** HK$'000 (unaudited)	**Others** HK$'000 (unaudited)	**Elimination** HK$'000	**Consolidated** HK$'000 (unaudited)
TURNOVER						
External Sales	**2,042,539**	**1,659,278**	**1,749,441**	**8,858**	**–**	**5,460,116**
Inter-segment sales	**–**	**–**	**90,749**	**–**	**(90,749)**	**–**
Total	**2,042,539**	**1,659,278**	**1,840,190**	**8,858**	**(90,749)**	**5,460,116**
RESULT						
Segment results	**114,471**	**81,968**	**399,591**	**2,333**	**–**	**598,363**
Unallocated corporate income						**46,723**
Unallocated corporate expenses						**(18,689)**
Gain on deemed acquisition of additional interest in a subsidiary	**5,805**	**–**	**–**	**–**	**–**	**5,805**
Finance costs						**(254,311)**
Share of results of associates						**(625)**
Profit before taxation						**377,266**
Taxation						**(7,091)**
Profit for the period						**370,175**

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

3. TURNOVER AND SEGMENT INFORMATION – *Continued*

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	–	–	–	24,721
Finance costs					(255,607)
Share of results of associates					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.

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	
	30.9.2008 **HK$'000** **(unaudited)**	30.9.2007 HK$'000 (unaudited)
PRC	**2,616,524**	2,612,597
North America	**699,571**	653,030
South America	**–**	26,975
Europe	**1,148,567**	891,696
East Asia	**852,441**	878,789
Others	**143,013**	21,893
	5,460,116	5,084,980

4. OTHER INCOME

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Gross rental income	**3,226**	744
Agency income	**3,267**	2,500
Fair value changes on investment properties	**13,805**	15,032
Reversal of revaluation decrease of land and buildings previously charged to income statement	**–**	6,127
Interest income	**32,930**	49,420
Exchange gain, net	**4,047**	7,442
Sundry income	**5,640**	14,424
	62,915	95,689

5. GAIN ON DEEMED ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

In July 2008, Pacific Andes (Holdings) Limited ("PAH"), a non-wholly owned subsidiary of the Company announced the final results and recommended the payment of final dividend of 2.07 Singapore cents (approximately HK11.86 cents) per share with a scrip dividend alternative to offer the right to shareholders to elect to receive the final dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash dividend.

In September 2008, the Group elected to receive the final dividend wholly by allotment of new shares credited as fully paid in lieu of cash dividend. Consequent to the allotment of new shares, the Company's interests in PAH was increased from 63.82% to 64.85%, resulting in a gain on deemed acquisition of additional interest in PAH of HK$5,805,000.

6. GAIN ON DILUTION OF INTEREST IN A SUBSIDIARY

In April 2007, PAH issued convertible bonds with the principal amount of US$93,000,000 (approximately HK$725,400,000) (note 21). US$9,100,000 (approximately HK$70,980,000) out of US$93,000,000 (approximately HK$725,400,000) was converted into ordinary shares of PAH in June 2007. The Company's interests 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.

7. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of deferred charter hire (included in cost of sales)	**86,320**	86,320
Amortisation of prepaid lease payments	**140**	140
Depreciation	**58,288**	62,547
Loss on disposal of property, plant and equipment	**5,581**	693

8. TAXATION

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
– Hong Kong	**2,760**	5,151
– Other jurisdictions	**13,596**	28,614
	16,356	33,765
Overprovision in prior year		
– Other jurisdictions	**(27,088)**	–
	(10,732)	33,765
Deferred taxation	**17,823**	(12,136)
Tax charge for the period	**7,091**	21,629

Hong Kong Profits Tax is calculated at 16.5% (2007: 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 the 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.

9. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 and 2007.

On 5 September 2008, the Company declared a final dividend of HK5.5 cents per share for the year ended 31 March 2008 with a scrip alternative to offer the right to shareholders to elect to receive the final dividend by allotment of new shares. Subsequent to 30 September 2008, 59,910,479 shares of HK$0.10 each in the Company were issued at HK$0.92 per share as scrip dividend and cash dividend of HK$45,430,346 were paid.

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 30 September 2007, 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.

10. 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	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculation of basic earnings per share	**189,795**	187,494
Effect of dilution arising on potential conversion of convertible bonds issued by a subsidiary	**–**	(13,160)
Earnings for the purpose of calculation of diluted earnings per share	**189,795**	174,334
Weighted average number of ordinary shares for the purposes of calculation of basic and diluted earnings per share	**1,828,145,210**	1,633,975,405

The diluted earnings per share have not taken into account the potential conversion of convertible bonds issued by a subsidiary for the six months ended 30 September 2008 as it would result in increase in earnings per share.

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

During the six months ended 30 September 2008, the Group spent HK$7,507,000 on freehold buildings, HK$11,458,000 on leasehold improvements, HK$9,666,000 on furniture, fixtures and office equipment, HK$25,306,000 on plant and machinery, HK$3,372,000 on motor vehicles and HK$688,000 on vessels.

In addition, the Group incurred HK$237,845,000 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 25, the Group through acquisition of subsidiaries, acquired certain property, plant and equipment at a provisional fair value of HK$200,984,000.

The Group's leasehold land and buildings classified as property, plant and equipment were revalued by BMI Appraisals Limited and LLC Apex Group, independent property valuers, at 30 September 2008. The valuation was based on direct comparison approach. BMI Appraisals Limited and LLC Apex Group have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The resulting revaluation surplus of HK$12,935,000 and deficit of HK$57,000 have been credited to the property revaluation reserve and charged to income statement respectively.

During the six months ended 30 September 2008, the Group disposed of property, plant and equipment with a carrying amount of HK$10,702,000 to independent third parties for HK$5,121,000.

The Group's investment properties were revalued by BMI Appraisals Limited and Bogeria Consulting Company, independent property valuers, at 30 September 2008. The valuation was based on investment approach by taking into account the current rents passing and the reversionary income potential of tenancies. The resulting increase in fair value of investment properties of HK$13,805,000 has been recognised directly in the income statement.

12. GOODWILL

	30.9.2008	31.3.2008
	HK$'000	HK$'000
	(unaudited)	(audited)
GROSS AMOUNT		
At beginning of period/year	**2,743,137**	512,116
Arising on the acquisition of subsidiaries *(note 25)*	**46,200**	127,228
Arising on the acquisition of additional interest in a subsidiary	**–**	2,083,256
Adjustment to goodwill provisionally determined	**–**	20,537
At end of period/year	**2,789,337**	2,743,137
IMPAIRMENT		
Impairment loss recognised in the year ended 31 March 2006 and balance at 31 March 2008 and 30 September 2008	**(13,355)**	(13,355)
CARRYING AMOUNT		
At end of period/year	**2,775,982**	2,729,782

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 22 July 2009, 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 the minority interest is debited to "other reserve". The difference between the consideration paid and the fair value of the additional interest acquired is recognised as goodwill at an amount of HK$2,083,256,000.

The Group operates and manages a number of fishing vessels and fishmeal processing plants in the Pacific Ocean. The directors believe that the acquisition of the additional 45% interests will achieve greater cross-leverage with other businesses of the Group through further increased management control which offers short term and mid-term opportunities and commercial benefits to the Group as a whole. The goodwill represents a payment made by the Group in anticipation of future economic from assets that are not capable of being individually identified and separately recognised.

12. GOODWILL – *Continued*

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to four cash generating units ("CGUs") before impairment. The carrying amounts of goodwill after impairment as at 30 September 2008 allocated to the units as follows:

	30.9.2008	31.3.2008
	HK$'000	HK$'000
	(unaudited)	(audited)
Frozen fish SCM operation – PAH	**13,245**	13,245
Fish fillets processing and distribution operation – National Fish and Seafood Inc.	**15,594**	15,594
Pacific Ocean fishing operation – China Fisheries Internatioal Limited	**1,766,268**	1,766,268
Peruvian fishing and fishmeal operations – CFG Investment S.A.C. ("CFGI")	**980,875**	934,675
	2,775,982	2,729,782

The recoverable amounts of these CGUs have been determined on value in use calculations. The CGUs operates 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 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 2008, 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. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rates of 20% (31.3.2008: 15.25%) for the fish fillets CGU and 20% (31.3.2008: 20%) for the frozen fish CGU are 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 in use of the Pacific Ocean fishing and Peruvian fishing and fishmeal operations at 30 September 2008. Based on the report of the valuer dated 19 December 2008 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.

12. 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 2018 (31.3.2008: 2017) 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 for the industry;

(ii) growth rate 3.3% per annum during the forecast period (31.3.2008: 3.3%); and

(iii) use of 13.43% (31.3.2008: 10.9%) for Pacific Ocean fishing operations and use of 18.29% (31.3.2008: 14.0%) for Peruvian fishing and fishmeal operations to discount the projected cash flows to net present values.

13. 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.

14. OTHER INTANGIBLE ASSETS

Other intangible assets comprise fishing permits of HK$573,899,000 (31.3.2008: HK$469,931,000) granted by the authority in Peru with indefinite useful lives and club debentures of HK$23,963,000 (31.3.2008: HK$23,963,000).

During the period, the Group acquired fishing permits through the acquisition of a subsidiary with a provisional fair value of HK$81,312,000.

Fishing permits are granted by the authority in Peru. The fishing permits are attached to fishing vessels and are transferable to other vessels of no bigger capacity should the original vessels become obsolete or sink. The cost of purchase of a fishing vessel and the attached permit arising from acquiring the subsidiary are allocated to the respective components of assets acquired on the basis of valuation reports prepared by independent third party valuer in Peru.

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. Accordingly, the cost of fishing permits are not amortised. During the period, the authority in Peru announced a change to its fishing system from an "Olympic" system to the Individual Transferable Quota system, which targeted at enhancing the competitiveness of the Peruvian fishing industry. Under the new fishing system, fishing companies currently holding valid licensed fishing vessels in Peru are entitled to a share of fishing quotas, which will be determined by the government. The Group is in the process of evaluating the effect of this change and is still not in the position to reasonably estimate the impact that may arise from the change of fishing system in Peru.

Club memberships have infinite life and are not amortised.

15. TRADE, BILLS AND OTHER RECEIVABLES

	30.9.2008	31.3.2008
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade receivables	**1,067,071**	1,502,428
Bills receivables	**206,113**	19,011
Current portion of prepaid lease payments	**908**	897
Current portion of deferred charter hire	**172,640**	172,640
Deferred expenditure	**223,029**	195,707
Prepayments for frozen fish	**1,354,732**	1,358,646
Deposits and other receivables	**336,549**	384,273
	3,361,042	3,633,602

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 external trade customers. The aged analysis of trade receivables and bills receivables at the balance sheet date is as follows:

	30.9.2008	31.3.2008
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**633,419**	744,478
31 – 60 days	**191,633**	421,327
61 – 90 days	**124,423**	227,315
91 – 120 days	**124,392**	66,358
Over 120 days	**199,317**	61,961
	1,273,184	1,521,439

Included in the bills receivables are amounts of HK$206,113,000 (31.3.2008: HK$19,011,000) in respect of bills discounted to certain banks under the bills discounting advance facilities.

Included in prepayments made for the purchase of frozen fish inventories is amount of HK$223,110,000 (31.3.2008: nil) which carries interest at rates of 7.5% per annum. The remaining amounts are unsecured and interest-free.

16. TRADE RECEIVABLES WITH INSURANCE COVERAGE

Included in the trade receivables with insurance coverage are discounted trade receivables of HK$238,458,000 (31.3.2008: HK$196,352,000) which have been discounted to certain banks under the receivable discounting advance facilities (note 19).

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

	30.9.2008	31.3.2008
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**132,111**	118,809
31 – 60 days	**79,365**	48,370
61 – 90 days	**22,810**	22,957
91 – 120 days	**592**	3,662
Over 120 days	**3,580**	2,554
	238,458	196,352

17. 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.

18. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$273,691,000 (31.3.2008: HK$395,433,000). The aged analysis of trade payables at the balance sheet date is as follows:

	30.9.2008	31.3.2008
	HK$'000	HK$'000
	(unaudited)	(audited)
Less than 30 days	**271,601**	251,440
31 – 60 days	**2,090**	119,649
61 – 90 days	**–**	11,619
Over 90 days	**–**	12,725
	273,691	395,433

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

Bank advances drawn on discounted trade receivables with insurance coverage (note 16) and discounted bills (note 15) represent advances from bank on discounting certain trade receivables with insurance coverage and bills receivable under the receivable discounting facilities.

20. BANK BORROWINGS

	30.9.2008	31.3.2008
	HK$'000	HK$'000
	(unaudited)	(audited)
Bank borrowings comprise:		
Trust receipt and bank loans	**2,693,157**	3,684,299
Syndicated loans	**1,248,000**	520,000
Mortgage loans	**92,004**	101,840
Bank overdrafts	**7,053**	7,012
	4,040,214	4,313,151
Less: upfront fee of syndicated loan	**(19,931)**	–
	4,020,283	4,313,151

The maturity of bank borrowings is as follows:

	30.9.2008	31.3.2008
Within one year	**3,036,971**	3,898,642
In the second year	**370,369**	143,646
In the third year	**370,392**	136,934
In the fourth year	**220,569**	106,147
In the fifth year	**8,454**	10,818
Over five years	**13,528**	16,964
	4,020,283	4,313,151
Amount due within one year shown under current liabilities	**(3,036,971)**	(3,898,642)
Amount due after one year	**983,312**	414,509

20. BANK BORROWINGS – *Continued*

On 20 May 2008, the Group has signed an agreement with a group of 11 international and local banks for a syndicated loan of US$160 million (approximately HK$1.25 billion) and settled the original syndicated bank loans in full. The syndicated loans, comprising two tranches, has a tenure of 4 years (US$100 million (approximately HK$780 million)) and (US$60 million (approximately HK$468 million)), which carries an annual interest margin of London Interbank Offer Rate plus 1.25% per annum, are secured over the shares of certain subsidiaries of the Group. At 30 September 2008, the Group had fully drawn down the first and second tranches of syndicated loans.

21. CONVERTIBLE BONDS

On 18 April 2007, PAH issued convertible bonds with a 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 antidilutive 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 the bond to be converted (using a fixed rate of S$1.5265 = US$1.00) by the conversion price in effect at the conversion date. PAH has an early redemption option to redeem in whole and not in part of the notes at any time on or after 18 April 2009 at the pre-determined redemption amounts, subject to satisfaction of certain conditions set out in the bond agreement. The fair value of such early redemption option at the date of issue and balance sheet date is insignificant.

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.

If the bonds are not converted, they will be redeemed on 18 April 2012 at par. Interest of 4% per annum will be paid semi-annually until settlement date.

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

	Liability component HK$'000	**Equity conversion component** HK$'000
Issue of convertible bonds	661,142	46,806
Interest expense	50,742	–
Interest paid	(24,993)	–
Conversion	(64,692)	(4,580)
Balance at 31 March 2008	622,199	42,226
Interest expense	27,605	–
Interest paid	(13,056)	–
Balance at 30 September 2008	636,748	42,226

22. 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 million) (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, CFGI may redeem the Notes in whole or in part at the principal amount of the Notes plus pre-determined premium and accrued interest provided that any partial redemption shall not result in less than US$100 million (approximately HK$780 million) of outstanding Notes. At any time prior to and up to 19 December 2009, CFGI 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 2008.

The Notes contain certain covenants that limit 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 borrowings is 9.26%.

The net carrying amount of the Notes is stated net of issue expenses totalling US$8,957,000 (approximately HK$69,865,000). Such expenses are amortised over the life of the Notes by charging the expenses to the income statement and increasing the net carrying amount of the Notes with the corresponding amount. As of 30 September 2008, accumulated amortisation amounted to HK$17,468,000 (31.3.2008: HK$12,476,000).

23. DEFERRED CONSIDERATION PAYABLE

During the six months ended 30 September 2008, the Group acquired three subsidiaries for a cash consideration of US$33,575,000 (approximately HK$261,887,000). Included in the consideration is an amount of US$17,000,000 (approximately HK$132,600,000) which shall be paid by seven quarterly instalments at an interest rate of 8.323% from June 2008 to December 2009.

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 22 July 2009, the second anniversary date of the completion of the acquisition. The early repayment is at the option of the Group. The amount bears interest at London Interbank Offer Rate minus 2%.

24. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
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
Issue of shares as scrip dividend	25,553,581	2,555
At 1 April 2008 and 30 September 2008	1,828,145,210	182,814

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.

On 1 November 2007, 25,553,581 shares of HK$0.10 each in the Company were issued at HK$2.17 per share as scrip dividend.

25. ACQUISITION OF SUBSIDIARIES

During the six months ended 30 September 2008, the Group acquired following subsidiaries and accounted for these acquisitions using the purchase method of accounting:

Subsidiaries incorporated in Peru	Date of acquisition
Epesca Pisco S.A.C.	13 April 2008
Pesquera Ofelia SRL	27 May 2008
Pesquera Mistral S.A.C.	4 July 2008

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	205,732	(4,748)	200,984
Other intangible assets	–	81,312	81,312
Inventories	14,871	–	14,871
Trade, bills and other receivables	8,403	–	8,403
Bank balances and cash	9,719	–	9,719
Trade and other payables	(20,666)	–	(20,666)
Obligation under finance leases	(23,608)	–	(23,608)
Taxation	(156)	–	(156)
Statutory employee's profit share	(9,238)	2,873	(6,365)
Deferred taxation	(24,976)	(23,831)	(48,807)
	160,081	55,606	215,687
Goodwill arising on acquisition			46,200
Total consideration, satisfied by cash			261,887
Net cash outflow arising on acquisition:			
Cash consideration paid			261,887
Cash and cash equivalents acquired			(9,719)
Deferred consideration payable			(132,600)
			119,568

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

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.

25. **ACQUISITION OF SUBSIDIARIES** – *Continued*

The acquisition of subsidiaries contributed revenue of HK$13,218,000 and net profit of HK$1,825,000 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 2008, the total Group revenue for the period would have been HK$5,460,116,000 and profit for the period would have been HK$376,722,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor is it intended to be a projection of future results.

During the year ended 31 March 2008, 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**
Altoreal S.A.	1 June 2007
Inversionista La Candelaria S.A.	1 June 2007
Macro Capitales S.A.	12 December 2007

Subsidiary incorporated in the PRC	**Date of acquisition**
Powertech Engineering (Rongcheng) Co. Limited	1 April 2007

25. ACQUISITION OF SUBSIDIARIES – *Continued*

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

	Acquirees' carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Property, plant and equipment	143,935	33,967	177,902
Other intangible assets	19,733	111,421	131,154
Inventories	10,241	345	10,586
Trade, bills and other receivables	101,965	(1,424)	100,541
Bank balances and cash	2,337	–	2,337
Trade and other payables	(111,555)	–	(111,555)
Taxation	(2,375)	–	(2,375)
Obligation under finance leases	(56,663)	–	(56,663)
Deferred taxation	(15,227)	(43,616)	(58,843)
	92,391	100,693	193,084
Goodwill arising on acquisition			127,228
Total consideration, satisfied by cash			320,312
Net cash outflow arising on acquisition:			
Cash consideration paid			320,312
Cash and cash equivalents acquired			(2,337)
			317,975

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.

26. CAPITAL COMMITMENTS

	30.9.2008 HK$'000 (unaudited)	31.3.2008 HK$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	**233,824**	298,285

27. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities:

(a) 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 2006 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 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, requested Feoso to put up a security for the PAH's legal cost of proceedings in case Feoso's claim fails. Feoso made payment of security of cost to the Court at a total amount of HK$2,000,000 pursuant to the High Court Order dated 18 January 2008.

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 with potential claims amounting to US$3,505,000 (approximately HK$27,339,000). These relate to environmental matters, former employees and miscellaneous claims. The Group's legal advisor has advised the Group that US$1,547,000 (approximately HK$12,067,000) of these claims is likely to have an unfavourable outcome for the Group and the outcome for claims of US$1,958,000 (approximately HK$15,272,000) cannot be reasonably ascertained. Additionally, based on the opinion of management, there are claims which the legal advisors has opined to have remote chance of resulting in unfavourable outcomes for the Group.

The Group had made a provision of US$1,547,000 (approximately HK$12,067,000) for these claims where the outcome is likely to be unfavourable to the Group.

Saved as disclosed above, no member of the Group is engaged in any litigation or claims of material importance known to the directors to be pending and threatened against any members of the Group.

28. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged the following assets:

(a) At 30 September 2008, the Group has pledged land and buildings and investment properties with aggregate carrying values of approximately HK$321,807,000 (31.3.2008: HK$332,697,000) and HK$88,030,000 (31.3.2008: HK$89,170,000) 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 operated in the United States of America of HK$4,236,000 (31.3.2008: HK$5,648,000) and HK$98,810,000 (31.3.2008: HK$170,522,000), respectively, were pledged as security for general banking facilities granted for that subsidiary.

(b) Inventories of fishmeal of HK$159,900,000 (31.3.2008: HK$59,280,000) were also pledged as security for the revolving inventory financing facilities obtained from banks.

(c) In addition, equity shares of certain subsidiaries under net assets amounted to HK$37,763,000 (31.3.2008: HK$573,151,000) were pledged as securities for the syndicated bank loans facilities.

29. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of frozen seafood	**198,060**	183,796
Purchase of frozen seafood	**2,419**	10,913
Agency income	**3,267**	2,500

(b) Included in the discounting advances drawn on trade receivables with insurance coverage is an amount of HK$41,704,000 (31.3.2008: HK$56,405,000) which were drawn from discounting trade receivables with insurance coverage of an associate of HK$46,338,000 (31.3.2008: HK$62,672,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the 1HFY2009, the Group reported an increase in total turnover of 7.4% to HK$5,460.1 million over the same period of 2008. This increase was achieved in spite of a general tightening of import controls in the People's Republic of China ("PRC"), a temporary situation due to the country's hosting of the Olympics Games.

In Peru, in line with its expansion plans, the Group acquired 5 additional purse-seine fishing vessels and 1 fishmeal processing plant during the period under review, bringing its total Peruvian fleet to 39 purse-seine fishing vessels and 8 fishmeal processing plants. The Peruvian government will be switching to the Individual Transferable Quota ("ITQ") system beginning in calendar year 2009, whereby fishing quotas will be allocated to fishing companies operating in the country. This ITQ system is expected to be beneficial to the Group; given that we have been allocated fishing rights of approximately 5% share of the Total Allowable Catch.

As a testament to the banking community's confidence towards the Group's business prospects and development potential, the Group secured a 4-year syndicated loan facility of US$160 million (approximately HK$1,248 million) from a group of international and local banks in May 2008. The majority of the Group's short-term debt was thus refinanced into long-term basis. As a result, the Group effectively improved its debt structure, with long-term debts increasing from 39.9% to 56.3% of total borrowings.

Financial Review

Results Review

In 1HFY2009, the Group reported a 7.4% increase in total turnover to HK$5,460.1 million from HK$5,085.0 million in the previous corresponding period. This moderate increase was attained in spite of delayed exports to the PRC during the period leading to the Olympics, which led to lowered sales volume in the second quarter of FY2009. The 1HFY2009 period also witnessed oil prices more than doubling from the previous year and reaching a high of US$147 per barrel. This correspondingly resulted in the escalation of bunker fuel prices, which significantly affected the transportation cost of the Group's products and the operating costs of its fishing and transportation fleet. As such, the Group's profit margins were affected. Gross and net profit margins were 15.9% (1HFY2008: 17.8%) and 6.8% (1HFY2008: 8.3%) respectively. From improved operational efficiencies, gross profit only fell 4.0% to HK$867.3 million (1HFY2008: HK$903.6 million). EBITDA (earnings before interest, tax, depreciation and amortisation) decreased by 8.4% to HK$777.0 million (1HFY2008: HK$847.9 million).

Net profit attributable to equity holders in 1HFY2009 increased 1.2% to HK$189.8 million. This increase was mainly attributable to the Group's increased stake in Singapore Exchange Mainboard-listed China Fishery Group Limited ("China Fishery") to 40.8% in July 2007 from 18.4% . Basic earnings per share were 10.4 HK cents (1HFY2008: 11.5 HK cents).

Performance by Business Division

Fishing Division

During the period under review, turnover from the fishing division increased by 8.9% to HK$1,749.4 million from HK$1,606.7 million in 1HFY2008. The increase was mainly attributed to higher sales volume. The fishing division accounted for 32.0% of the Group's total turnover.

Frozen Fish Supply Chain Management ("frozen fish SCM") Division

The frozen fish SCM division turnover fell 3.6% to HK$2,042.5 million in 1HFY2009, from HK$2,118.2 million in the previous corresponding period. Turnover was affected by the temporary tightening of import controls in the PRC during the period leading to the Olympics. The frozen fish SCM division accounted for 37.4% of the Group's total turnover.

Processing and Distribution Division

During the period under review, turnover from the processing and distribution division increased 22.5% to HK$1,659.3 million from HK$1,354.8 million in the previous corresponding period. Both higher fish prices and increased sales volumes to North America and Europe were the key drivers behind the division's growth in turnover. This division accounted for 30.4% of the Group's total turnover.

Performance by Market

Geographically, the PRC remained the Group's largest market at 47.9% of total sales. The effects from the import controls mentioned above resulted in only a small increase in sales of 0.2% to HK$2,616.5 million over the previous corresponding period. Sales to Europe and North America rose by 28.8% and 7.1% to HK$1,148.6 million and HK$699.6 million respectively. These two markets accounted for 21.0% and 12.8% of the Group's total turnover respectively. In order to optimise our product mix, sales of low margin products to Japan were trimmed with the results that total sales to East Asia fell 3.0% to HK$852.4 million. This market accounted for 15.6% of the Group's total turnover.

Liquidity, Financial Resources and Capital Structure

As at balance sheet date, the Group's total assets amounted to HK$14,435.1 million, an increase of 1.2% from 31 March 2008. Non-current assets amounted to HK$8,527.5 million, an increase of 6.4% from 31 March 2008. This increase was mainly attributable to the acquisition of 5 fishing vessels and a processing plant in Peru. Current assets, including trade and related receivables, decreased slightly to HK$5,907.6 million in line with industry seasonality patterns. As at the end of the reporting period, the Group net current assets amounted to HK$1,240.8 million (1HFY2008: HK$1,313.9 million).

During the period under review, the Group continued to strengthen its capital foundation. In May 2008, the Group successfully obtained a 4-year syndicated loan facility of US$160 million (approximately HK$1,248 million). The proceeds were partly applied to reduce short-term loans, while the balance was reserved for working capital purposes and future developments. As a result, the Group effectively improved its debt structure, with long-term loans increasing from 39.9% to 56.3% of total borrowings.

As at 30 September 2008, the Group's total debt amounted to HK$6,877.8 million. Short-term loans repayable within one year amounted to HK$3,429.7 million (comprising trade loans of HK$2,673.3 million, inventory loans of HK$363.7 million and export loans of HK$392.7 million). The inventory loans are backed by the Group's fish inventories and letters of credit received from customers, and trade loans are revolving banking facilities to support the Group's seafood trading activities and processing activities.

The Group's gearing ratio was 47.6% (1HFY2008: 48.9%), calculated as total debt divided by total assets. As at 30 September 2008, the Group held HK$431.3 million in cash and bank balances.

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 in US Dollars, it faces relatively low currency risks.

Dividends

In line with its past practice, the Board of Directors has not declared any interim dividend for the six months ended 30 September 2008.

Employees and Remuneration

As at 30 September 2008, the Group has approximately 8,300 employees worldwide and includes permanent and contract staff. To ensure its remuneration packages are reasonable and competitive, and conducive to business development, the Group regularly reviews the cash compensation and benefit programmes that it offers to employees.

The Company and its Singapore Exchange Mainboard-listed subsidiaries, Pacific Andes (Holdings) Limited ("PAH") and China Fishery, each have an employee share option scheme and share award plan for granting share options and share awards to eligible employees based on their contribution to the Group.

Prospects

Barring unforeseen global economic uncertainties, the Group remains optimistic with the growth prospects due to 2 key factors. Firstly, the consumption of seafood globally has continued to rise steadily on greater health consciousness and improvements in standards of living. Secondly, in light of the current economic slowdown, the Group believes that the demand for its fish products, which are mainly in the lower price range, should increase due to more cost conscious spending.

Looking ahead, the Group will strive to achieve organic growth by further improvements in operational efficiencies. It will also seek to consolidate its integrated value chain to maximise economies of scale. In addition, the Group expects operating costs to reduce in line with the recent trend in falling oil prices.

All Set to Benefit from the Fishing Quota System in Peru

The Group will further consolidate its acquisitions in Peru to achieve higher operating efficiencies, and is prepared for the implementation of the ITQ system in Peru in 2009. This preferred quota system is expected to be beneficial to the Group as well as to the long-term sustainability of the region's fish resources. Operational efficiency and fleet utilisation are expected to improve substantially as fewer vessels will be deployed to harvest up to the Group's quota share.

Moving to Higher Value-Added Seafood Processing

To boost its processing capacity and to capture more of the growing demand for value-added seafood products, the Group has completed the construction of a 333,000 square-metre state-of-the-art fish processing complex in the Hongdao peninsula of Qingdao city, the PRC. With added capabilities such as traceability reporting, resource management optimisation, increased capacity for the production of value-added products – the new complex is expected to notably enhance the Group's production volume and efficiencies. Operation of the complex will begin in January 2009.

Fortify Capital Structure and Improve Financial Position

The Group will continue to strengthen the profitability and cash flow of its existing businesses and at the same time, improve its capital structure. Cash flow generated from operations will be used to pay down outstanding borrowings.

As one of the world's leading seafood companies, with a fully integrated production chain that spans across harvesting, sourcing, supply chain management, onshore and offshore processing, fishmeal production, food safety testing, distribution and retail – our committed and experienced team will continue to meet the growing needs of health and value-conscious consumers around the world. By offering a vast and responsibly-derived range of quality staple products, while at the same time utilising the Group's long-established sourcing and distribution network, management is confident that the Group is well-positioned to continue on its growth path and bring fruitful returns to its shareholders under the current challenging economic environment.

PURCHASE, SALE OR REDEMPTION

During the six months ended 30 September 2008, 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 2008.

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 2008.

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) and Mr. Kwok Lam Kwong, Larry, the independent non-executive directors of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 September 2008 with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

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

CG Code Provision A3 and B1.1 and Rule 3.10(1) of the Listing Rules, provides that every board of directors of the Company must include at least three independent non-executive directors and a majority of the members of the remuneration committee should be independent non-executive directors. The number of independent non-executive directors of the Company has fallen below the minimum number requirement due to the resignation of Mr. Yeh Man Chun, Kent as an independent non-executive director with effect from 16 August 2008. Despite the effort made during the period, the Board yet cannot find a right person to fill the vacancy. The Board will continue to make every effort to look for an appropriate person to meet such requirement as soon as possible in order to comply with the requirement.

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

As at 30 September 2008, 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	–	1,059,600 *(Note)*	0.06%
Ng Puay Yee	1,056,389	–	0.06%

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

Save as disclosed above, as at 30 September 2008, 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 2008, 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 of 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	952,490,485	52.10%
Leung Hok Pang *(Note 2)*	Beneficial owner	155,256,288	8.49%

Notes:

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

(2) Leung Hok Pang directly holds such shares.

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, 22 December 2008

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 and Mr. Kwok Lam Kwong, Larry.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
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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 24, which comprises the condensed consolidated balance sheet of Pacific Andes International Holdings Limited as of 30 September 2008 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

22 December 2008