Pan Sino International Holding Limited

環新國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2003

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at wwws.hkgem.com in order to obtain up-to-date information on GEM listed issuers.

This announcement, for which the directors of PAN SINO INTERNATIONAL HOLDING LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to PAN SINO INTERNATIONAL HOLDING LIMITED. The directors of PAN SINO INTERNATIONAL HOLDING LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS FOR 2003

- Turnover increased by 102.7% to HK$610.2 million
- Cost of sales increased by 97.5% to HK$467.2 million
- Sales volume increased by 91.4% to 45,790 tonnes
- Selling and distribution expenses increased by 109% to HK$2.2 million
- General and administrative expenses increased by 112.1% to HK$2.6 million
- Net profit for the year was HK$85.3 million

ANNUAL RESULTS

The Board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2003 together with comparative figures for the previous year as follows:

		Year ended 31st December,	
		2003	2002
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**610,165**	300,947
Cost of sales		**(467,166)**	(236,580)
Gross profit		**142,999**	64,367
Other income	*3*	**2,268**	644
Gain on disposal of fixed assets		**12,200**	–
Selling and distribution expenses		**(2,243)**	(1,073)
General and administrative expenses		**(2,571)**	(1,212)
Net exchange loss	*4*	**(5,475)**	(1,972)
Profit from operations		**147,178**	60,754
Finance costs		**(1,921)**	(6,474)
Profit before taxation	*5*	**145,257**	54,280
Taxation	*6*	**(55,483)**	(16,561)
Profit after taxation		**89,774**	37,719
Minority interests		**(4,499)**	–
Profit attributable to shareholders		**85,275**	37,719
Dividends	*7*	**8,000**	–
Earnings per share			
Basic, HK cents	*8(a)*	**14.6**	6.7
Diluted, HK cents	*8(b)*	**13.4**	6.1

Notes:

1. Group Reorganisation and Basis of Preparation

Group Reorganisation

The Company was incorporated in the Cayman Islands on 16th October, 2002 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 23rd June, 2003. This was accomplished by acquiring the entire issued share capital of Dickinson Group Limited in consideration of and in exchange for the Company's allotted and issued ordinary shares.

Basis of Preparation

The Group's financial statements have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The Reorganisation above has been accounted for by using merger accounting by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented. The Group's financial statements include the financial statements of the Company and its subsidiaries made up to 31st December. Apart from the Reorganisation, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances have been eliminated on consolidation.

2. Turnover and Segment Information

The Group is principally engaged in trading of cocoa beans. Turnover represents the invoiced value of goods sold during the year.

Segment Information

Segment information is prepared in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments:

No information has been disclosed in respect of the Group's business segments as the Group operates only one business segment which is the trading of cocoa beans.

(b) Geographical segments:

In presenting information on the basis of geographical segments, segment revenue is based on the location of customers. Segment assets and capital expenditure are based on the location of the assets.

	France	Netherlands	United Kingdom	Republic of Indonesia	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December, 2003					
Turnover	**81,580**	**360,103**	**168,482**	**–**	**610,165**
Segment assets	**20,027**	**33,609**	**24,086**	**197,313**	**275,035**
Capital expenditure	**–**	**–**	**–**	**–**	**–**
Year ended 31st December, 2002					
Turnover	63,168	139,011	98,768	–	300,947
Segment assets	–	26,480	11,090	68,724	106,294
Capital expenditure	–	–	–	–	–

3 **Other Income**

	2003	2002
	HK$'000	*HK$'000*
Bank interest income	**2,268**	644

4. **Net Exchange Loss**

	2003	2002
	HK$'000	*HK$'000*
Exchange (gain)/loss arising from:		
Settlement of interest payable on unsecured loan denominated in US$	**–**	(1,488)
Uplift of fixed deposits denominated in US$ and Yen	**–**	12
Retranslation of prepayments denominated in US$	**177**	–
Other trading operations	**5,298**	3,448
	5,475	1,972

5. Profit before Taxation

	2003	2002
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging:		
Cost of inventories sold	**467,166**	236,580
Auditors' remuneration	**269**	31
Depreciation	**177**	202
Directors' remuneration	**227**	83
Other staff costs	**1,069**	482
Interest on other loan wholly repayable within five years	**1,921**	6,474
Minimum lease payments in respect of land and buildings	**376**	89

6. Taxation

Taxation in the consolidated income statement represents:

	2003	2002
	HK$'000	*HK$'000*
Income tax expense		
Indonesia:		
Current tax	**38,276**	–
Deferred tax	**17,207**	16,561
	55,483	16,561

During the year, all of the Group's profits were derived from P.T. Nataki Bamasa ("Nataki"), a subsidiary of the Company incorporated and operated in the Republic of Indonesia. No provision for Hong Kong profits tax has been made in these financial statements as the Group has no assessable profits for the year. Provision for Indonesian corporate income tax for the current year is based on the following progressive tax rates:

Taxable income	**Rate**
IDR	*%*
On the first 50,000,000	10
On the next 50,000,000	15
Over 100,000,000	30

7. Dividends

	2003	2002
	HK$'000	*HK$'000*
Proposed final dividend of HK$0.01 (2002: HK$ Nil) per share	**8,000**	–

The proposed final dividend for the year ended 31st December, 2003 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividend recommended represents approximately 9.4% of the Group's profit attributable to shareholders since the Directors are of the view that the Group should retain more cash for future development purposes at this stage.

8. Earnings per Share

(a) The calculation of basic earnings per share for the year ended 31st December, 2003 is based on the Group's profit attributable to shareholders and the weighted average number of 582,356,164 shares (comprising 560,000,000 shares, being 1 share issued on the incorporation of the Company on 16th October, 2002, 99,999 shares as the consideration for the acquisition of the entire issued share capital of Dickinson on 23rd June, 2003 and adjusting for the capitalisation issue of 559,900,000 shares as referred to in the prospectus of the Company dated 25th November, 2003 and 22,356,164 shares, being the weighted average number of 240,000,000 shares issued to the placees on 28th November, 2003) in issue during the year ended 31st December, 2003.

The calculation of basic earnings per share for the year ended 31st December, 2002 is based on the Group's profit attributable to shareholders and the assumption that a total of 560,000,000 shares had been in issue during the year ended 31st December, 2002.

(b) Diluted earnings per share for the year ended 31st December, 2003 is based on the Group's profit attributable to shareholders and the weighted average number of 636,709,105 shares in issue during the year. The number of shares used in the calculation comprised 582,356,164 shares referred to in note 8(a) above and 54,352,941 shares assumed to have been issued at no consideration on the deemed exercise of the options under the Pre-IPO Share Option Scheme based on the fair value per share of HK$0.34.

Diluted earnings per share for the year ended 31st December, 2002 is based on the Group's profit attributable to shareholders and the assumption that 614,755,556 shares have been in issue during the year. The number of shares used in the calculation comprised 560,000,000 shares referred to in note 8(a) above and 54,755,556 shares assumed to have been issued at no consideration on the deemed exercise of the options granted under the Pre-IPO Share Option Scheme as referred to in the paragraph headed "Share Option Schemes" in Appendix V to the prospectus, but takes no account of any shares to be issued pursuant to the exercise of the Over-allotment Option, any shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to the prospectus.

9. Reserves

Movements in reserves of the Group during the year are as follows:

	Share premium *HK$'000*	**Revenue reserve** *HK$'000*	**Special reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Total** *HK$'000*
At 1.1.2002	–	(84,740)	–	15,984	(68,756)
Profit for the year	–	37,719	–	–	37,719
Minority's share of losses previously unabsorbed	–	1,500	–	–	1,500
Special reserve arising on the Reorganisation	–	–	1,032	–	1,032
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	(8,556)	(8,556)
At 31.12.2002 and 1.1.2003	–	(45,521)	1,032	7,428	(37,061)
Profit for the year	–	85,275	–	–	85,275
Proposed final dividend	–	(8,000)	–	–	(8,000)
Special reserve arising on the Reorganisation	–	–	82,200	–	82,200
Premium arising on the Placing	105,600	–	–	–	105,600
Capitalisation issue	(5,599)	–	–	–	(5,599)
Expenses for Placing	(13,201)	–	–	–	(13,201)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	3,130	3,130
At 31.12.2003	**86,800**	**31,754**	**83,232**	**10,558**	**212,344**

PROPOSED FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of HK1 cent per share of the Company for the year ended 31st December 2003 (2002: Nil) to be payable to the shareholders of the Company whose names appear on the Register of Members of the Company as at 18th May 2004. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 18th May 2004, the said final dividend will be paid to the Company's shareholders on or around 11th June 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 13th May 2004 to Tuesday, 18th May 2004 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31st December 2003 and for attending the forthcoming 2004 annual general meeting of the Company to be held on Tuesday, 18th May 2004, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12th May 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31st December, 2003, the turnover of the Group amounted to approximately HK$610.2 million, which already exceeds the turnover of the previous year of approximately HK$300.9 million. During the year ended 31st December, 2003, the Group sold a total of 16,460 tonnes, 12,680 tonnes, 10,460 tonnes and 6,190 tonnes of cocoa beans to Unicom, ICBT, Westerman and Orebi respectively. Although the cocoa beans prices quoted on The Coffee, Sugar and Cocoa Exchange of New York, began to decrease in February 2003 as a result of, amongst other things, the settlement of the civil unrest in Cote d'Ivoire, the average selling price of the Group's cocoa beans was approximately HK$13,340 per tonne for the year ended 31st December, 2003, which was still higher than that of approximately HK$12,600 per tonne for the year ended 31st December, 2002.

BUSINESS PROSPECT

The international cocoa beans trading industry is competitive with numerous suppliers both domestic and overseas. Cocoa beans traders in Indonesia face competition from other traders within their own country and from other major cocoa beans exporting countries such as Cote d'Ivoire and Ghana. However, the Directors believe that the Group will be able to maintain its competitive edge for the following reasons:

– the Group has entered into the sales agreements with three of its customers to ensure the continuous flow of business from these customers;

- the Group is one of the few purchasers in Indonesia which provide farmers with a 50% advance payment for purchases. This is very important in dealing with the farmers as they will sell better quality cocoa beans from their harvests at more competitive prices;

- the Groups' ability to place large orders with farmers, enables us to obtain more competitive prices from the farmers. By purchasing quality cocoa beans at a competitive price, the Group can offer its export customers, all of whom are established cocoa product suppliers in Europe, export-quality cocoa beans at attractive prices. The Directors believe that this is especially important to overseas customers as they source cocoa beans from all over the world;

- the Group's senior management team has experience and well established business relationships in the cocoa industry;

- the Group adopts stringent quality control procedures to ensure that the quality of the cocoa beans sourced from the farmers meet with customers' requirements;

- the Group is a major exporter of cocoa beans in Indonesia. According to Indonesia Cocoa Association, for the year ended 31st December, 2002, Nataki was the fourth largest exporter of cocoa beans in Indonesia, accounting for approximately 6.1% of the country's total export volume of cocoa beans for that year;

- the Group maintains close relationships with the farmers by providing value-added services such as latest market information on the cocoa industry and informal training on farming and harvesting methods;

- Indonesia is currently the third largest producers of cocoa beans in the world and according to INCA, aims to be the largest producers by 2010.

FINANCIAL REVIEW

Turnover

For the year ended 31st December, 2003, the turnover of the Group amounted to approximately HK$610.2 million, which already exceeds the turnover of the previous year of approximately HK$300.9 million. During the year ended 31st December, 2003, the Group sold a total of 16,460 tonnes, 12,680 tonnes, 10,460 tonnes and 6,190 tonnes of cocoa beans to Unicom, ICBT, Westerman and Orebi respectively. Although the cocoa beans prices quoted on The Coffee, Sugar and Cocoa Exchange of New York, began to decrease in February 2003 as a result of, amongst other things, the settlement of the civil unrest in Cote d'Ivoire, the average selling price of the Group's cocoa beans was approximately HK$13,340 per tonne for the year ended 31st December, 2003, which was still higher than that of approximately HK$12,600 per tonne for the year ended 31st December, 2002.

Cost of Sales

During the year ended 31st December, 2003, the Group's cost of sales was approximately HK$467.2 million, compared to approximately HK$236.6 million in the previous year. The increase was due to the increase in sales volume and sales value of the Group.

Gross Profit

The Group's gross profit during the year ended 31st December, 2003 was approximately HK$143 million, which exceeded the Group's gross profit of approximately HK$64.4 million in the previous year. The increase in gross profit was mainly a result of the increase in turnover. The Group's gross profit margin for each of the two years ended 31st December, 2003 and 2002 was approximately 23.4% and 21.4% respectively.

Selling and Distribution Expenses

During the year ended 31st December, 2003, the Group's selling and distribution expenses were approximately HK$2.2 million, compared to approximately HK$1.1 million in the previous year. The increase was mainly a result of the increase in transportation charges for delivery of cocoa beans from the warehouse to the port before shipment for the overseas customers in relation to the increase in sales volume and in salary expenses. The increase in salary expenses for the Group's sales and marketing staff, which is in line with the increase in the sales volume and turnover, is essential in providing an incentive for motivating the sales and marketing team to further develop the Group's businesses.

General and Administrative Expenses

During the year ended 31st December, 2003, the Group's general and administrative expenses amounted to approximately HK$2.6 million, compared to approximately HK$1.2 million in the previous year.

The increase was mainly a result of increase in salary expenses, rental expenses and bank charges. Salary expenses increased during the year mainly due to (i) an increase in the number of management staff as the Group further strengthened its management team and (ii) the general increment in salaries of the existing general and administrative staff in recognition of their efforts leading to the growth of the Group's business. Bank charges increased during the year due to the increase in sales volume.

Finance Costs

The Group's finance costs decreased during the year ended 31st December, 2003 to approximately HK$1.9 million, compared to HK$6.5 million in the previous year. The decrease was mainly a result of the further repayment of an amount approximately HK$39.8 million for the unsecured loan in August 2003, and the remaining amount of the unsecured loan of HK$18.2 million was fully paid in October 2003.

Profit Attributable to Shareholders

Due to the increase in sales volume of cocoa beans, the Group's profit attributable to shareholders during the year ended 31st December, 2003 amounted to approximately HK$85.3 million, which exceeds the profit attributable to shareholders of approximately HK$37.7 million for the year ended 31st December, 2002.

Gearing Ratio

The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 31st December, 2003, the gearing ratio of the Group is zero *(2002: Zero)*.

Financial Resources and Liquidity

As at 31st December, 2003, the shareholders' funds of the Group amounted to approximately HK$228.3 million (2002: HK$45.1 million). Current assets amounted to approximately HK$275 million (2002: HK$86.6 million) of which approximately HK$160.8 million (2002: HK$13.8 million) were cash and bank deposits. Current liabilities amounted to approximately HK$39.6 million (2002: HK58.8 million), mainly in tax payable and accrued expenses. The net asset value per share was HK$0.29 (2002: HK$0.06, based on proforma issued shares of the Company) as at 31st December, 2003.

Employees

As at 31st December, 2003, the total number of employees of the Group was 69. For the year ended 31st December, 2003, the staff costs including directors' remuneration of the Group amounted to approximately 0.21% of the turnover of the Group and an increase of approximately HK$731,000 or approximately 129% as compared to that of the year ended 31st December, 2002.

It is the Group's policy to review its employees' salary level and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

Material Investments or Capital Assets

As at 31st December, 2003, the Group has had no future plans for material investments except that capital assets will be purchased in accordance with the details set out in the section headed "Statement of business objectives" in the prospectus of the Company dated 25th November, 2003.

Capital Structure of the Group in Debt Securities

During the year ended 31st December, 2003, the Group had no debt securities in issue.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31st December, 2003, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

Significant Investment

As at 31st December, 2003, the Group had no significant investments held.

Charges on Group's Assets

As at 31st December, 2003, the Group did not pledge any of the Group's assets for any of the borrowings.

Foreign Exchange Exposure

During the year ended 31st December, 2003, IDR appreciated against the US dollar from US$1 to IDR8,968 as at 1st January, 2003 to US$1 to IDR8,465 as at 31st December, 2003. The Group's net exchange loss during the year was approximately HK$5.5 million mainly resulted from the Group's export trading operations which received payments in US dollars. During the year ended 31st December, 2003, the Group did not incur any exchange gain or loss arising from its unsecured loan as it had been converted from US dollars into IDR in 2001.

Contingent Liability

As of the date of this announcement, the Directors are not aware of any material contingent liabilities.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 2nd December, 2003.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
PAN SINO INTERNATIONAL HOLDING LIMITED
Johanas Herkiamto
Vice Chairman

Jakarta, 25th March, 2004

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.