Pan Sino International Holding Limited

環新國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8260)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2004

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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 2004

- Turnover increased by 1.46% to HK$619.1 million
- Cost of sales increased by 3.06% to HK$481.5 million
- Sales volume increased by 18.9% to 54,440 tonnes
- Selling and distribution expenses increased by 10.5% to HK$2.5 million
- General and administrative expenses increased by 59.5% to HK$4.1 million
- Net profit for the year was HK$91.7 million

ANNUAL RESULTS

The Board of Directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2004 together with comparative figures for the previous year as follows:

Consolidated Income Statement

	Note	**2004** ***HK$'000***	2003 *HK$'000*
Turnover	*3*	**619,103**	610,165
Cost of sales		**(481,467)**	(467,166)
Gross profit		**137,636**	142,999
Other income	*4*	**3,420**	2,268
Gain on disposal of fixed assets		**–**	12,200
Selling and distribution expenses		**(2,478)**	(2,243)
General and administrative expenses		**(4,102)**	(2,571)
Net exchange gain/(loss)	*5*	**3,765**	(5,475)
Profit from operations		**138,241**	147,178
Finance costs		**–**	(1,921)
Profit before taxation	*6*	**138,241**	145,257
Taxation	*7*	**(41,629)**	(55,483)
Profit after taxation		**96,612**	89,774
Minority interests		**(4,918)**	(4,499)
Profit attributable to shareholders		**91,694**	85,275
Dividends	*8*	**–**	8,000
Earnings per share			
Basic, HK cents	*9 (a)*	**11.5**	14.6
Diluted, HK cents	*9 (b)*	**10.7**	13.4

Consolidated Balance Sheet as at 31st December, 2004

	Note	**2004**	2003
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Fixed assets		**–**	7
Deferred tax assets		**21**	29
		21	36
CURRENT ASSETS			
Inventories		**6,922**	16,335
Trade debtors		**83,310**	77,722
Advances to suppliers		**14,351**	15,838
Deposits, prepayments and other receivable		**541**	4,267
Fixed deposits		**180,252**	105,524
Cash and bank balances		**36,890**	55,313
		322,266	274,999
DEDUCT:–			
CURRENT LIABILITIES			
Tax payable		**13,284**	38,642
Accrued expenses		**365**	1,009
		13,649	39,651
NET CURRENT ASSETS		**308,617**	235,348
		308,638	235,384
REPRESENTING:–			
SHARE CAPITAL		**8,000**	8,000
RESERVES	*10*	**289,895**	212,344
PROPOSED FINAL DIVIDEND		**–**	8,000
SHAREHOLDERS' FUNDS		**297,895**	228,344
MINORITY INTERESTS		**10,743**	7,040
		308,638	235,384

Consolidated Statement of Changes In Equity

	2004	2003
	HK\$'000	*HK\$'000*
At 1st January	**228,344**	45,140
Exchange differences on translation of financial statements of overseas subsidiaries	**(14,143)**	3,130
Net (losses)/gains not recognised in the consolidated income statement	**(14,143)**	3,130
Profit attributable to shareholders	**91,694**	85,275
Dividend paid	**(8,000)**	–
Share placing	**–**	108,000
Expenses for share placing	**–**	(13,201)
At 31st December	**297,895**	228,344

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 ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the companies now comprising the Group on 23rd June, 2003. The shares of the Company were listed on GEM on 2nd December, 2003.

   Basis of preparation

   The Group's financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants and are prepared under the historical cost convention.

2. **Principal Accounting Policies**

   The principal accounting policies adopted for the preparation of these audited consolidated results of the Group are consistent with those adopted by the Group in the preparation of the annual audited financial statements for the year ended 31st December, 2003.

3. **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 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, 2004					
Turnover	**83,599**	**371,565**	**163,939**	**–**	**619,103**
Segment assets	**9,888**	**44,601**	**28,821**	**238,977**	**322,287**
Capital expenditure	**–**	**–**	**–**	**–**	**–**
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	–	–	–	–	–

4. Other Income

	2004	2003
	HK$'000	*HK$'000*
Bank interest income	**3,420**	2,268

5. Net Exchange Gain/(Loss)

	2004	2003
	HK$'000	*HK$'000*
Exchange gain/(loss) arising from:		
Retranslation of prepayments denominated in US$	**–**	(177)
Trading operations	**3,809**	(5,298)
Other non-trading operations	**(44)**	–
	3,765	(5,475)

6. Profit Before Taxation

	2004	2003
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging:		
Cost of inventories sold	**481,467**	467,166
Auditors' remuneration	**208**	269
Depreciation	**6**	177
Directors' remuneration	**456**	227
Other staff costs	**1,142**	1,069
Interest on other loan wholly repayable within five years	**–**	1,921
Minimum lease payments in respect of land and buildings	**500**	376

7. Taxation

(a) Taxation in the consolidated income statement represents:

	2004	2003
	HK$'000	*HK$'000*
Overseas taxation		
Current tax	**41,624**	38,276
Deferred tax	**5**	17,207
	41,629	55,483

During the year, all of the Group's profits were derived from Nataki 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

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2004	2003
	HK$'000	*HK$'000*
Profit before taxation	**138,241**	145,257
Taxation at the Indonesian progressive income tax rates	**41,457**	43,577
Tax effect of expenses that are not deductible in determining taxable profit	**521**	34
Tax effect of income that are not assessable in determining taxable profit	**(1,062)**	(719)
Tax effect of reversal of temporary difference arising on impairment losses on land use rights and land and buildings	**–**	12,583
Taxes on profit distribution by a subsidiary	**713**	–
Others	**–**	8
Income tax expense	**41,629**	55,483

(b) The following are the major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the year:

	Accelerated/ (decelerated) depreciation allowances	**Impairment losses on land use rights and land and buildings**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1.1.2003	2	(12,084)	(4,469)	(16,551)
Exchange adjustments	(2)	(499)	(184)	(685)
Charge/(credit) to income statement for the year	(29)	12,583	4,653	17,207
At 31.12.2003 and 1.1.2004	(29)	–	–	(29)
Exchange adjustments	3	–	–	3
Charge to income statement for the year	5	–	–	5
At 31.12.2004	**(21)**	**–**	**–**	**(21)**

As at 31st December, 2004, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$124,474,000 (2003: HK$31,035,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

8. Dividends

	2004	2003
	HK$'000	*HK$'000*
Proposed final dividend of NIL (2003: HK$0.01) per share	–	8,000

9. Earnings Per Share

(a) The calculation of basic earnings per share for the year ended 31st December, 2004 is based on the Group's profit attributable to shareholders and 800,000,000 shares in issue during the year ended 31st December, 2004.

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 Group Limited 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.

(b) Diluted earnings per share for the year ended 31st December, 2004 is based on the Group's profit attributable to shareholder and the weighted average number of 854,193,548 shares in issue during the year. The number of shares used in the calculation comprised 800,000,000 shares referred to in note 9(a) above and 54,193,548 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$0.31.

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 9(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.

10. **Reserves**

	Share premium *HK$'000*	**Revenue reserve** *HK$'000*	**Special reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Total** *HK$'000*
At 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 placing of shares	105,600	–	–	–	105,600
Capitalisation issue	(5,599)	–	–	–	(5,599)
Expenses for placing of shares	(13,201)	–	–	–	(13,201)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	3,130	3,130
At 31.12.2003 and 1.1.2004	86,800	31,754	83,232	10,558	212,344
Profit for the year	–	91,694	–	–	91,694
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	(14,143)	(14,143)
At 31.12.2004	**86,800**	**123,448**	**83,232**	**(3,585)**	**289,895**

FINAL DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31st December, 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from Friday, 13th May, 2005 to Wednesday, 18th May, 2005 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the forthcoming 2005 Annual General Meeting of the Company to be held on Wednesday, 18th May, 2005, 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 Thursday, 12th May, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Source of Cocoa Beans and Price

Currently Indonesia is the third largest cocoa beans producing countries in the world after Cote D'Ivoire and Ghana, and with the land of approximately 1.05 million hectares of cocoa plantation which mostly own by small farmers, Indonesia have a great chance to be the biggest cocoa producing countries in the world.

The Group has established itself as a major exporter of cocoa beans in terms of trading volume in Indonesia. On the basis that Group's sales continue to increase, the Group entered into Sales Agreements in October, 2002. The Group is now being one of the largest exporters of cocoa beans in Indonesia and with the Group's ability to provide farmers with a 50% advance payment for the purchase of cocoa beans, the Directors believe that the Group will continue to rise in the foreseeable future. This is very important in dealing with the farmers as they will sell the better quality cocoa beans from their harvests at a more competitive price to purchasers that can provide a meaningful advance payment.

World cocoa beans price have traded in a relatively narrow range compared to last year and New York price drifted lower from April to July, as estimates of surplus production in the 2003/2004 season rose on the back of better harvest in West Africa. The early start to the mini-dry season in West Africa prompted concerns about the 2004/2005 main crops and lead to rally in September, 2004.

However, the mini-dry season also finished early, with heavy rains falling in the cocoa zone in West Africa towards the end of August. This reduced the fears of a significant crop failure, and effect for the decreased of cocoa price.

Cocoa beans prices quoted on The Coffee, Sugar and Cocoa Exchange of New York, has been decreased in average of approximately US$1,504 per tonne compare to US$1,746 in average for the previous year.

Relationship with Customers

The Group has maintained good and stable relationships with its overseas customers since commencement of business with them. In addition to this, the Group has not experienced any customer complaints or returned sales during the year ended 31st December, 2004. The Directors believe that the ability to provide quality and reliable service to these customers are very important since they are established cocoa product suppliers in Europe who source cocoa beans from all over the world.

Sales and Marketing

As at 31st December, 2004, the Group had a sales and marketing team comprising 20 staff. This team maintains close contact with its customers, from whom they collect the latest market information and provide it to the farmers through the other departments of the Group. The Directors believe this assists the Group in sourcing from farmers the products that satisfy customers' requirements.

The Group has focused on the export market since January 2001, as overseas customers generally place larger orders.

Currently the Group sells its products to five established importers based in Europe who resell the products to other cocoa beans trading companies and cocoa processing and/or manufacturing companies in the United States of America.

The Group entered into the Sales Agreements with Unicom, ICBT and Westermann in October, 2002. Each agreed to purchase from the Group a minimum amount of cocoa beans every year. The Sales Agreements were entered into for the purpose of formalizing the relationship between the Group and its customers and to ensure a continuous flow of business from the customers. The annual minimum purchase amount was determined based on the sales projection of the three customers over a period of three years.

In year 2004, the Group has succeeded to add one new customer namely Theobroma, a cocoa trading company base in Netherlands.

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.

To ensure a continuous flow of business from its customers, currently the Management is in discussion with the customers regarding the possibility of continuation of the Sales Agreements that was signed in October, 2002 with 3 of the customers namely, Unicom, ICBT and Westermann and look for the possibility of signing renewed Sales Agreements with all of these customers. However, the Directors believe that the Group will be able to maintain its competitive edge for the following reasons:

– 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 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 have a change to be the biggest cocoa beans producing country in the world.

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 31st December, 2004, the shareholder's funds of the Group amounted to approximately HK$297.9 million (2003: HK$228.3 million). Current assets amounted to approximately HK$322.3 million (2003: HK$275 million) of which approximately HK$217.1 million (2003: HK$160.8 million) were cash and bank deposits. Current liabilities amounted to approximately HK$13.7 million (2003: HK$39.6 million), mainly in tax payable and accrued expenses. The net assets value per share was HK$0.37 (2003:HK$0.29) as at 31st December, 2004.

Turnover

Turnover was approximately HK$619.1 million in the current year (2003: HK$610.2 million) which represent an increment of 1.46% compared to the previous year.

Cost of Sales

During the year ended 31st December, 2004, the Group's cost of sales was approximately HK$481.5 million, compared to HK$467.2 million in the previous year. The increase was due to the increase in sales volume of the Group.

Gross Profit

The Group's gross profit during the year ended 31st December, 2004 was approximately HK$137.6 million, decreased of approximately 3.8% compared to approximately HK$143 million in the previous year. The decreased was mainly due to the decreased in sales price of cocoa beans.

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, 2004 amounted to approximately HK$91.7 million, which exceeds the profit attributable to shareholders of approximately HK$85.3 million for the year ended 31st December, 2003.

Gearing Ratio

The Group did not have any bank borrowing or bank overdrafts as at 31st December, 2004 (2003: Zero).

With 0% gearing ratio the Group will be able to reduce its financial risks and provides the opportunity to raise more debt financing in the future. Its also means that the Group could generate excess return regardless of the PE level.

Employees

As at 31st December, 2004, the total number of employees of the Group was 72. For the year ended 31st December, 2004, the staff costs including directors of the Group amounted to approximately HK$1,598,000 or amounted to 0.26% of the turnover of the Group and an increased of approximately HK$302,000 or approximately 23.3% as compared to that of the year ended 31st December, 2003.

Ms. Goh Hwee Chow, Jacqueline has been appointed as an Independent Non-Executive Director of the Company on 30th December, 2004.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31st December, 2004, the Group had no material acquisition and disposal of subsidiaries and affiliated companies.

Significant Investment

There was no significant investment during the year.

Material Investment or Capital Assets

As at 31st December, 2004, the Group had no material investment

Capital Structure of the Group in Debt Securities

During the year ended 31st December, 2004, the Group had no debt securities in issue.

Exposure to Fluctuations in Exchange Rates

During the year ended 31st December, 2004, IDR depreciated against the US dollar from US$1 to IDR8,547 as at 1st January, 2004 to US$1 to IDR9,290 as at 31st December, 2004. The Group's net exchange gain during the year was approximately HK$3.8 million, compared to net exchange loss amounted to HK$5.5 million in the previous year. The net exchange gain was mainly resulted from the Group's export trading operations which received payments in US dollars,

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Mr. Gandhi Prawira, Ms. Novayanti and Ms. Goh Hwee Chow, Jacqueline. Mr. Gandhi Prawira is the Chairman of the audit committee. The primary duties of this committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. Up to the date of approval of the Group's financial statements, the audit committee has held 5 meetings and has reviewed the annual report and accounts for the year ended 31st December, 2004 prior to recommending such accounts to the Board for approval.

COMPETING INTEREST

None of the Directors, the substantial shareholder or the management shareholders (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The Group had five customers during the year and sales to the largest customer included therein amounted to approximately 29%. During the year, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Celestial Capital Limited ("CASH"), as at 31st December, 2004, neither CASH nor any of its Directors, employees or associates had any interests in the shares of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 24th November, 2003 entered with the Company, CASH received and will receive fees for acting as the Company's continuing sponsor for the period from the Listing Date to 31st December, 2005.

CONTINGENT LIABILITIES

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

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the financial year ended 31st December, 2004.

On behalf of the Board
PAN SINO INTERNATIONAL HOLDING LIMITED
Harmiono Judianto
Chairman

Jakarta, 21st March, 2005

As at the date this announcement, the Board comprises of three executive directors, being Mr. Harmiono Judianto, Mr. Johanas Herkiamto and Mr. Rudi Zulfian; and three independent non-executive directors, being Ms. Novayanti, Mr. Gandhi Prawira and Ms. Goh Hwee Chow, Jacqueline.

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