

環新國際有限公司

(Incorporated in the Cayman Islands with limited liability)



First Quarterly Report

2005
Pan Sino International Holding Limited

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 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 in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the Directors of Pan Sino International Holding Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover for the three months ended 31st March 2005, amounted to approximately HK\$106.94 million, representing an increase of approximately 10.1% compared to the corresponding period in 2004.
- Sales volume for the three months ended 31st March 2005 increased by approximately 7.58% into 8,800 tonnes compared to the corresponding period in 2004.
- Net profit from operations increased by 8.41% compared to the corresponding period in 2004 to approximately HK\$25.28 million for the three months ended 31st March 2005.
- Basic earnings per share was approximately HK2.15 cents.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March 2005.
- Profit attributable to shareholders for the three months ended 31st March 2005 was approximately HK\$17.23 million representing an increase of approximately 9.59% compared to the corresponding period in 2004.

QUARTERLY RESULTS

For the three months ended 31st March 2005 (Unaudited)

The Directors (the “Directors”) of Pan Sino International Holding Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31st March 2005 together with the comparative unaudited figures for the corresponding period in 2004, as follows:

Consolidated Income Statement

		(Unaudited)	
		three months ended	
		31st March	
	<i>Notes</i>	2005	2004
		HK\$'000	HK\$'000
TURNOVER	3	106,938	97,128
COST OF SALES		(82,035)	(73,868)
GROSS PROFIT		24,903	23,261
INTEREST INCOME		1,514	1,015
SELLING AND DISTRIBUTION EXPENSES		(417)	(446)
GENERAL AND ADMINISTRATION EXPENSES		(1,024)	(640)
NET EXCHANGE LOSS		304	129
PROFIT FROM OPERATIONS		25,280	23,319
FINANCE COST		0	0
PROFIT BEFORE TAXATION	4	25,280	23,319
TAXATION	5	(7,151)	(6,772)
PROFIT AFTER TAXATION		18,129	16,547
MINORITY INTEREST		(895)	(821)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	6	17,234	15,726
EARNINGS PER SHARE			
BASIC (CENTS)	7a	2.15	1.97
DILUTED (CENTS)	7b	2.02	1.84

Notes:

1. 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. This was accomplished through the acquisition of the entire issued share capital of Dickinson Group Limited in consideration of and in exchange for the Company's allotted and issued ordinary shares.

2. Accounting Policies

The accounting policies adopted for the preparation of these unaudited consolidated results of the Group are consistent with those adopted by the Group in the preparation of annual audited financial statements for the year ended 31st December 2004.

3. Turnover and Revenue

The Group's principal activity is trading of cocoa beans. Turnover represents the invoiced value of goods sold during the three months ended 31st March 2005.

4. Profit Before Taxation

	(Unaudited)	
	three months ended	
	31st March	
	2005	2004
	HK\$'000	HK\$'000
Profit before taxation is arrived at after charging :		
Cost of inventories sold	82,035	73,868
Depreciation	-	7
Directors' remuneration	113	107
Other staff costs	276	254
Minimum lease payments in respect of land and buildings	129	131

5. Taxation

(a) Taxation in the consolidated income statement represents:

	(Unaudited)	
	three months ended	
	31st March	
	2005	2004
	HK\$'000	HK\$'000
Income tax expense		
Indonesia:		
Current tax	7,151	6,772
Deferred tax	-	-
	7,151	6,772

During the three months ended 31st March 2005, all of the Group's profits were derived from PT. Nataki Bamasa, 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 period. Provision for Indonesian corporate income tax for the current period 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 three months ended 31st March 2005 can be reconciled to the profit per the income statement as follows:

	(Unaudited)	
	three months ended	
	31st March	
	2005	2004
	HK\$'000	HK\$'000
Profit before taxation	25,280	23,319
Taxation at the Indonesian progressive income tax rates	7,565	6,996
Tax effect of expenses that are not deductible in determining taxable profit	3	22
Tax effect of income that is not assessable in determining taxable profit	(417)	(246)
Income tax expense	7,151	6,772

6. Profit Attributable to Shareholders

Profit attributable to shareholders includes a profit of approximately HK\$64,000 which has been dealt with in the unaudited financial statements of the Company.

7. Earnings per Share

- a. The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders for the three months ended 31st March 2005 of HK\$17,234,000 (31st March 2004: HK\$15,726,000) and 800,000,000 (31st March 2004: 800,000,000) shares in issue during the period.
- b. The calculation of the diluted earnings per share is based on the Group's profit attributable to shareholders for the three months ended 31st March 2005 of HK\$17,234,000 (31st March 2004: HK\$15,726,000) and 853,704,918 (31st March 2004: 854,564,103) shares in issue during the period.

MOVEMENT OF RESERVES

	Share Premium <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st January 2004	86,800	31,754	83,232	10,558	212,344
Profit for the three months ended 31st March 2004	-	15,726	-	-	15,726
Exchange differences on translation of financial statement of overseas subsidiaries for the three months ended 31st March 2004	-	-	-	2,388	2,388
As at 31st March 2004	<u>86,800</u>	<u>47,480</u>	<u>83,232</u>	<u>12,946</u>	<u>230,458</u>
As at 1st January 2005	86,800	123,448	83,232	(3,585)	289,895
Profit for the three month ended 31st March 2005	-	17,234	-	-	17,234
Exchange differences on translation of financial statement of overseas subsidiaries for the three months ended 31st March 2005	-	-	-	(9,493)	(9,493)
As at 31st March 2005	<u>86,800</u>	<u>140,682</u>	<u>83,232</u>	<u>(13,078)</u>	<u>297,636</u>

INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31st March 2005 (2004: Nil).

BUSINESS REVIEW

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 are mostly owned by small farmers, Indonesia has a great chance to be the biggest cocoa producing country 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 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 our purchase of cocoa beans, the Directors believe that the Group will continue to rise in the foreseeable future. This method of payment 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 the same narrow range compared to last year and New York price drifted lower from January to March, as estimates of surplus production in the 2004/2005 season rose on the back of better harvest in West Africa.

The slow trend in turnover in the first quarter of 2005 from 2004 was mainly because of the cocoa beans crop season where the first quarter is usually the low season for cocoa beans harvest. The main crop usually starts in April until July in each year.

In terms of volume, the Company's sales has increased from 8,180 tonnes for the three months ended 31st March 2004 to 8,800 tonnes for the three months ended 31st March 2005, representing an increase of approximately 7.58%.

However, net profit from operations in the first quarter of 2005 increased by approximately 8.41% compared to the corresponding period in 2004 of approximately HK\$25.28 million.

The Group is one of the few purchasers in Indonesia that can provide farmers with a 50% advance payment for the purchase of cocoa beans. This is very important in dealing with the farmers. Given our standing as one of the major exporters of cocoa beans in Indonesia and the ability to provide farmers with this payment mode the Group is able to source cocoa beans from these farmers at more competitive prices.

The Group distinguishes itself from other cocoa beans traders in Indonesia by maintaining good relationships with the farmers through the provision of certain 'value-added' services. The Group provides farmers, on an informal basis, with general information on the cocoa market, such as the customers' forecast demand for cocoa beans and feedback on the quality of the cocoa beans supplied by the farmers. In addition the Group assists the farmers on an informal basis in improving the yield and quality of their cocoa beans harvests by arranging for education and training sessions on topics such as improved farming, harvesting and after-harvesting work methods including fermentation and drying techniques.

PLACING OF NEW SHARES SUBSEQUENT TO THE END OF THE FIRST QUARTER

As detailed in the Company's announcement dated 12th April 2005, the Company has entered into 7 subscription agreements with 7 placees regarding the placing of 160,000,000 new shares of the Company at the placing price of HK\$0.30 per share (the "Placing"). The net proceeds from the Placing will be approximately HK\$47.8 million which is proposed to be used as the general working capital of the Company for its expansion of the existing cocoa bean trading business. Up to the date of this report, the Placing has not been completed.

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 three months ended 31st March 2005. 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.

BUSINESS PROSPECTS

The business and revenue of the Group is in line with the cocoa beans crop season in Indonesia where the second quarter of the year will be the main crop of cocoa beans. The main crop will give a positive impact to the Group's sales and revenue. For instance, we see the comparison of the turnover of the Group for the second quarter in 2004 was increased by approximately 27.5 % from the turnover of the first quarter in 2004. The increase was because the main crops of cocoa beans are harvested in the second quarter of each year.

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, the Management is currently in discussion with 3 of our long-term customers for the continuation of their respective Sales Agreements that was signed in October 2002 namely, Unicom, ICBT and Westermann for a further period of at least another 3 years upon their expiry in October 2005. The Directors are confident 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. A 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 plans to be the biggest cocoa beans producing country in the world.

USE OF PROCEEDS

As at 31st March 2005, the net proceeds from the public listing have not been applied. The unused proceeds are now being placed on interest-bearing deposits with licensed banks in Indonesia.

SHARE OPTIONS

Pursuant to the written resolutions passed by all the shareholders of the Company on 20th November 2003, the Company adopted the following share option schemes:

(A) Share Option Scheme (the "Scheme")

As at 31st March 2005, no option under the Scheme has been granted or agreed to be granted.

(B) Pre-IPO Share Option Scheme (the "Pre-IPO Scheme")

As at 31st March 2005, options to subscribe for 56,000,000 shares in aggregate representing 7% of the issued share capital of the Company have been granted under the Pre-IPO Scheme to a total of 4 Directors and employees of the Group.

A summary of the share options granted on 20th November 2003 under the Pre-IPO Scheme is as follows:

Grantees	Vesting period	Exercisable period	Exercise price	Number of share options outstanding as at 01.01.2005	Number of share options granted exercised/	Number of share options outstanding as at 31.03.2005
					lapsed/ cancelled during the period	
Executive Directors						
Mr. Johanas Herkiamto	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	16,000,000	-	16,000,000
Mr. Rudi Zulfian	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	16,000,000	-	16,000,000
Other employees						
Mr. Elfisno	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	12,000,000	-	12,000,000
Mr. Tiswan	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	12,000,000	-	12,000,000
				56,000,000	-	56,000,000

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, none of the Directors and Chief Executives 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 Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Long position in shares of the Company

Name of Director	Nature of interest	Capacity	Number of shares	Percentage of shareholding
Mr. Harmiono Judianto	Personal	Beneficial owner	456,400,000	57.05%

Note: Mr. Harmiono Judianto is also the management shareholder and substantial shareholder of the Company.

Long position in underlying shares of the Company (under physically settled equity derivatives)

Name of Director	Nature of interest	Capacity	Description of equity derivatives	Number of underlying shares	Percentage of the underlying shares over the issued share capital of the Company
Mr. Johanas Herkiamto	Personal	Beneficial owner	Share option (Note)	16,000,000	2%
Mr. Rudi Zulfian	Personal	Beneficial owner	Share option (Note)	16,000,000	2%

Note: The share options were granted under the Pre-IPO Scheme. Such share options were unlisted and physically settled equity derivatives. Details of such share options are set out in the paragraph headed "Share Options" above.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the three months ended 31st March 2005 was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed under the paragraphs headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, no person (other than a Director or Chief Executive of the Company) has an interest or short position in the shares and underlying shares as recorded in the register as required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the paragraphs headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" above, as at 31st March 2005, no other person was able, as a practical matter, to direct or influence the management of the Company.

COMPETING INTERESTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group had five customers during the three months ended 31st March 2005 and sales to the largest customer included therein amounted to approximately 27%. During the three months ended 31st March 2005, 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 three months ended 31st March 2005.

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

During the three months ended 31st March 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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.

COMPLIANCE ADVISOR'S INTERESTS

As updated and notified by the Company's compliance advisor, Celestial Capital Limited ("CASH"), as at 31st March 2005, 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 agreement dated 24th November 2003 entered with the Company, CASH received and will receive fees for acting as the Company's compliance advisor for the period from the Listing Date to 31st December 2005.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit 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. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising the 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.

Up to the date of approval of these financial statements, the audit committee has held 6 meetings and has reviewed the unaudited figures for the first quarterly report and accounts for the three months ended 31st March 2005 prior to recommending such accounts to the Board for approval.

DIRECTORS

The Executive Directors of the Company as at the date of this report are Mr. Harmiono Judianto, Mr. Johanas Herkiamto and Mr. Rudi Zulfiyan and the Independent Non-executive Directors of the Company as at the date of this report are Ms. Novayanti, Mr. Gandhi Prawira and Ms. Jacqueline Goh Hwee Chow.

On behalf of the Board
Mr. Harmiono Judianto
Chairman

Jakarta, Indonesia, 10th May 2005