Pan Sino International Holding Limited

環新國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 502)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

FINAL RESULTS

The board of directors (the "Board") of Pan Sino International Holding Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2005, together with the comparative results for the previous year:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2005

	Notes	2005 HK$'000	2004 HK$'000
Turnover	2	**712,236**	619,103
Cost of sales		**(545,704)**	(481,467)
Gross profit		**166,532**	137,636
Other income	3	**10,978**	3,420
Gain on disposal of fixed assets		**29**	–
Selling and distribution expenses		**(2,704)**	(2,478)
General and administrative expenses		**(8,755)**	(4,102)
Net exchange gain	4	**20**	3,765
Profit before taxation	5	**166,100**	138,241
Taxation	6	**(48,181)**	(41,629)
Profit attributable to shareholders	7	**117,919**	96,612
Attributable to:			
Shareholders of the company		**111,853**	91,694
Minority interest		**6,066**	4,918
		117,919	96,612
Earnings per share			
Basic, HK cents	8(a)	**12.5**	11.5
Diluted, HK cents	8(b)	**11.8**	10.7

* for identification purposes only

CONSOLIDATED BALANCE SHEET

As at 31st December 2005

	Notes	2005 HK$'000	2004 HK$'000
NON-CURRENT ASSETS			
Fixed assets		**–**	–
Deferred tax assets		**170**	21
		170	21
CURRENT ASSETS			
Inventories	*9*	**8,244**	6,922
Trade debtors	*10*	**76,542**	83,310
Advances to suppliers	*11*	**17,297**	14,351
Deposits, prepayments and other receivable		**1,500**	541
Fixed deposits		**336,988**	180,252
Cash and bank balances		**35,978**	36,890
		476,549	322,266
DEDUCT:			
CURRENT LIABILITIES			
Tax payable		**14,351**	13,284
Accrued expenses		**979**	365
		15,330	13,649
NET CURRENT ASSETS		**461,219**	308,617
TOTAL ASSETS LESS CURRENT LIABILITIES		**461,389**	308,638
NON-CURRENT LIABILITY			
Provision for post employment benefit		**566**	–
NET ASSETS		**460,823**	308,638
REPRESENTING:–			
SHARE CAPITAL		**9,600**	8,000
RESERVES		**435,100**	289,895
		444,700	297,895
MINORITY INTERESTS		**16,123**	10,743
SHAREHOLDERS' FUNDS		**460,823**	308,638

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which also includes Hong Kong Accounting Standards ("HKAS") and Interpretations approved by the HKICPA, and are prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In the current year, the Group adopted the new HKFRS below, which are relevant to its operations.

HKFRS 3	Business Combinations
HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue

HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The adoption of the above new HKFRS has the following impact on the Group's accounting policies:–

(i) HKFRS 3 does not have any impact as the new standard does not affect the Group.

(ii) HKAS 1, 24, 32 and 39 have affected the presentation and disclosure of the financial statements.

(iii) HKAS 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 27, 33, 36 and 37 have no material effect on the Group's accounting policy.

2. TURNOVER

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

3. OTHER INCOME

	2005	2004
	HK$'000	*HK$'000*
Bank interest income	**10,741**	3,420
Others	**237**	–
	10,978	3,420

4. NET EXCHANGE GAIN

	2005	2004
	HK$'000	*HK$'000*
Exchange gain/(loss) arising from:		
Trading operations	**394**	3,809
Other non-trading operations	**(374)**	(44)
	20	3,765

5. PROFIT BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging:		
Cost of inventories sold	**545,704**	481,467
Auditors' remuneration	**471**	208
Depreciation	**–**	6
Directors' remuneration	**569**	456
Other staff costs	**1,463**	1,142
Post employment benefit	**495**	–
Sales proceeds of fixed assets	**29**	–
Less: carrying value	**–**	–
Gain on disposal of fixed assets	**29**	–
Minimum lease payments in respect of land and buildings	**493**	500

6. TAXATION

Taxation in the consolidated income statement represents:

	2005	2004
	HK$'000	*HK$'000*
Overseas taxation		
Current tax	**48,333**	41,624
Deferred tax	**(152)**	5
	48,181	41,629

During the year, all of the Group's profits were derived from Nataki, a subsidiary 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 **Indonesia Rupiahs (IDR)**	**Rate** *%*
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:

	2005 ***HK$'000***	2004 *HK$'000*
Profit before taxation	**166,100**	138,241
Taxation at the Indonesian progressive income tax rates	**49,817**	41,457
Tax effect of expenses that is not deductible in determining taxable profit	**1,643**	521
Tax effect of income that is not assessable in determining taxable profit	**(3,279)**	(1,062)
Taxes on profit distribution by a subsidiary	**–**	713
Income tax expense	**48,181**	41,629

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders includes a loss of approximately HK$3,588,000 (2004: HK$1,032,000) which has been dealt with in the financial statements of the Company.

8. EARNINGS PER SHARE

(a) The calculation of basic earnings per share for the year ended 31st December, 2005 is based on the profit attributable to shareholders of the Company and the weighted average number of 896,876,712 shares in issue during the year ended 31st December, 2005.

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

(b) Diluted earnings per share for the year ended 31st December, 2005 is based on the profit attributable to shareholders of the Company and the weighted average number of 950,636,712 shares in issue during the year. The number of shares used in the calculation comprised 896,876,712 shares referred to in note 8(a) above and 53,760,000 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$0.25.

Diluted earnings per share for the year ended 31st December, 2004 is based on the profit attributable to shareholders of the Company 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 8(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.

9. INVENTORIES

Inventories consist of cocoa beans and no inventories are stated at net realisable value.

10. TRADE DEBTORS

Customers are normally required to pay to the Group approximately within one month following shipment of goods.

The following is an ageing analysis of trade debtors:

	2005 ***HK$'000***	2004 *HK$'000*
0 – 30 days	**71,185**	73,686
31 – 60 days	**5,357**	9,624
	76,542	83,310

11. ADVANCES TO SUPPLIERS

The amounts represent deposits (normally 50% of purchase prices) paid in advance to the suppliers according to the purchase orders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Source and sell cocoa beans at competitive prices

Indonesia continues to produce more than 82 percent of all cocoa crops grown in Asia and is currently the third largest cocoa beans producing country in the world after Cote D'Ivoire and Ghana. With land area of approximately 1.05 million hectares, these cocoa plantations are mostly owned by small farm holders. Indonesia has a good chance to be the largest cocoa producing country in the world.

The Directors believe that the Group is one of the few purchasers in Indonesia, which provides farmers with the 50% advance payment for the purchase of cocoa beans. This is an important strategy of the Group in dealing with the farmers since the Directors believe that the farmers will sell their better quality cocoa beans from their harvest at a more competitive price to purchaser which can provide this attractive advance payment. In addition, the Directors believe that the Group's ability to place large orders with the farmers also enables the Group to obtain more competitive prices. By purchasing quality cocoa beans at competitive prices, the Group can offer its export customers, all of whom are established cocoa product suppliers, quality cocoa beans at attractive prices.

The Group has been sourcing cocoa beans directly from farmers in Sulawesi, Indonesia, since early 2001. For the two years ended 31st December, 2004 and 2005, the Group sourced from over 1,778 and 2,244 farmers respectively. Having direct access to such a diversified base of farmers allows the Group: (i) to better control the quality and price of its purchases; (ii) to maintain a stable and reliable supply; and (iii) to improve its efficiency and cost effectiveness without going through intermediaries. The Directors are aware that there are many farmers in Indonesia that can supply the Group with the cocoa beans that meet the Group's requirements. Therefore, the Group will continue to maintain good relationships with the farmers and select its suppliers mainly based on the availability of the cocoa beans that meet the quality as required by the Group.

Cocoa should have had an expansive year in 2005 in both price and volatility but found itself range bound for much of the year. The Ivory Coast produces about two-thirds of the world's supply was overtaken by France, went through election mishaps and was exposed to multiple coup attempts, the market would have thought a cocoa rally was a foregone conclusion. Now, as the market surges to end the year, we see a price breakout and a big year ahead in cocoa. Calls remain inexpensive despite price levels and volatility expansions around the corner.

Cocoa beans price quoted on The Coffee, Sugar and Cocoa Exchange of New York has been stable in average of approximately US$1,506 per tonne compared to US$1,504 in average for the previous year.

Relationship with Customers

The Group has maintained good and stable relationships with its overseas customers as evidenced by the renewal of Sales Agreements with three of its five existing customers, namely, Unicom, ICBT and Westermann. These customers agreed to purchase an annual aggregate minimum amount of 34,000 tonnes of cocoa beans for a further term of another three years from October 2005 to October 2008. Orebi and Theobroma continued to maintain their respective strict internal policies that do not allow them to sign any long-term purchase agreements with any external parties.

The Directors believe that the Group's ability to provide its customers with quality cocoa beans at attractive prices, provide the qualities and reliable service to these customers are essential in building relationships as long-term trading partners with its overseas customers since these customers are well established cocoa product suppliers which source cocoa beans all over the world.

Stringent quality control systems

The Group's quality control staff are involved in performing on-site quality control inspections of the cocoa beans purchased at the farmers' warehouses. The Group's quality control staff also undertake regular quality control inspections at the Group's warehouse and before shipment of products to customers. The Directors believe that the adoption of these stringent quality control procedures can ensure that the quality of the cocoa beans sourced from the farmers meets the customers' requirements. During the year of 2005, the Group did not experience any customers' complaints or returned sales.

Sales and Marketing

Unique to Indonesia's cocoa industry is its free marketing and pricing system. The free trade regime in Indonesia, on the other hand, has created a competitive environment and low marketing and distribution margins. The world price for cocoa is highly correlated with the FOB (freight on board) price at Makassar, Sulawesi's major port, indicating that the system is transparent and pricing is competitive. Farmers have also benefited from a relatively good transport infrastructure in major producing areas, which has meant relatively low transport costs. Cocoa is not subject to large government levies such as export taxes. The Group's focus on sales to international trading companies is because the volume of sales is larger, specifications are more standardised and documentation process is facilitated. These factors have allowed the Group to focus on the export market since January 2001.

As at 31st December, 2005, the Group had a sales and marketing team comprising 22 staff. The sales and marketing team maintains close contact with its customers, from whom they collect the latest market information and provide it to the farmers through the purchasing department of the Group. The Directors believe this assists the Group in enabling it to source from the farmers the products that satisfy customers' requirements.

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

As indicated in the following table, the Netherlands is the major market for the Company's products. Sales to the Netherlands accounted for more than half of the Company's turnover during each of the three years ended 31st December, 2003, 2004 and 2005. The breakdown of the Company's sales to the three geographic locations are as follows:

	For the year ended 31st December					
Geographical location	**2003**		**2004**		**2005**	
	(HK$ million)	*%*	*(HK$ million)*	*%*	*(HK$ million)*	*%*
The Netherlands	360.0	59.0	371.4	60.0	461.8	64.8
The UK	168.4	27.6	164.1	26.5	171.3	24.1
France	81.8	13.4	83.6	13.5	79.1	11.1
Total	610.2	100.0	619.1	100.0	712.2	100.0

Pursuant to the Sales Agreements, the price of each purchase is determined by mutual agreement between the Group and the respective customers with reference to, amongst other things, the prices of the cocoa beans quoted on the NYCSCE. Each customer is required to purchase the minimum amount stated in its respective Sales Agreement insofar as the Group can reasonably supply such amounts.

The Directors are in the opinion that the Group will not have any problems sourcing cocoa beans to meet the minimum purchase amount under the Sales Agreements since the Group has never experienced any problems sourcing cocoa beans and there is an abundant supply of farmers, which can supply such cocoa beans that meet the Group's requirements.

The Group will continue to expand its sales to its existing customers and to diversify its customer base in overseas markets. The Directors are confident that the Group will be able to increase sales to its existing customers and achieve a larger share of their cocoa beans purchases in the future since not only can it provide its customers with export-quality cocoa beans at attractive prices but also provides quality and reliable services.

All of the Group's shipments of cocoa beans are made on a "free-on-board" basis to the shipping point. Under this arrangement, the Group's customers are responsible for the costs of the shipment and insurance in connection with the transportation of cocoa beans from the shipping point in Sulawesi, Indonesia to the destination designated by the customers. In addition, the customers also bear the risk of loss and damage to the cocoa beans during transportation from the shipping port in Indonesia to its destination. This arrangement allows the Group to minimize its transportation and insurance costs. All of the Group's sales are denominated in US dollars.

Customers normally expect shipment to take place two months after the orders are placed. Customers are normally required to pay the Group by telegraphic transfer within one to two months following shipment of the goods. For each of the three years ended 31st December, 2003, 2004 and 2005, the debtors' turnover period of the Group was approximately 46.5, 49.1 and 39.2 days respectively. There has not been, and the Group has not made any provisions for, any bad and doubtful debts during the year.

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 31st December, 2005, the shareholder's funds of the Group amounted to approximately HK$444.7 million (2004: HK$297.9 million). Current assets amounted to approximately HK$476.5 million (2004: HK$322.3 million) of which approximately HK$372.9 million (2004: HK$217.1 million) were cash and bank deposits. Current liabilities amounted to approximately HK$15.3 million (2004: HK$13.7 million), mainly in tax payable and accrued expenses.

Turnover

Turnover was approximately HK$712.2 million in the current year (2004: HK$619.1 million) which represent an increment of 15.04% compared to the previous year.

Cost of Sales

During the year ended 31st December, 2005, the Group's cost of sales was approximately HK$545.7 million, compared to HK$481.5 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, 2005 was approximately HK$166.5 million, increased of approximately 21% compared to approximately HK$137 million in the previous year.

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, 2005 amounted to approximately HK$111.8 million, which exceeds the profit attributable to shareholders of approximately HK$91.7 million for the year ended 31st December, 2004.

Gearing Ratio

The Group did not have any bank borrowing or bank overdrafts as at 31st December, 2005 (2004: 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, 2005, the total number of employees of the Group was 72. For the year ended 31st December, 2005, the staff costs including directors of the Group amounted to approximately HK$2,032,000 or amounted to 0.28% of the turnover of the Group and an increased of approximately HK$434,000 or approximately 27.16% as compared to that of the year ended 31st December, 2004.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31st December, 2005, 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, 2005, the Group had no material investment.

Capital Structure of the Group in Debt Securities

During the year ended 31st December, 2005, the Group had no debt securities in issue.

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.

The Group has established itself as a major exporter of cocoa beans in terms of trading volume in Indonesia. On the basis that the Group's sales continue to increase, the Group has successfully renewed the Sales Agreement for a further 3 year period commencing from October 2005 till October 2008 with three of its five existing customers. 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 Group's ability to place large orders with farmers, enables us to obtain more competitive prices from the farmers. By purchasing quality cocoa beans at competitive prices, 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 producer of cocoa beans in the world and has a chance to be the largest cocoa beans producing country in the world.

SUPPLEMENTARY INFORMATION

Listing of the Company's shares on Main Board

On 1st March, 2006, the shares of the Company were listed on the Main Board of the Stock Exchange by way of introduction, details of which were disclosed in the Company's listing document dated 27th January, 2006.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2005.

Final dividend

The Board did not recommend the payment of a final dividend by the Company in respect of the year ended 31st December, 2005 (2004: Nil). In addition, the Company has not paid any interim dividend for the year ended 31st December, 2005 (2004: Nil).

Closure of Register of Members

The register of members of the Company will be closed from Monday, 29th May, 2006 to Friday, 2nd June, 2006 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company to be held on Friday, 2nd June, 2006, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 26th May, 2006.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Main Board Listing Rules, except for Code Provision A.4.2 which requires that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In order to comply with the said Code Provision A.4.2, the Board has proposed to amend the relevant provisions in the Articles of Association of the Company at the forthcoming annual general meeting of the Company.

Audit Committee

The Audit Committee of the Company, comprising four independent non-executive directors, namely Mr Gandhi Prawira (the Chairman of the Audit Committee), Ms Novayanti, Ms Goh Hwee Chow, Jacqueline and Ms Wang Poey Foon, Angela, has reviewed with senior management of the Group and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting process including the review of the Company's consolidated financial statements for the year ended 31st December, 2005.

Board of directors

As at the date of this announcement, Mr Harmiono Judianto, Mr Johanas Herkiamto, Mr Rudi Zulfian and Ms Roseline Marjuki are the executive directors of the Company; and Mr Gandhi Prawira, Ms Novayanti, Ms Goh Hwee Chow, Jacqueline and Ms Wang Poey Foon, Angela are the independent non-executive directors of the Company.

By order of the Board
Harmiono Judianto
Chairman

Jakarta, Indonesia, 21 April 2006

"Please also refer to the published version of this announcement in The Standard."