

Pan Sino International Holding Limited

環新國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 502)

INTERIM RESULTS

For the six months ended 30th June, 2006 (Unaudited)

HIGHLIGHTS

- Turnover for the six months ended 30th June, 2006, amounted to approximately HK\$273,200,000, increased by approximately 1.69% compared to the corresponding period in 2005.
- Sales volume for the six months ended 30th June, 2006 increased by approximately 10.82% to 24,425 tonnes compared to the corresponding period in 2005.
- Profit from operations increased by 8.69% compared to the corresponding period in 2005 to approximately HK\$66,086,000 for the six months ended 30th June, 2006.
- Basic earnings per share for the six months ended 30th June, 2006 was approximately HK4.92 cents.
- The Directors do not recommend payment of an interim dividend for the six months ended 30th June, 2006.
- Profit attributable to shareholders for the six months ended 30th June, 2006 was approximately HK\$47,263,000 representing an increase of approximately 16.04% compared to the corresponding period in 2005.

The board of directors (the “Board”) of Pan Sino International Holding Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months and three months ended 30th June, 2006 together with comparative unaudited figures for the corresponding periods in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	2	162,345	161,727	273,200	268,665
Cost of sales		(124,149)	(125,361)	(211,014)	(207,396)
Gross profit		38,196	36,366	62,186	61,269
Others income		7,692	1,854	15,021	3,369
Selling and distribution expenses		(1,159)	(592)	(1,984)	(1,009)
General and administration expenses		(3,774)	(2,526)	(5,111)	(3,550)
Net exchange gain/loss		1,508	421	(4,026)	723
Profit before taxation	3	42,463	35,523	66,086	60,802
Taxation	4	(11,272)	(10,691)	(16,262)	(17,841)
Profit after taxation		31,191	24,832	49,824	42,961
Attributable to:					
Shareholders of the company	5	29,534	23,495	47,263	40,730
Minority interest		1,657	1,337	2,561	2,231
		31,191	24,832	49,824	42,961
Earnings per share	6				
Basic, HK cents		3.08	2.82	4.92	4.89
Diluted, HK cents		3.46	2.65	4.66	4.59

* for identification purposes only

CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30th June, 2006 HK\$'000	(Audited) As at 31st December, 2005 HK\$'000
ASSET			
Non-current Assets			
Deferred tax assets		180	170
		<u>180</u>	<u>170</u>
Current Assets			
Inventories		17,060	8,244
Trade debtors	7	52,196	76,542
Advances to suppliers		33,107	17,297
Deposits, prepayment and other receivable		4,351	1,500
Fixed deposit		405,022	336,988
Cash and bank balances		17,972	35,978
		<u>529,708</u>	<u>476,549</u>
Deduct:			
Current liabilities			
Tax payable		6	14,351
Accrued expenses		331	979
		<u>337</u>	<u>15,330</u>
NET CURRENT ASSETS		<u>529,371</u>	<u>461,219</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>529,551</u>	<u>461,389</u>
Non-current Liability			
Provision for post employment benefit		599	566
NET ASSETS		<u>528,952</u>	<u>460,823</u>
Representing:			
Share capital		9,600	9,600
Reserve		499,753	435,100
		<u>509,353</u>	<u>444,700</u>
Minority Interest		<u>19,599</u>	<u>16,123</u>
Shareholders' Funds		<u>528,952</u>	<u>460,823</u>

Notes:

1. Basis of Preparation and Accounting Policies

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

2. Turnover

The Group is principally engaged in the trading of cocoa beans. Turnover represents the invoiced value of goods sold during the six months ended 30th June, 2006.

3. Profit before taxation

	Six months ended 30th June, 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Profit before taxation is arrived at after charging:		
Cost of inventories sold	211,014	207,396
Directors' remuneration	329	223
Other staff costs	964	282
Minimum lease payments in respect of land and buildings	263	253
	<u>211,014</u>	<u>207,396</u>

4. Taxation

Taxation in the consolidated income statement represents:

	Six months ended 30th June, 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Income tax expenses		
Indonesia:		
Current tax	16,262	17,932
Deferred tax	–	(91)
	<u>16,262</u>	<u>17,841</u>

During the six months ended 30th June, 2006, all of the Group's profits were derived from PT. Nataki Bamasa ("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 period. Provision for Indonesian corporate income tax for the current period is based on the following progressive tax rates:

Taxable income rate

	Indonesia Rupiahs (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 six months ended 30th June, 2006 can be reconciled to the profit per the income statement as follows:

	Six months ended 30th June, 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Profit before taxation	66,086	60,802
Taxation at the Indonesian progressive income tax rate	20,232	20,581
Tax effect of expenses that are not deductible in determining taxable profit	–	38
Tax effect of income that are not assessable in determining taxable profit	(3,970)	(2,989)
Tax effect of cumulative fiscal loss	–	302
Income tax expense		
– Current tax	16,262	17,932
– Deferred tax	–	(91)
	<u>16,262</u>	<u>17,841</u>

5. Profit attributable to shareholders

Profit attributable to shareholders for the six months ended 30th June, 2006 is approximately HK\$47,263,000 (30th June, 2005: HK\$40,730,000).

6. Earnings per share

- The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30th June, 2006 of HK\$47,263,000 (30th June, 2005: HK\$40,730,000) and 960,000,000 (30th June, 2005: 832,707,182) shares in issue during the period.
- The calculation of the diluted earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30th June, 2006 of HK\$47,263,000 (30th June, 2005: HK\$40,730,000) and 1,014,564,103 (30th June, 2005: 886,467,182) shares in issue during the period.

7. Trade debtors

The Group generally allows credit period ranging from 30 to 60 days to its trade customers.

	(Unaudited) As at 30th June, 2006 HK\$'000	(Audited) As at 31st December, 2005 HK\$'000
Trade debtors	52,196	76,542

The aging analysis of the trade debtors was as follows:

	(Unaudited) As at 30th June, 2006 HK\$'000	(Audited) As at 31st December, 2005 HK\$'000
0–30 days	21,364	71,185
31–60 days	30,832	5,357
	<u>52,196</u>	<u>76,542</u>

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30th June, 2006 (30th June, 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's primary business is the sourcing and sale of cocoa beans to its overseas customers. For the six months ended 30th June, 2006, the Group increased its sales to existing customers to approximately 24,425 tonnes and is continuing its efforts to expand its market share.

The crop seasons for cocoa beans in Indonesia are (i) March to July, and (ii) September to December; the latter period bearing better harvest. Thus, turnover during the second quarters of 2006 and 2005 was on an upward trend as compared with first quarters.

The Company's sales volume has increased from 22,040 tonnes for the six months ended 30th June, 2005 to 24,425 tonnes for the six months ended 30th June, 2006, representing an increase of approximately 10.82%.

Profit attributable to shareholders for the six months ended 30th June, 2006 was approximately HK\$47,263,000 representing an increase of approximately 16.04% compared to the corresponding period in 2005.

Relationship with Customers

The Group is committed to maintaining good and stable relationships with its existing overseas customers who are established cocoa product suppliers in Europe sourcing cocoa beans from all over the world. The Group's business activities are supported by well-integrated teams within the organisation.

Business Plan

The Group was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2003 and migrated successfully to the Main Board of the Stock Exchange in March 2006.

The business plans of the Group, as formulated at the time of listing on GEM and as set out in the prospectus, had to be adjusted in accordance with changes in the economic and political situation in Indonesia. The adjustment was in relation to the timing of investments and implementation of business strategies. The revisions enabled the Company to remain viable.

Indonesia in the year 2004 held its general and presidential elections. These events have, in the past, always created unstable conditions for new investment activities. The Group therefore decided to hold back its business plans to build a new factory and warehouse in Indonesia. In addition, to carry out those plans, the Group had to obtain additional licences from government bodies and these processes were slowed down due to concentration of government efforts on organising and maintaining peaceful elections. Thankfully, with the extra efforts on the part of the Government, both the general and presidential elections were, in the event, carried out peacefully and successfully.

Relationship with Farmers

Sustainable cocoa agriculture is a collaborative effort among all those involved in cocoa farming, production and marketing. It is essential to conserve the tropical forest environment and to help small-scale farmers develop farming techniques that will allow them to earn a successful living, thereby ensuring an adequate supply of consistent quality cocoa beans.

The Group distinguishes itself from other cocoa beans trading companies in the provision of (i) assistance to the farmers on an informal basis in improving the yield and quality of their cocoa beans harvests through education and training sessions on topics such as improved farming, harvesting and after-harvesting work methods including fermentation and drying techniques; (ii) 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; and (iii) a 50% advance payment for the purchase of cocoa beans.

Future Prospects

The business and revenue of the Group are in line with the crop seasons of cocoa beans in Indonesia where better growth is usually reported in the second quarter of each year. The main crop in the second quarter has had a positive impact on the Group's sales and revenue. Thus, the turnover of the Group of approximately HK\$162,345,000 for the second quarter in 2006 showed an increase of approximately of 46.45%, compared with the turnover of approximately HK\$110,855,000 for the first quarter.

There are basically three generic issues that arise in the context of primary commodities:

- the world market volatility,
- the declining trend in commodity prices, and
- the relatively small share of primary producers in the chain of value added as a commodity moves and gets processed from the farmgate to the final consumer

These issues arise out of the way primary commodity markets are structured, function, and behave. Since at the core of the commodity problem is the struggle to bring global supply and demand into balance in the short as well as long-term, who produces what and at what cost is central to its resolution.

The Group is driven by a commercial approach which brings fresh thinking to our target markets. By careful selection of suppliers, we have created supply chain partnerships which deliver value and control costs.

Indonesia is currently the third largest producer of cocoa beans in the world and according to Indonesia National Cocoa Association, aims to be the largest producer by 2010.

Retirement Benefit Scheme

The Indonesian subsidiary of the Company, Nataki, is required to contribute to the Government's statutory insurance and retirement fund ("Jamsostek") 6.24% of the basic salary of its employees, and thereafter have no further obligations for the actual pension payments or post-retirement benefits beyond the monthly contributions. The Jamsostek fund is responsible for the entire insurance claim related to accidents incurred by the employees during work and to the entire pension obligations of the retired employees.

In addition, based on Manpower Law of the Republic of Indonesia No. 13 year 2003, it stipulates that Nataki has an obligation to pay a certain amount as compensation to an employee if termination is effected. In connection with this matter, the Group has made provisions for the allowance of such an obligation.

Related Party Transactions

The Group did not enter into any material related party transactions during the period.

Commitments

As at 30th June, 2006, the Group had no material capital commitments to be disclosed.

Contingent Liabilities

As at 30th June, 2006, the Group had no material contingent liabilities to be disclosed.

Capital Structure of the Group in Debt Securities

During the period ended 30th June, 2006, the Group had no debt securities in issue, similar to the corresponding period ended 30th June, 2005.

Significant Investments

As at 30th June, 2006, the Group had made no significant investments.

Charges on Group's Assets

As at 30th June, 2006, the Group did not have any charges on any of its assets.

Liquidity and Financial Resources

The Group's liquidity position improved during the first and second quarters of 2006. The Group mainly finances its operations and investment activities with internally generated cash flows.

As at 30th June, 2006, the Group had total cash and bank deposits of HK\$422,994,000. The Group did not have any bank loans.

Gearing Ratio

The gearing ratio was 0.18% as at 30th June, 2006 (31st December, 2005: 3.57%), representing total liabilities of HK\$936,000 (31st December, 2005: HK\$15,896,000) divided by total equity of HK\$509,353,000 (31st December, 2005: HK\$444,700,000).

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

There were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Group for the six months ended 30th June, 2006.

Employee Information

As at 30th June, 2006 the Group had 71 (30th June, 2005: 72) full-time employees.

Exposure to Exchange Rate Fluctuations

During the period ended 30th June, 2006, the Group experienced only immaterial exchange rates fluctuations as most of the Group's monetary assets and liabilities were denominated and most of the business was conducted in US Dollars and IDR which were relatively stable during the period under review. The Group considered its exchange rate risks to be minimal and did not therefore employ any financial instruments for hedging purposes.

Migration to the Main Board

As stated in the announcement dated 12th July, 2005, the Company proposed to list its shares on the Main Board of the Stock Exchange by way of Introduction (the "Proposed Introduction"). The Company also informed the Stock Exchange of its intention to voluntarily withdraw the listing of its shares on GEM (the "Proposed Withdrawal") conditional upon, amongst other things, the approval of the application for the Proposed Introduction.

On 1st March, 2006 the Company successfully completed its migration process from GEM to the Main Board of the Stock Exchange and began its first day of trading on the Main Board of the Stock Exchange.

With this successful listing on the Main Board of the Stock Exchange, the Group will have many possibilities to expand its business in the future.

The Group is aware of the investments of competitors make in building their brands and continues to maintain a competitive position.

At the core of the business is trust in our suppliers, in our partners and in our own people, our measures to ensure that we make promises which we can keep thus earn and retain the trust of our customers. Building and maintaining a reputation for quality is our way of sustaining the long-term viability of our business.

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

During the six months ended 30th June, 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and other relevant financial reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee of the Company comprises four independent non-executive Directors, namely Mr. Gandhi Prawira (Chairman of the audit committee), Ms. Novayanti, Ms. Goh Hwee Chow, Jacqueline and Ms. Wang Poey Foon, Angela. The audit committee of the Company has reviewed the unaudited figures for the six months ended 30th June, 2006 prior to recommending such accounts to the Board for approval.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management efficiency 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 to The Rules Governing the Listing of Securities on the Stock Exchange.

DIRECTORS

As at the date of this announcement, the Executive Director of the Company are Mr. Harmiono Judianto, Mr. Rudi Zulfian and Ms. Roseline Marjuki and the Independent Non-executive Directors of the Company are Ms. Novayanti, Mr. Gandhi Prawira, Ms. Goh Hwee Chow, Jacqueline and Ms Wang Poey Foon, Angela.

On behalf of the Board
Mr. Rudi Zulfian
Director

Jakarta, Indonesia, 22nd September, 2006

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