

# Pan Sino International Holding Limited

環 新 國 際 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)



## PLACING

Sponsor

**CASH**

Celestial Capital Limited

Bookrunner and Lead Manager

**SBI**  
E2-Capital

SBI E2-Capital Securities Limited

**IMPORTANT**

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**Pan Sino International Holding Limited**

**環新國際有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**LISTING ON THE GROWTH ENTERPRISE MARKET OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED  
BY WAY OF PLACING**

**Number of Placing Shares** : 240,000,000 Shares  
(subject to Over-allotment Option)

**Placing Price** : HK\$0.45 per Placing Share

**Nominal value** : HK\$0.01 each

**Stock code** : 8260

**Sponsor**

**CASH**

**Celestial Capital Limited**

**Barits Securities  
(Hong Kong) Limited**

**First Shanghai Securities Limited  
Japan Asia Securities Limited**

**Bookrunner and Lead Manager**

**SBI  
E2-Capital**

**SBI E2-Capital Securities Limited**

**Co-Lead Managers**

**Kingsway Financial  
Services Group Limited**

**Celestial Capital Limited**

**Co-Managers**

**ICEA Capital Limited  
Koffman Securities Limited**

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prospective investors of the Placing Shares should note that the Sponsor and the Lead Manager (for themselves and on behalf of the Underwriters) are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to the Company, upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 6:00 p.m. (Hong Kong time) on the business day immediately preceding the date on which dealings in Shares first commence on the Stock Exchange. Such events include, but without limitation to, any acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, accident or interruption or delay in transportation. It is important that you refer to that section for such details. If the Underwriting Agreement does not become unconditional or is otherwise terminated in accordance with the terms therein, the Company will make an announcement as soon as possible.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

\* For identification purposes only

25th November, 2003, Hong Kong

## CHARACTERISTICS OF GEM

**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.**

## EXPECTED TIMETABLE

2003  
(Note 1)

Announcement of the level of indication of interest  
in the Placing to be published in the GEM website  
at www.hkgem.com on or before . . . . . Monday, 1st December

Deposit of share certificates into CCASS on or before (Note 2) . . . . . Monday, 1st December

Dealings in the Shares on GEM to commence on . . . . . Tuesday, 2nd December

*Notes:*

1. All times refer to Hong Kong local time.
  
2. Placees of Shares will receive their Placing Shares via CCASS. The share certificate(s) for the Placing Shares to be distributed via CCASS is/are expected to be deposited into CCASS on Monday, 1st December, 2003 for credit to the respective CCASS participants' or investor participants' stock accounts designated by the Underwriters or the placees, as the case may be. No temporary document or evidence of title will be issued.

Certificates for the Placing Shares are expected to be conditionally issued on Monday, 1st December, 2003. The certificates will only become valid certificates of title if (i) the Placing has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting" has not been exercised. If the Underwriting Agreement does not become unconditional or is terminated in accordance with the terms therein, the Company will make an announcement as soon as possible.

If there is any revision to the above timetable, a separate announcement will be made by the Company.

For details of the structure and conditions of the Placing, please refer to the section headed "Structure and conditions of the Placing" in this prospectus.

It should be noted that the Underwriting Agreement contains provisions granting the Sponsor and the Lead Manager, for themselves and on behalf of the Underwriters, the right, which may be exercised at any time at or prior to 6:00 p.m. on the business day immediately preceding the date on which dealings in Shares first commence on the Stock Exchange, to terminate the Underwriters' obligations under the Underwriting Agreement on the occurrence of certain events, as set out in the Underwriting Agreement. Details of the grounds of termination are set out in the section headed "Underwriting" in this prospectus.

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*You should rely only on the information contained in this prospectus to make your investment decision.*

*The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus.*

*Any information or representation not made or contained in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Underwriters, their respective directors, or any other parties involved in the Placing.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Placing Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the sections headed "Characteristics of GEM" and "Risk factors" in this prospectus. You should read those sections carefully before you decide to invest in the Placing Shares.*

## BUSINESS

Indonesia is currently the third largest producer of cocoa beans in the world. Capitalising on the abundant supply of quality cocoa beans in Indonesia, the Group has established itself as a major exporter of cocoa beans in terms of trading volume in Indonesia. According to INCA, for the year ended 31st December, 2002, the Group was the fourth largest exporter of cocoa beans in Indonesia. For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the volume of cocoa beans exported by the Group amounted to approximately 16,380 tonnes, 23,920 tonnes and 24,470 tonnes, respectively, while the Group's turnover was approximately HK\$145.2 million, HK\$300.9 million and HK\$352.0 million, respectively. The Group's products are one of the major raw materials used for the manufacture of a variety of food products including chocolate, beverages and cakes, and various pharmaceutical and cosmetic products such as soaps and moisturising creams.

Since January 2001, the Group has ceased sales to the domestic market and focused only on the export market. The Group currently sells its products to four established importers in Europe, namely Unicom in the Netherlands, ICBT in the UK, Orebi in France and Westermann in the Netherlands, who resell the products to other cocoa bean trading companies and cocoa processing and/or manufacturing companies in the US. In October 2002, the Group entered into the Sales Agreements with each of Unicom, ICBT and Westermann whereby these customers agreed to purchase an annual minimum of 12,000 tonnes, 9,000 tonnes and 7,000 tonnes of cocoa beans, respectively, from the Group for an initial term of three years. By the first anniversary of their respective Sales Agreements in October 2003, Unicom, ICBT and Westermann have respectively ordered approximately 16,600 tonnes, 12,700 tonnes and 10,100 tonnes of cocoa beans from the Group, which have exceeded their respective annual commitments under the Sales Agreements by approximately 38.3%, 41.1% and 44.3%.

For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the Group sourced all of its cocoa beans directly from over 600, 800 and 1,100 farmers in Sulawesi, respectively. Sourcing from a diversified base of farmers allows the Group to: (i) better control the quality and price of its purchases; (ii) maintain a stable and reliable supply of its products; and (iii) increase its efficiency and cost effectiveness without going through intermediaries. The Directors consider that there are many farmers in Indonesia that can supply cocoa beans to the Group that meet its requirements. The Group has maintained good relationships with farmers and selects its suppliers based mainly on the availability of the cocoa beans that meet the quality and quantity as required by the Group.

## SUMMARY

The Group is one of the few purchasers in Indonesia which can provide farmers with a 50% advance payment for the purchase of cocoa beans. This is very important in dealing with the farmers since they will sell the better quality cocoa beans from their harvest and at a more competitive price to purchasers which can provide a meaningful advance payment. Given that the Group is one of the major exporters of cocoa beans in Indonesia and that it is able to provide farmers with an advance payment and place large purchase orders, the Group is able to source cocoa beans from farmers at more competitive prices.

The Group distinguishes itself from other cocoa bean traders in Indonesia by maintaining good relationships with 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 also assists farmers on an informal basis in improving the yield and quality of their cocoa bean harvests by arranging education and training sessions for the farmers on topics such as improved farming, harvesting and after-harvesting work methods including fermentation and drying techniques.

### **PRINCIPAL STRENGTHS**

#### **Major player in the cocoa bean trading industry in Indonesia**

The Group has established itself as a major exporter of cocoa beans in terms of trading volume in Indonesia. According to INCA, for the year ended 31st December, 2002, Nataki was the fourth largest exporter of cocoa beans in Indonesia, accounting for approximately 6.1% of the country's total export volume of cocoa beans for that year. On the basis that the Group's sales continue to increase and the Group has entered into the Sales Agreements in October 2002, the Directors believe that the Group will continue to be one of the largest exporters of cocoa beans in Indonesia in the foreseeable future. As the Group is one of the major exporters of cocoa beans in Indonesia and it is able to provide farmers with an advance payment, the Group is able to source cocoa beans from farmers at competitive prices.

#### **Ability to source and sell cocoa beans at competitive prices**

The Group is one of the few purchasers in Indonesia which provides farmers with a 50% advance payment for the purchase of cocoa beans. This is very important in dealing with the farmers since they will sell the better quality cocoa beans from their harvest and at a more competitive price to purchasers which can provide a meaningful advance payment. In addition, the Directors believe that the Group's ability to place large orders with farmers also enables the Group 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 very important to overseas customers as they source cocoa beans all over the world.



## **Good and stable relationships with a diversified base of farmers**

The Group has been sourcing cocoa beans directly from farmers in Sulawesi, Indonesia, since the beginning of 2001. For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the Group sourced from over 600, 800 and 1,100 farmers, respectively. The Directors consider that there are many farmers in Indonesia that can supply the cocoa beans to the Group that meet its requirements. 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 of its products; and (iii) to increase its efficiency and cost effectiveness without going through intermediaries. The Group has not experienced any difficulty in sourcing cocoa beans during the Track Record Period and does not expect any such difficulty in the foreseeable future. The Group's ability to make advance payments and place large orders enhances relationships between the Group and the farmers. Furthermore, the Group also maintains 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. Further, the Group assists farmers on an informal basis in improving the yield and quality of their cocoa bean harvests by arranging education and training sessions for the farmers on topics such as improved farming, harvesting and after-harvesting work methods including fermentation and drying techniques. The good and stable relationships with a diversified base of farmers allows the Group to source products with the required quantity and quality that meet customers' requirements.

## **Good and stable relationships with customers**

The Group has maintained good and stable relationships with its overseas customers since it commenced business with them. Such good relationships have been evidenced by the Sales Agreements entered into between the Group and three of its customers, whereby these customers have agreed to purchase an aggregate annual minimum amount of 28,000 tonnes of cocoa beans from the Group for an initial term of three years commencing from October 2002. In addition, the Group has not experienced any customers' complaints or returned sales during the Track Record Period. The Directors believe that the Group's ability to provide its customers with export quality cocoa beans at attractive prices and its ability to provide quality, reliable service to these customers are very important since these customers are established cocoa product suppliers in Europe 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 own warehouse and before shipment of products to customers. The Directors believe that the adoption of these stringent quality control procedures ensure that the quality of the cocoa beans sourced from the farmers meets the customers' requirements. During the Track Record Period, the Group did not experience any customers' complaints or returned sales.

# SUMMARY

## **Strong industry background of the senior management team**

Mr. Judianto, Mr. Herkiamto and Mr. Zulfian have an average of over nine years of experience in the cocoa industry and possess good relationships with both customers and suppliers of cocoa beans. Their relationships and knowledge in the cocoa bean industry has enabled the Group to rapidly increase its sales and profitability. The Directors believe the Group can leverage on the expertise and business relationships of its senior management team to further develop its sales to existing customers and to diversify its customer base in both the overseas and domestic markets.

## **BUSINESS OBJECTIVES**

It is the Group's objective to become a leading player in the Indonesian cocoa industry. According to INCA, for the year ended 31st December, 2002, Nataki was the fourth largest exporter of cocoa beans in Indonesia, accounting for approximately 6.1% of the country's total export volume of cocoa beans for that year. Given that the Group's sales have continued to increase since its establishment in December 1999 and the Group entered into the Sales Agreements in October 2002, the Directors believe that the Group will continue to be one of the largest exporters of cocoa beans in Indonesia in the foreseeable future. To achieve the goal of becoming a leading player in both the export and domestic markets in the Indonesian cocoa industry, the Group intends to expand its sales to existing customers and into the domestic market and also solicit new customers, in both the overseas and domestic markets. Building on its experience in the cocoa bean trading business, the Group intends to diversify into other cocoa-related business, such as cocoa processing operations.

## **STRATEGIES**

### **Expansion of trading volume**

#### *Achieving a larger share of the existing customers' business*

The Group's sales to each of its existing customers only accounted for a small portion of the respective total purchases of cocoa beans of these customers during the Track Record Period. Each of these customers purchases cocoa beans from a number of other major cocoa bean producing countries. Given that: (i) the Group has been able to meet these customers' requirements and has not experienced any customers' complaints or returned sales during the Track Record Period; and (ii) three of its customers have committed to purchase an aggregate annual minimum amount of 28,000 tonnes of cocoa beans from the Group under the Sales Agreements, the Directors consider that the Group is well-positioned to strengthen its relationships with these customers and to achieve a larger share of their business.

The Group's sales and marketing department has in the past taken a passive approach by waiting for overseas customers to place orders with the Group. When the overseas customers place orders with the Group, the Group and the customer will then agree on the selling price for that order. However, in order to achieve a larger share of the existing customers' business, the Group intends to: (i) regularly keep the customers abreast of the latest market developments in the Indonesian cocoa industry such as cocoa harvest and pricing information; (ii) adopt a more proactive approach by

## SUMMARY

regularly calling its customers in relation to their purchase requirements; (iii) offer its customers more flexible credit terms; and (iv) consider offering its customers more competitive prices. In addition, the Group will also continue its stringent quality control and delivery systems in order to ensure that the Group can supply its customers with cocoa beans of the required quality and quantity.

### *Diversifying customer base in both overseas and domestic markets*

In the past, the Group has not attended trade shows, exhibitions or conferences relating to the cocoa industry. The Group intends to procure more overseas customers by expanding its sales and marketing team to 25 staff and by attending trade shows, exhibitions and conferences relating to the cocoa industry, especially in the US, which is currently the largest importing region of Indonesian cocoa beans in the world, and in Indonesia. In addition, it will also develop sales in the domestic market by establishing relationships with the other cocoa bean traders and cocoa processing companies in Indonesia through its local sales and marketing team and the contacts and relationships of the senior management and executive Directors. Potential customers in the domestic market to be targeted include other cocoa bean traders and cocoa processing companies.

The development of sales to buyers in the domestic market will allow the Group to earn additional revenue and gain new market share. As the Group has secured a diverse and reliable source of cocoa bean supplies and is now sourcing cocoa beans directly from farmers, rather than through local traders as previously done when it last traded in the domestic market in 2000, the Directors believe that the future profits from domestic trading will be higher than in 2000. In addition, domestic buyers generally buy in smaller quantities than overseas buyers, and are easier to establish relationships with due to their proximity in terms of geographic location.

### **Expansion into other cocoa-related business**

Capitalising on the Group's experience and business relationships in the cocoa industry, the Directors consider that diversifying into other cocoa-related business such as cocoa processing operations would be a natural extension of its existing operations. The Directors consider that the vertical integration of cocoa bean trading and other cocoa-related business such as cocoa processing operations will allow the Group to further establish itself as one of the leading players in the Indonesian cocoa industry. The Group intends to expand into other cocoa-related business through organic growth or, should the appropriate opportunity arise, through strategic merger or acquisition, alliance or other form of cooperation with partners whose strategy is complimentary to the Group's expansion strategy. Although it is the current intention of the Directors that the Group will establish the cocoa processing operations by setting up its own cocoa processing facilities through acquiring the necessary equipment, the Directors do not rule out the possibility of diversifying into cocoa processing operations by way of strategic merger or acquisition, alliance or other form of cooperation with partners whose strategy is complimentary to the Group's expansion strategy should the appropriate opportunity arise. However, no such partner has yet been identified and the Group has not entered into any negotiations in this respect.

## SUMMARY

The Directors currently intend to set up the cocoa processing operations in Sulawesi to be near the source of cocoa beans and also the new warehouse to be purchased or constructed there (see paragraph headed “Expansion of Warehouse Capacity” below). By (i) leveraging on the Group’s position as one of the major exporters of cocoa beans in Indonesia and the strong industry experience and business relationships of Mr. Judianto, Mr. Herkiamto and Mr. Zulfian; and (ii) recruiting a team of staff with the necessary experience in cocoa processing operations, the Directors believe that the Group is well-positioned to expand into cocoa processing operations by either setting up its own operations, or setting up joint ventures, business co-operation or subcontracting arrangements with, or acquiring interests in, domestic or overseas cocoa processing companies. When the Group expands into cocoa processing operations, the Directors intend to recruit a team of staff with the necessary experience in cocoa processing.

As part of the implementation plan for expansion into cocoa processing operations, the Group will conduct market research and feasibility studies, including research and studies on the equipment required, suppliers of the required equipment and the markets for cocoa butter and cocoa powder. Acquisition of the equipment and assembling of the cocoa processing operations are expected to commence during the six months ended 30th June, 2004 and complete by 31st December, 2004. The Group intends to set up one production line with an expected processing capacity of an aggregate of approximately 10,000 tonnes of cocoa butter and cocoa powder per year. The necessary equipment includes, amongst other things, a cleaning plant, a winnower, an alkalizing system, a roasting machine, grinders, and a cocoa butter press. Such cocoa processing machinery will require approximately 15,000 to 20,000 sq.m. of factory area.

As part of the market research to be conducted, well-established buyers of semi-processed cocoa products such as cocoa butter and cocoa powder products in Europe and US will be identified and contacted and their requirements as to the potential quantity and quality of the products required will be obtained. Furthermore, additional staff with the relevant experience for establishing and operating the cocoa processing facilities and for the sales and marketing of cocoa butter and cocoa powder will also be recruited. In relation to sales and marketing, the Group intends to: (i) approach its existing customers, namely Unicom, ICBT, Orebi and Westermann to market its semi-processed cocoa products; and (ii) approach the independent organizations such as INCA, FCC and ICCO to obtain information relating to the buyers of such products including their buying patterns and requirements. Based on this information, the Group will identify additional suitable potential customers for its semi-processed cocoa products.

### **Expansion of warehouse capacity**

In order to cope with the anticipated increase in the volume of its trading business, and the demand of cocoa beans from the new cocoa processing operations as set out above and to ensure that its cocoa beans are stored in a warehouse with proper hygienic and ventilation conditions, the Group will require additional and more advanced warehouse facilities for the storage of cocoa beans. The Group intends to increase its warehouse capacity by: (i) purchasing or constructing a warehouse in Sulawesi to replace its existing rented warehouse to cater for the export market and cocoa processing

## SUMMARY

operations, depending on the availability of a suitable warehouse and the cost of purchasing as compared to the cost of constructing a warehouse; and (ii) purchasing or constructing a warehouse in Serang, Banten to cater for the domestic trading business, depending on the availability of a suitable warehouse and the cost of purchasing as compared to the cost of constructing a warehouse.

The warehouse planned to be purchased or constructed in Sulawesi is to cater to overseas customers since the cocoa beans can be transported more efficiently from the farmers to this warehouse in preparation for shipping at the port in Sulawesi. The warehouse will also supply cocoa beans required for the cocoa processing operations. The Directors envisage this warehouse will be equipped with better facilities than the existing warehouse leased by the Group, including a furnished office, a laboratory, a weight scale for trucks, better lighting, better ventilation, better hygienic conditions and prevention against flooding. The Directors regard cocoa trading and processing as a long-term business, therefore it is more appropriate for the Group to own its own warehouse which provides proper storage conditions for its cocoa beans.

The warehouse planned to be purchased or constructed in Serang, Banten is to cater to domestic cocoa trading companies and processing companies, which are concentrated in Java, and will assist the Group in developing sales in the domestic market. Having a warehouse in Serang, Banten will facilitate transportation of cocoa beans to these domestic customers and save transportation costs.

It is expected that the area of each of the two new warehouses in Sulawesi and Serang will be at least equal to or larger than the area of the Group's existing warehouse (which has a floor area of approximately 4,608 sq.m.). The warehouse in Sulawesi and in Serang, Banten are expected to be completed by the end of 2004 and 2005, respectively. The expected completion time of the warehouse in Sulawesi is intended to match with that of the Group's expansion into cocoa processing operations, which are also expected to be completed by the end of 2004. Before the warehouse in Serang Banten is completed, the Group will temporarily use the warehouse in Sulawesi to cater to domestic trading of cocoa beans.

## SUMMARY

### SHAREHOLDINGS OF EXISTING SHAREHOLDERS FOLLOWING THE COMPLETION OF THE PLACING AND THE CAPITALISATION ISSUE

The interests of the existing Shareholders in the enlarged issued share capital of the Company immediately following completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and before taking into account (i) any Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and/or which may be granted under the Share Option Scheme; and (ii) any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus), the cost at which they acquired such interests and the relevant moratorium period are summarised as follows:

Name of Shareholder	Number of Shares immediately following completion of the Placing and the Capitalisation Issue ('000)	Approximate percentage of shareholding immediately following completion of the Placing and the Capitalisation Issue	Date of acquisition of interest in Nataki	Approximate total cost of investment (HK\$'000)	Approximate cost of investment per Share (HK\$)	Moratorium period from the Listing Date
<i>Initial Management Shareholder</i>						
Mr. Judianto (Note 1)	456,400	57.05%	December 1999	67,841.42	0.15	12 months
<i>Investors (Note 2)</i>						
Mr. Rori Indra	8,400	1.05%	December 1999	1,248.62	0.15	6 months
Ms. Trianawati	8,400	1.05%	December 1999	1,248.62	0.15	6 months
Mr. Hosea Hadeli	7,840	0.98%	December 1999	1,165.37	0.15	6 months
Ms. Lina Kurniawan	7,840	0.98%	December 1999	1,165.37	0.15	6 months
Ms. Yenni	7,840	0.98%	December 1999	1,165.37	0.15	6 months
Ms. Ahsanil Gusnawati	7,280	0.91%	December 1999	1,082.13	0.15	6 months
Ms. Elvin Tjandra	7,280	0.91%	December 1999	1,082.13	0.15	6 months
Mr. Soleh Mamun	7,280	0.91%	December 1999	1,082.13	0.15	6 months
Mr. Basir B. Nasikun	7,280	0.91%	December 1999	1,082.13	0.15	6 months
Mr. Ari Surya	6,720	0.84%	December 1999	998.89	0.15	6 months
Mr. Nurochim	6,720	0.84%	December 1999	998.89	0.15	6 months
Mr. Syahrul	6,160	0.77%	December 1999	915.65	0.15	6 months
Mr. Ewik Hendri	5,600	0.70%	December 1999	832.41	0.15	6 months
Ms. Shinta Sanjaya Ismael	5,040	0.63%	December 1999	749.17	0.15	6 months
Mr. Hazriyandi	3,920	0.49%	December 1999	582.70	0.15	6 months
	560,000	70.00%		83,241.00		

## SUMMARY

*Notes:*

1. Mr. Judianto is an executive Director and is the Initial Management Shareholder. Mr. Judianto has undertaken to the Company, the Sponsor, the Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange that for a period of 12 months from the Listing Date, he shall not, and shall procure that none of his associates, companies controlled by him or his associates or any nominees or trustees holding in trust for him shall, save in circumstances permitted by Rule 13.18 of the GEM Listing Rules or by the Stock Exchange, sell, transfer or otherwise dispose of or create any rights (or enter into any agreement to do any of the foregoing) or permit the registered holder to sell, transfer or dispose of or create any rights (or to enter into any agreement to do any of the foregoing) in respect of any of his interest in the Securities or sell, transfer or otherwise dispose of (or enter into any agreement to do any of the foregoing) any interest in any shares in any company controlled by him which is directly, or through another company indirectly, the beneficial owner of any Securities.
2. Each of the Investors became interested in the Group when Mr. Judianto required additional funds to acquire a 95% interest in Nataki in 1999. They are each independent of and not connected with each other, any of the Directors, Mr. Mulya or any of their respective associates. They have no management role in the Group and are regarded as members of the public. Each of the Investors has voluntarily undertaken to the Company, the Sponsor, the Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange that for a period of 6 months from the Listing Date each of the Investors shall not, and shall procure that none of his/her associates, companies controlled by him/her or his/her associates or any nominees or trustees holding in trust for him/her shall, save in circumstances permitted by Rule 13.18 of the GEM Listing Rules, sell, transfer or otherwise dispose of or create any rights (or enter into any agreement to do any of the foregoing) or permit the registered holder to sell, transfer or dispose of (or to enter into any agreement to do any of the foregoing) any of his/her direct or indirect interest in the Securities or sell, transfer or otherwise dispose of (or enter into any agreement to do any of the foregoing) any interest in any shares in any company controlled by him which is directly or through another company indirectly, the beneficial owner of any Securities.
3. The approximate cost of investment per Share is derived from the sum of investment cost made by each Shareholder since he or she first acquired an interest and the subsequent investment made by the Shareholder in August 2002, whether directly or indirectly, in a member of the Group.

Further particulars of the shareholding structure of the Company immediately after completion of the Placing and the Capitalisation Issue are set out in the paragraph headed “Group structure” in the section headed “General overview of the Group” in this prospectus.

# SUMMARY

## TRADING RECORD

The following is a summary of the Group's combined audited results for the Track Record Period which has been extracted from the Accountants' Report set out in Appendix I to this prospectus. The combined audited results were prepared on the assumption that the current structure of the Group had been in existence throughout the Track Record Period and in accordance with the basis set out in section 1 of the Accountants' Report contained in Appendix I to this prospectus.

		<b>Year ended 31st December,</b>	<b>Year ended 31st December,</b>	<b>Eight</b>
		<b>2001</b>	<b>2002</b>	<b>months ended</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>31st August,</b>
				<b>2003</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		145,153	300,947	351,974
Cost of sales		<u>(115,771)</u>	<u>(236,580)</u>	<u>(274,179)</u>
Gross profit		29,382	64,367	77,795
Other income		344	644	1,373
Selling and distribution expenses		(695)	(1,073)	(1,248)
General and administrative expenses		(625)	(1,212)	(1,360)
Net exchange loss	1	<u>(11,377)</u>	<u>(1,972)</u>	<u>(3,276)</u>
Profit from operations		17,029	60,754	73,284
Finance costs		(4,741)	(6,474)	(1,776)
Impairment losses of fixed assets	2	<u>(9)</u>	<u>—</u>	<u>—</u>
Profit before taxation		12,279	54,280	71,508
Taxation	3	<u>(4,009)</u>	<u>(16,561)</u>	<u>(21,364)</u>
Profit after taxation		8,270	37,719	50,144
Minority interests	4	<u>—</u>	<u>—</u>	<u>(2,507)</u>
Profit attributable to Shareholders		<u>8,270</u>	<u>37,719</u>	<u>47,637</u>
Earnings per Share				
Basic, HK cents	5	<u>1.5</u>	<u>6.7</u>	<u>8.5</u>
Diluted, HK cents	6	<u>1.3</u>	<u>6.1</u>	<u>7.7</u>



## SUMMARY

### Notes:

1. The exchange loss for the year ended 31st December, 2001 was mainly due to the exchange loss arising from the US dollar-denominated loan advanced to the Group pursuant to the Loan Agreement. Such loan was converted into a IDR-denominated loan in December 2001. For the year ended 31st December, 2001, the exchange loss attributable to the US dollar-denominated loan was approximately HK\$10.2 million. The balance of the exchange loss of approximately HK\$1.2 million resulted from the trading operations of the Group. The net exchange loss of approximately HK\$2.0 million for the year ended 31st December, 2002 resulted mainly from the trading operations of the Group and a foreign currency deposit. The net exchange loss of approximately HK\$3.3 million for the eight months ended 31st August, 2003 resulted mainly from the trading operations of the Group.
2. The Directors carried out an impairment review of the carrying values of the land use rights and land and buildings as at 31st December, 2001 with reference to the open market values as at that date.
3. During the Track Record Period, all of the Group's profits were derived from Nataki which is incorporated and operated in Indonesia. No provision for Hong Kong profits tax has been made in these financial statements as the Group has no assessable profits for the Track Record Period. No provision for Indonesian corporate income tax has been made for the two years ended 31st December, 2002 as Nataki had no net taxable income after offsetting against available tax losses brought forward and taxation in the combined income statements for the two years ended 31st December, 2002 represents the tax charge transferred from deferred taxation. For the eight months ended 31st August, 2003, taxation in combined income statements represents a provision for Indonesian corporate income tax of approximately HK\$16.4 million and a net tax charge transferred from deferred taxation of approximately HK\$4.9 million. Further details of the taxation during the Track Record Period are set out in note 8 to the Accountants' Report in Appendix I to this prospectus.
4. Minority interests in the combined income statement represent the net amount of the minority's share of current year's profit less its share of losses previously unabsorbed. In accordance with accounting policy note 2(k) to the Accountants' Report in Appendix I to this prospectus, losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered. All the minority's share of losses previously unabsorbed had been fully recovered during the year ended 31st December, 2002.
5. The calculation of basic earnings per Share is based on the Group's combined profit for the Track Record Period and the assumption that a total of 560,000,000 Shares had been in issue during the Track Record Period.
6. Diluted earnings per Share for the Track Record Period are based on the Group's combined profit attributable to Shareholders and on the assumption that 614,755,556 Shares have been in issue during the Track Record Period. The number of Shares used in the calculation comprised 560,000,000 Shares referred to above and 54,755,556 Shares that are deemed to have been issued at no consideration on the deemed exercise of the options granted under the Pre-IPO Share Option Scheme as referred to in the paragraph headed "Share Option Schemes" in Appendix V to this prospectus, but takes no account of any Shares to be issued pursuant to the exercise of the Over-allotment Option, any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus.

## SUMMARY

### REASONS FOR THE PLACING AND THE USE OF PROCEEDS

The Directors believe that the listing of the Shares on GEM will enhance the Group's profile and the proceeds from the Placing will expand its capital base for the Group's future growth and development. The net proceeds from the Placing (assuming that the Over-allotment Option is not exercised) after deduction of the related expenses are estimated to be approximately HK\$94.4 million. The Directors currently intend to use such net proceeds as follows:

- approximately HK\$62.7 million for expanding into other cocoa-related business;
- approximately HK\$27.6 million for increasing the Group's warehouse capacity, of which approximately HK\$17.7 and HK\$9.9 million will be used for acquiring or constructing a warehouse in Sulawesi and at Serang, Banten, respectively;
- approximately HK\$0.6 million for marketing activities aimed at expanding the Group's trading business; and
- the balance of approximately HK\$3.5 million for additional working capital required for the anticipated increase in business volume of the Group.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds in the amount of approximately HK\$15.6 million. The Directors intend to allocate the additional net proceeds raised from the exercise of the Over-allotment Option in full to the different uses mentioned above on a pro-rata basis.

To the extent that the net proceeds of the Placing are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed on short term deposits with financial institutions.

The Directors believe that the net proceeds from the Placing together with the Group's internally generated cash flow will be sufficient to finance the Group's business plans up to 31st December, 2005 as described in the section headed "Business objectives and implementation plans" in this prospectus. In the event that any part of the business objectives and future plans of the Group does not materialise or proceed as planned, the Directors will evaluate carefully the situation and may reallocate the intended funding to other business plans and/or to new projects and/or to hold the funds as short term deposits so long as the Directors consider such action to be in the best interests of the Group. Should there be any material modification to the use of proceeds as set out above, the Company will make an announcement to such effect.

# SUMMARY

## FORECASTS FOR THE YEAR ENDING 31ST DECEMBER, 2003

Forecast combined profit after taxation and minority interests

but before extraordinary items of the Group (*Note 1*) . . . . . not less than HK\$80 million

Forecast earnings per Share

(a) pro forma fully diluted (*Note 2*) . . . . . HK9.8 cents

(b) weighted average (*Note 3*) . . . . . HK13.8 cents

## PLACING STATISTICS

Placing Price . . . . . HK\$0.45

Market capitalisation (*Note 4*) . . . . . HK\$360 million

Prospective price/earnings multiple

(a) pro forma fully diluted (*Note 5*) . . . . . 4.6 times

(b) weighted average (*Note 6*) . . . . . 3.3 times

Adjusted net tangible asset value per Share (*Note 7*) . . . . . HK25.8 cents

### Notes:

1. The bases and assumptions on which the forecast combined profit after taxation and minority interests but before extraordinary items for the year ending 31st December, 2003 has been prepared are set out in Appendix II to this prospectus.
2. The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast combined profit after taxation and minority interests but before extraordinary items of the Group for the year ending 31st December, 2003, assuming that: (i) the Company had been listed since 1st January, 2003 and a total of 800,000,000 Shares had been in issue throughout the year and (ii) the options granted under the Pre-IPO Share Option Scheme had been exercised on 1st January, 2003, but takes no account of (i) any Shares to be issued pursuant to the exercise of the Over-allotment Option; (ii) any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; or (iii) any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus. For the purpose of this calculation, the forecast combined profit after taxation and minority interests but before extraordinary items of the Group for the year ending 31st December, 2003 has been adjusted to take into account the interest income that would have been earned if the net proceeds of the Placing (before the exercise of the Over-allotment Option) had been received on 1st January, 2003 and held on deposit thereafter, based on an interest rate (net of tax) of 4.4% per annum during the year ending 31st December, 2003.
3. The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast combined profit after taxation and minority interests but before extraordinary items of the Group for the year ending 31st December, 2003 and the weighted average number of approximately 580,000,000 Shares expected to be in issue during the year, but takes no account of (i) any Shares to be issued pursuant to the exercise of the Over-allotment Option; (ii) any Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and/or which may be granted under the Share Option Scheme; or (iii) any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus.

## SUMMARY

4. The calculation of the market capitalisation is based on 800,000,000 Shares to be in issue immediately after completion of the Placing and the Capitalisation Issue which does not include (i) any Shares to be issued pursuant to the exercise of the Over-allotment Option; (ii) any Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and/or which may be granted under the Share Option Scheme; and (iii) any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus.
5. The prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share on a pro forma fully diluted basis of approximately HK9.8 cents for the year ending 31st December, 2003 and the Placing Price.
6. The prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per Share on a weighted average basis of approximately HK13.8 cents for the year ending 31st December, 2003 and the Placing Price.
7. The adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the paragraph headed “Adjusted net tangible assets” under the section headed “Financial information” in this prospectus and on the basis of 800,000,000 Shares to be in issue immediately after completion of the Placing and the Capitalisation Issue but takes no account of (i) any Shares to be issued pursuant to the exercise of the Over-allotment Option; (ii) any Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and/or which may be granted under the Share Option Scheme; and (iii) any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus.

If the options under the Pre-IPO Share Option Scheme are exercised in full, the adjusted net tangible asset value per Share will be approximately HK25.8 cents.

If the Over-allotment Option is exercised in full, the adjusted net tangible asset value per Share will be approximately HK27.7 cents.

## RISK FACTORS

There are certain risks and considerations relating to an investment in the Placing Shares. These can be categorised into risks that relate to (i) the Group and its businesses; (ii) the industry; (iii) Indonesia; and (iv) the Shares. These risk factors and considerations are contained in the section headed “Risk factors” in this prospectus and are summarised as follows:

The Directors consider the business of the Group to be subject to a number of risk factors which can be categorised as follows:

### **Risks related to the Group and its businesses**

- Reliance on export sales of cocoa beans
- Expansion into new businesses
- Limited client base
- Natural disaster
- Limited operating and profit history under the current ownership and management
- Renewals of permits and business licenses
- Implementation of business plans and strategies
- Reliance on key personnel
- Storage and transportation of cocoa beans
- Shipment of the Group’s products
- Insurance
- Credit risks of farmers
- Dividend policy
- Unconfirmed tax position of the Group
- Protection against breach of the Sales Agreements by customers
- Exposure to fluctuations of foreign exchange rates and currency conversion risks

## **Risks related to the industry**

- Competition
- Price fluctuations of cocoa beans
- Weather conditions and natural disasters

## **Risks related to Indonesia**

- Economic, social and political considerations
- Possible future restrictions on foreign ownership
- Tax on dividend distributions
- Risks relating to terrorist attacks and civil unrest

## **Risks related to the Shares**

- Marketability and possible price volatility of the Shares
- Dilution of Shareholders' interests in the Company and public float through the exercise of options under the Pre-IPO Share Option Scheme

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“associate(s)”	the same meaning ascribed thereto under the GEM Listing Rules
“Bakerloo”	Bakerloo Group Limited, a company incorporated in BVI with limited liability on 22nd May, 1997 and based in Singapore. It is engaged in the business of debt financing and investing in Indonesia and other parts of Southeast Asia, and is an Independent Third Party
“BKPM”	<i>Badan Koordinasi Penanaman Modal</i> , the Capital Investment Coordination Board in Indonesia
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of the Company as referred to in the paragraph headed “Written resolutions of all the Shareholders passed on 25th June, 2003 and 20th November, 2003” in Appendix V to this prospectus
“CASH” or “Sponsor”	Celestial Capital Limited, a member of CASH Financial Services Group and a deemed licensed corporation for types 1 and 6 regulated activities under the SFO, being the sponsor to the Placing
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CMAA”	the Cocoa Merchants’ Association of America, Inc., which was founded in 1924 for the purpose of fostering the trade and welfare of the cocoa industry in the US, and is an Independent Third Party
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Companies Law”	the Companies Law (2003 Revision) of the Cayman Islands
“Company”	Pan Sino International Holding Limited, an exempted company incorporated in the Cayman Islands with limited liability on 16th October, 2002

## DEFINITIONS

“Controlling Shareholder(s)”	the same meaning ascribed thereto under the GEM Listing Rules
“Davomas”	PT Davomas Abadi Tbk., a public limited liability company incorporated under the laws of Indonesia based on a deed of establishment dated 14th March, 1990 and a cocoa processing company whose shares are listed on the Jakarta Stock Exchange
“Dickinson”	Dickinson Group Limited, an investment holding company incorporated in BVI with limited liability on 11th June, 1997 and a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“ED&F Man”	ED&F Man Cocoa Limited, a subsidiary of ED&F Man Holdings Limited, a company incorporated in the United Kingdom and whose primary business is the sourcing, delivery and distribution of sugar, molasses, cocoa, coffee, spices and alcohol to end users around the world, and is an Independent Third Party. With respect to its cocoa business, it operates its own exporting companies in most major cocoa producing countries in the world, such as Cote d’Ivoire, Nigeria, Cameroon, Indonesia, Malaysia, Mexico, Ecuador and Dominican Republic
“FCC”	the Federation of Cocoa Commerce, which was established in February 2002 to promote, protect and regulate the trade in cocoa beans and cocoa products, and is an Independent Third Party
“FIFO”	first-in-first-out, an inventory control method where the goods first accepted into inventory will be sold first
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries, or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company
“HKSCC”	Hong Kong Securities Clearing Company Limited



## DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“ICBT”	ICBT Company Limited, a company incorporated in England and Wales, an importer of cocoa beans and one of the Group’s customers. ICBT is an Independent Third Party
“ICCO”	International Cocoa Organisation, which was established in 1973 to administer the agreements entered into between the governments of cocoa producing and cocoa consuming countries, and is an Independent Third Party
“IDR”	Indonesian Rupiah, the lawful currency of Indonesia
“INCA”	Indonesia Cocoa Association, an independent non-profit organisation with members comprising cocoa farmers, cocoa traders and cocoa processing companies in Indonesia
“Independent Third Party”	a party who is independent of and not connected with any of the directors, chief executive, Initial Management Shareholders or Substantial Shareholders of the Company or any of their respective associates for the purposes of the GEM Listing Rules
“Indonesia”	Republic of Indonesia
“Initial Management Shareholder(s)”	the same meaning as defined in the GEM Listing Rules and herein refers to the initial management shareholder of the Company as described in the section headed “Initial Management, Substantial and Significant Shareholders” in this prospectus
“Investors”	Rori Indra, Trianawati, Hosea Hadel, Lina Kurniawan, Yenni, Ahsanil Gusnawati, Elvin Tjandra, Soleh Mamun, Basir B. Nasikun, Ari Surya, Nurochim, Syahrul, Ewik Hendri, Shinta Sanjaya Ismael and Hazriyandi who respectively own approximately 1.05%, 1.05%, 0.98%, 0.98%, 0.98%, 0.91%, 0.91%, 0.91%, 0.84%, 0.84%, 0.77%, 0.70%, 0.63% and 0.49% of the issued share capital of the Company immediately following completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and before taking into account any Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and/or which may be granted under the Share Option Scheme)

## DEFINITIONS

“Latest Practicable Date”	17th November, 2003, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing Date”	the date on which dealings in the Shares first commence on GEM
“Loan Agreement”	the loan agreement dated 18th October, 1999 between Nataki as the borrower and Bakerloo as the lender and any amendments thereto
“Main Board”	the securities market operated by the Stock Exchange under the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Herkiamto”	Mr. Johanas Herkiamto, the vice-chairman and executive Director of the Company
“Mr. Judianto”	Mr. Harmiono Judianto, the chairman, executive Director and Initial Management Shareholder of the Company
“Mr. Mulya”	Mr. Ernas Krisna Mulya, a minority shareholder owning 5% of the issued share capital of Nataki
“Mr. Zulfian”	Mr. Rudi Zulfian, an executive Director of the Company
“Nataki”	PT Nataki Bamasa, a limited liability company incorporated under the laws of Indonesia based on a deed of establishment dated 9th May, 1997 and a 95%-owned subsidiary of the Company. Nataki is principally engaged in the trading of cocoa beans
“NYCSCE”	the Coffee, Sugar and Cocoa Exchange of New York
“Orebi”	Orebi Far East Pte Ltd, a company incorporated in Singapore and an associate of Orebi & Cie, a company incorporated in France, an importer of cocoa products, Orebi is one of the Group’s customers and an Independent Third Party
“Over-allotment Option”	the option granted by the Company to the Lead Manager under the Underwriting Agreement and which, if exercised, will result in the Company allotting and issuing at the Placing Price the Over-allotment Shares to cover over-allocation in the Placing, if any, within a period of 30 days from the date of this prospectus

## DEFINITIONS

“Over-allotment Shares”	up to an aggregate of 36,000,000 Shares which may be allotted and issued by the Company pursuant to the exercise of the Over-allotment Option, representing 15% of the number of the Placing Shares initially being offered under the Placing
“Placing”	the conditional placing of the Placing Shares for cash at the Placing Price as further described under the section headed “Structure and conditions of the Placing” in this prospectus
“Placing Price”	HK\$0.45 per Placing Share (excluding the SFC transaction levy, the investor compensation levy, the Stock Exchange trading fee and brokerage payable thereon) at which the Placing Shares are to be subscribed and issued pursuant to the Placing
“Placing Shares”	the 240,000,000 new Shares being initially offered under the Placing subject to the adjustment pursuant to the exercise of the Over-allotment Option
“PRC”	the People’s Republic of China which, for the purpose of this document, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Pre-IPO Share Option Scheme”	the share option scheme conditionally adopted by the Company on 20th November, 2003, the principal terms and conditions of which are summarised under the paragraph headed “Share Option Schemes” in Appendix V in this prospectus
“Relevant Securities”	the securities of the Company of the types listed in paragraphs 4(a) to 4(g) under Rule 13.15 of the GEM Listing Rules
“Reorganisation”	the reorganisation of the Group as described in the paragraph headed “Corporate reorganisation” under the section headed “Further information about the Company” in Appendix V to this prospectus
“Sales Agreements”	the three sales agreements entered into between the Group and each of Unicom, ICBT and Westermann in October, 2002 whereby these customers agreed to purchase from the Group an aggregate annual minimum amount of 28,000 tonnes of cocoa beans for an initial term of three years
“SBI” or “Bookrunner” or “Lead Manager”	SBI E2-Capital Securities Limited, a deemed licensed corporation for types 1, 4, 6 and 9 regulated activities under the SFO, being the lead manager to the Placing

## DEFINITIONS

“Setimuly”	Setimuly International Group Limited, an investment holding company incorporated in Mauritius with limited liability on 15th January, 2003 and a wholly-owned subsidiary of the Company
“SFC”	Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 20th November, 2003, the principal terms of which are summarised in the paragraph headed “Share Option Schemes” in Appendix V to this prospectus
“Shareholder(s)”	shareholder(s) of the Company
“Significant Shareholder(s)”	the same meaning as defined in the GEM Listing Rules
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	the same meaning as defined in the GEM Listing Rules
“Track Record Period”	the period comprising the two years ended 31st December, 2002 and the eight months ended 31st August, 2003
“UK”	the United Kingdom
“Underwriters”	SBI, Barits Securities (Hong Kong) Limited, Kingsway Financial Services Group Limited, Celestial Capital Limited, First Shanghai Securities Limited, ICEA Capital Limited, Japan Asia Securities Limited and Koffman Securities Limited
“Underwriting Agreement”	the underwriting agreement dated 24th November, 2003 between, among others, the Company, SBI, the Sponsor and the Underwriters in relation to the Placing, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Unicom”	Unicom (International) B.V., a company based in the Netherlands, an importer of cocoa products and one of the Group’s customers. Unicom is an Independent Third Party

## DEFINITIONS

“US”	the United States of America
“US\$”	US dollars, the lawful currency of the US
“Westermann”	WF Westermann & Co., a company based in the Netherlands, an importer of cocoa products and one of the Group’s customers. Westermann is an Independent Third Party
“%”	per cent

*In this prospectus, unless otherwise specified, certain amounts denominated in IDR are converted into HK\$, for illustrative purpose only, at the following rates with reference to the date of the transaction in question:*

<b>Date of transaction</b>	<b>Conversion rate</b>
1999	HK\$1 to IDR914
2000	HK\$1 to IDR1,230
2001	HK\$1 to IDR1,334
2002	HK\$1 to IDR1,146
2003	HK\$1 to IDR1,094

Conversions of US\$ into HK\$ are based on the rate of US\$1 to HK\$7.8. No representation is made that any amount in HK\$, IDR or US\$ could have been or could be converted at the above rates or any other rates.

## GLOSSARY OF TECHNICAL TERMS

*The glossary of technical terms hereunder contains explanations of certain terms used in this prospectus in connection with the Group and its business. The terms and their meanings set out hereunder may not correspond to standard industry meanings or usage of these terms.*

“alkalising system”	a cocoa processing equipment for removing bacteria in cocoa beans by adding potassium carbonate and for enhancing colour and flavour
“Cocoa Pod Borer”	a cocoa moth that lays eggs on the cocoa pods, and whose larvae then feed off the pod
“crop year”	the 12-month period from October to September of each year that is used to assess cocoa bean production around the world
“tonne”	metric tonne, which is a unit of weight equal to 1,000 kilograms
“winnowing”	a cocoa processing equipment for removing the skin of cocoa beans and separating cocoa beans according to size

## RISK FACTORS

*Prospective investors should consider carefully all of the information set out in this prospectus and, in particular, the following risks associated with an investment in the Company before making an investment decision in relation to the Placing.*

### RISKS RELATED TO THE GROUP AND ITS BUSINESSES

#### Reliance on export sales of cocoa beans

All of the Group's turnover was derived from the export sales of cocoa beans during the Track Record Period. Although the Group has entered into the Sales Agreements with each of Unicom, ICBT and Westermann whereby these customers have agreed to purchase from the Group an aggregate annual minimum amount of 28,000 tonnes of cocoa beans for an initial term of three years commencing from October 2002, the Group's financial performance may be adversely affected if the Group is unable to source the cocoa beans with the required quantity and quality that meet customers' requirements.

#### Expansion into new businesses

The Group intends to expand into other cocoa-related businesses such as cocoa processing operations and intends to allocate approximately HK\$62.7 million (representing approximately 66.4% of the total net proceeds from the Placing) to the development of such businesses. There is no guarantee that the Group will be able to enter into such new business areas, either profitably or at all. In addition, the Group's management has limited experience of managing and operating such new business operations. In the circumstances where the Group is either unable, or unable successfully, to enter into such new business operations, the profitability of the Group may be adversely affected.

#### Limited client base

The Group currently sells its products to four customers: Unicom, ICBT, Westermann and Orebi. To ensure a continuous flow of business from its customers, the Group has entered into the Sales Agreements with each of Unicom, ICBT and Westermann for an initial term of three years commencing from October 2002. Under these Sales Agreements, each of Unicom, ICBT and Westermann has agreed to purchase from the Group a minimum amount of cocoa beans every year. However, as set out under the risk factor "Protection against breach of the Sales Agreements by customers", there is no provision providing for any specified remedies in respect of failure to meet the annual minimum purchase requirements by the customers. The Sales Agreements were entered into between the Group and the three customers for the purpose of formalising the relationships between them and to ensure a continuous flow of business from the customers. The annual minimum purchase amount was determined based on the projected purchases of each of the three customers for the next

## RISK FACTORS

three years. The following table sets out the contribution to the Group's sales by each of Unicom, ICBT, Orebi and Westermann during the Track Record Period:

Name	Contribution to the Group's turnover		
	For the year ended 31st December, 2001	For the year ended 31st December, 2002	For the eight months ended 31st August, 2003
Unicom	37.1%	37.4%	38.8%
ICBT	31.7%	32.8%	26.9%
Orebi	31.2%	21.1%	11.3%
Westermann ( <i>Note</i> )	<u>—</u>	<u>8.7%</u>	<u>23.0%</u>
	100.0%	100.0%	100.0%

*Note:* The Group commenced sales to Westermann in October 2002.

Should any of these four customers cease its business relationship with the Group and the Group be unable to find alternative customers, the profitability of the Group may be adversely affected.

### Natural disaster

The Group purchases all of its cocoa beans from farmers in Sulawesi, Indonesia. The supply and the price of Indonesian cocoa beans can be adversely affected by a number of factors outside the control of the Group including, inter alia, drought, floods, diseases, and pests. For the eight months ended 31st August, 2003, the Group sourced its cocoa beans from over 1,100 farmers. Should Sulawesi be hit by a natural disaster, it is likely that the cocoa plantations in the area would be affected. A prolonged interruption or shortage in the supply of cocoa beans in Sulawesi would have a material adverse effect on the Group's operations.

### Limited operating and profit history under the current ownership and management

The Group has a limited operating and profit history for prospective investors to evaluate its business and prospects. The Group under its current ownership and management commenced business in December 1999 and recorded a profit of approximately HK\$8.3 million, HK\$37.7 million and HK\$47.6 million for each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, respectively. The Directors consider that such increase in the Group's profit is attributable primarily to the Group's business strategies, demand for the Group's products and general cocoa market conditions. However, due to the Group's limited operating history, its business strategy is unproven and the Directors cannot be certain that the Group will achieve its business objectives or that the Group will be able to maintain its existing level of operations or manage a sufficient level of growth in its business. Should the Group fail to achieve its business objectives or continue to implement its business strategies in the future, or should the demand for the Group's products decline in the future, the Group's profitability may be adversely affected.



### **Renewals of permits and business licenses**

The Group has successfully obtained all requisite permits and business licenses for the trading of cocoa beans for the export market. In July 1997, the Group through Nataki obtained the business licence to conduct domestic trading, export and import. In August 2002, pursuant to the introduction of Dickinson as a foreign shareholder, Nataki changed its status from an ordinary limited liability company to a foreign investment company under the Indonesian Foreign Investment Law and in that month, the Group through Nataki obtained a temporary licence as a foreign investment company for export and import. In October 2002, the Group, through Nataki, obtained a permanent business licence for export and import which was valid for 30 years from July 1997. In November 2002, the Group obtained approval from BKPM for expansion of its business activities to include wholesale to the domestic market in addition to export and import. Should the Group be unable to renew such permits and business licences upon expiration, the Group's operations will be adversely affected.

### **Implementation of business plans and strategies**

Details of the Group's business plans and strategies are set out in the section headed "Business objectives and implementation plans" in this prospectus. The Directors prepared the business plans after due consideration of, among other things, their perception of the future prospects of the cocoa industry and the ability of the Group to maintain its competitive advantages. Successful implementation of such business plans depends upon a number of factors, including the availability of funds and the Group's competitive advantages over its competitors. There is no assurance that such business plans could be successfully implemented in the future. Should there be any material adverse changes to the Group's operating environment which may result in the Group's failure to implement any of the business plans, the Group's operations and profitability may be adversely affected.

### **Reliance on key personnel**

The Group's success is significantly attributable to the expertise and experience of the Directors, its senior management team and key employees and their good relationships with farmers in Indonesia and overseas customers. Should any of the Directors and these senior management team members and key employees cease to be involved in the Group's operations in the future, the Group's operations and profitability may be adversely affected.

### **Storage and transportation of cocoa beans**

Cocoa beans are perishable goods. They must be stored or transported under specific conditions in terms of ventilation, room temperature, humidity, exposure to sunlight and certain other room conditions. If they are not stored or transported under suitable conditions, there is the risk of infestation and decay. In addition, there is the risk of damage from fire, water, or theft during storage or transportation. Should the Group's inventory of cocoa beans be stolen or damaged by infestation, decay, fire or water during storage or transportation, the Group's operations and profitability may be adversely affected.

## **Shipment of the Group's products**

During the Track Record Period, all of the Group's sales were made to overseas markets by shipping the cocoa beans from the Group's warehouse to customers' designated destinations and all such shipment was made on a "free-on-board" basis from the shipping port in Indonesia. Under this arrangement, the Group's customers are responsible for the costs of the shipment, loss or damage during shipment and insurance in connection with the transportation from the shipping port in Indonesia. However, should there be any interruption to the shipment of the Group's products or there is loss or damage to the cocoa beans during transportation from the Group's warehouse to the shipping port in Indonesia, the Group's operations and its financial performance may be adversely affected.

## **Insurance**

The Group's insurance policy covers damage or loss to cocoa beans during storage in the warehouse. The Group currently carries insurance coverage of US\$1.5 million which is insufficient to cover the Group's maximum inventory position representing two months' sales volume and the inventory balance of approximately HK\$19.9 million as at 31st August, 2003. Should there be a loss or damage of inventory which is not covered by the Group's insurance policy, the Group's operations and profitability will be affected.

## **Credit risks of farmers**

The Group is one of the few purchasers in Indonesia which provide farmers with a 50% advance payment for their purchases. The Group has not experienced any failure by the farmers to deliver the cocoa beans purchased by the Group following the payment of the 50% advance payment during the Track Record Period. Should the farmers fail to deliver the cocoa beans purchased by the Group following the payment of such 50% advance payment, the Group's operations may be adversely affected.

## **Dividend policy**

Although it is the Company's current intention to recommend annually the distribution to Shareholders of no less than 30% of the Company's distributable annual earnings as dividends commencing in 2004 for the year ending 31st December, 2003, there is no assurance that such dividend rate can be achieved or maintained, or that a dividend will be paid at all. The amount of dividends to be declared will be subject to, among others, the discretion of the Directors and the Group's earnings, financial conditions, cash requirements and availability and other relevant factors.

## **Unconfirmed tax position of the Group**

The tax regulations in Indonesia adopts a "self-assessment" system. The tax authority does not normally confirm the self-assessment of a taxpayer; however it has the right to issue an assessment on the taxpayer within 10 years, if, after an audit, it considers that the taxpayer has not self-assessed the correct amount or if no tax return has been lodged. However, an assessment can be issued after expiry of 10 years if the taxpayer has committed a criminal act. According to note 8(a) to the Accountants' Report in Appendix I to this prospectus, as at 31st December, 2001 and 2002, Nataki had

## **RISK FACTORS**

estimated unutilised tax losses amounting to approximately IDR81 billion (equivalent to approximately HK\$61 million) and IDR17 billion (equivalent to approximately HK\$15 million) respectively which were derived from the self-assessment of Nataki and have not been confirmed by the tax authority. Should the above tax losses be subsequently disagreed by the tax authority, the Group's tax position and liability may be adversely affected.

### **Protection against breach of the Sales Agreements by customers**

Under the Sales Agreements, each of Unicom, ICBT and Westermann has agreed to purchase from the Group an aggregate annual minimum amount of 28,000 tonnes of cocoa beans for an initial term of three years commencing from October 2002. The Sales Agreements do not provide for any specific remedy on any failure by such customers to purchase the minimum aggregate annual amount of cocoa beans. In the circumstances where any of the customers fail to purchase the annual minimum amount of cocoa beans stated in the Sales Agreements, the profitability of the Group may be adversely affected.

### **Exposure to fluctuations of foreign exchange rates and currency conversion risks**

The Group is subject to exchange rate risks since its sales are denominated in US dollars while its purchases are made in IDR. The Group's customers generally place purchase orders in US dollars approximately two months before the designated shipment time. Following receipt of the orders from customers, the Group will source from farmers to fulfil customers' requirements in IDR if such orders are not covered by the inventory maintained by the Group. Normally, inventory on-hand is insufficient and to fulfill all of the customer's purchase order and the Group will source the cocoa beans from the farmers within a few weeks after receiving the customer's purchase order. Farmers normally deliver the cocoa beans to the Group within a few days to a month after the Group place the purchase orders with them. Cocoa beans are stored in the Group's warehouse following delivery by the farmers until they are shipped to the customers at the designated shipment time as specified in the customers' purchase orders. The Group then receives payment from the customers approximately one month after the goods are shipped. Because there is a time lag between the time the Group pays for the goods in IDR and the time when the Group receives its US dollar receipts, the Group is subject to risks arising from the fluctuations in the IDR/US dollar exchange rate. The financial statements of Nataki are prepared in IDR which is also its functional currency.

The Group obtained a US dollar-denominated unsecured loan of US\$30 million in October 1999. The outstanding amount of the loan, in the amount of US\$16 million, was converted to IDR in December 2001. For the year ended 31st December, 2001, the Group incurred an exchange loss of approximately HK\$10.2 million as a result of the conversion of the loan into IDR. For the year ended 31st December, 2002, the Group incurred an exchange gain of approximately HK\$1.5 million as a result of the settlement in September 2002 of the outstanding US dollar-interest accrued for the period before the unsecured loan was converted to IDR. Should the Group obtain further loans denominated in foreign currencies, the Group's profitability may be adversely affected as a result of any possible exchange loss arising from the foreign currency denominated loans.

## **RISK FACTORS**

According to the IDR/US dollar exchange rates quoted by Bank Indonesia (the Central Bank of Republic of Indonesia), the IDR/US dollar exchange rates fluctuated significantly during the Track Record Period. IDR depreciated against US dollar from approximately 9,450 to approximately 11,675 during the period from January to April 2001 and rebounded to approximately 8,865 by August 2001. Since then, the depreciation of IDR against US dollar resumed and the IDR/US dollar exchange rate settled at approximately 10,400 at the end of 2001. During the first half of 2002, IDR appreciated against US dollar from approximately 10,400 to approximately 8,730. Thereafter, no significant fluctuation occurred during the second half of 2002. During the eight months ended 31st August, 2003, the IDR/US dollar exchange rate ranged between approximately 9,200 and 8,200 and settled at approximately 8,535 as at 31st August, 2003. There is no assurance that the IDR/US dollar exchange rates will move in favour of the Group in the future and any unfavourable movements of the exchange rates may have adverse effects on the Group's profitability. During the Track Record Period, the Group has not entered into any agreement or purchased any instrument to hedge against fluctuations in foreign exchange rates and has incurred foreign exchange losses from trading operations of approximately HK\$1.2 million, HK\$3.5 million and HK\$3.1 million, respectively.

In addition, although the Group currently is able to convert IDR into foreign currency for the purpose of dividend distributions there is no guarantee that the Indonesian government will not introduce more restrictive foreign exchange measures that could adversely affect the Group's ability to convert IDR into foreign currencies and/or to distribute foreign currency dividends.

### **RISKS RELATED TO THE INDUSTRY**

#### **Competition**

The international cocoa bean trading industry is competitive with numerous suppliers both in and outside Indonesia. Cocoa bean traders in Indonesia face competition from other traders in Indonesia and from other major cocoa bean exporting countries such as Cote d'Ivoire and Ghana. If the Group is unable to react to changing market conditions and maintain its competitive position, the Group's prospects and profitability will be adversely affected.

#### **Price fluctuations of cocoa beans**

Both the Group's selling and purchase prices are determined at the time when purchase orders are made by customers with the Group and the Group with the farmers respectively, with reference to, amongst other things: (i) the then prevailing US dollar-denominated prices of cocoa beans as quoted on the NYCSCE, (ii) the ability to provide the farmers with a meaningful advance payment; (iii) the climate in Indonesia since this affects the supply and quality of the cocoa crop; and (iv) the size of the purchase. The Group's customers generally place purchase orders approximately two months before the designated delivery time. Following receipt of the orders from customers, the Group will source from farmers to fulfil customers' requirements if such orders are not covered by the inventory maintained by the Group. Normally, inventory on-hand is insufficient to fulfill all of the customer's purchase order and the Group will source the cocoa beans from the farmers within a few weeks after receiving the customer's purchase order. Because there is a time lag of a few weeks between the time when the customer places the purchase order to the Group and the Group places the purchase orders to the farmers, the Group is subject to risks arising from fluctuations in cocoa bean prices within these few weeks.

## **RISK FACTORS**

Since the Group effectively earns a margin between the selling and purchase prices, both of which are determined with reference to, inter alia, the price quoted on the NYCSCE, the absolute amount of the Group's gross profit and hence its profitability will decrease as prices of cocoa beans quoted on the NYCSCE decrease, all other factors being equal.

### **Weather conditions and natural disasters**

Harvests of cocoa beans, including the size and quality of the harvest, are affected by weather conditions such as heavy rain and typhoons. Prolonged periods of bad weather and/or the occurrence of other natural disasters may affect harvests of cocoa beans in Sulawesi and hence the ability of the Group to source the cocoa beans with the required quantity and quality to meet customers' requirements. Accordingly, the financial position and the profitability of the Group may be adversely affected.

### **RISKS RELATED TO INDONESIA**

#### **Economic, social and political considerations**

The Group currently derives all of its turnover from its Indonesian operations and the Group's principal assets and operations are also based in Indonesia. The Group's operations are based in Indonesia and in general are subject to Indonesian laws and regulations and the operation of the legal system in Indonesia, the application of which may be uncertain. Indonesia has in the past few years experienced significant economic downturns, social instability and related difficulties. In addition, Indonesia has also experienced various degrees of political and social uncertainty. Any instability in the political, social and/or economic environment in Indonesia may have an adverse effect on the operations and income of the Group and the Group's profitability may also be affected. A change in currency exchange rates or policy could increase the Group's costs relative to its revenues and may have an adverse effect on the Group's business, operating results and financial condition.

#### **Possible future restrictions on foreign ownership**

The Group is subject to the laws and regulations relating to, amongst other things, foreign investment in Indonesia. If the Group violates any applicable laws or regulations or fails to comply with the terms and conditions of any authorisation, action may be taken by the relevant regulatory authorities which may be detrimental to the Group's business. Certain of the Group's approvals are of a fixed duration, including its foreign investment approval which has an initial duration of 30 years, and there is no guarantee that such approvals will be renewed after the expiry of their initial terms.

In Indonesia, there are currently no restrictions for foreign investors to invest in companies that are engaged in the export sales and/or wholesale of cocoa beans to the domestic market and/or cocoa processing operations. The introduction of any new laws and regulations or changes to any existing laws and regulations that make it more restrictive for foreign investors to invest in companies engaged in such business activities may have an adverse impact on the business of the Group. The Group may

## **RISK FACTORS**

be in breach of any such new laws and regulations and may have to procure that the Shareholders divest themselves of their Shares to Indonesian parties. In addition, should more restrictive new laws and regulations be introduced, it might be difficult for the Group to finance itself through foreign investors.

Furthermore, there are other legal restrictions and procedures which foreign investors have to comply with when investing in Indonesia or in Indonesian companies. While the Group has complied with all of these regulations, there is no assurance that these regulations will not be changed in the future or their interpretation or enforcement varied. Should these changes materialise to the detriment of the Group, the Group's operations may be adversely affected.

### **Tax on dividend distributions**

Pursuant to prevailing tax legislation, dividend distributions by Nataki to its shareholder, Setimuly (being an entity incorporated in Mauritius), are currently subject to an effective tax rate of 8%, comprising a withholding tax of 5% on gross dividends (to be paid by Nataki to the Indonesian government) and an effective income tax of 3% on gross dividends (to be paid by Setimuly to the Mauritius government). Should the withholding tax rate or effective income tax rate increase as a result of a change in the tax legislation, the net amount of dividends to be received by the Company and thus the amount of profit available for distribution to the Shareholders through the Group's dividend distributions will be adversely affected.

### **Risks relating to terrorist attacks and civil unrest**

The bombings in Jakarta and Bali and the civil unrest in Aceh may have significant economic effects in Indonesia. There is no assurance that there will not be any significant direct or indirect effects on the Group. If the political and economic conditions of Indonesia are adversely affected as a result of further terrorist attacks and civil unrest, the operating results of the Group may be adversely affected.

## **RISKS RELATED TO THE SHARES**

### **Marketability and possible price volatility of the Shares**

Prior to the Placing, there has been no public market for any of the Shares. The Placing Price has been determined by the Company and the Underwriters and may not be indicative of the price at which the Shares will trade following the completion of the Placing. Furthermore, there can be no assurance that an active trading market for the Shares will develop, or, if it does develop, that the market price of the Shares will not fall below the Placing Price.

The marketability and price volatility of the Shares are affected by various factors, including:

- investors' perceptions of the Group;
- investors' perceptions of investments in Indonesia;

## RISK FACTORS

- products and services development of the Group's competitors;
- fluctuations of cocoa price;
- fluctuations of exchange rates;
- overall development of GEM as a stock market; and
- general economic and other factors.

### **Dilution of Shareholders' interests in the Company and public float through the exercise of options under the Pre-IPO Share Option Scheme**

The Group has in place the Pre-IPO Share Option Scheme under which options in respect of 56,000,000 Shares were outstanding as at the Latest Practicable Date, details of which are set out in the paragraph headed "A summary of the principal terms of the Pre-IPO Share Option Scheme" in Appendix V to this prospectus. All of these options were granted at an exercise price equal to the par value of HK\$0.01 per Share. The Group has also in place the Share Option Scheme and, as at the Latest Practicable Date, no options have been granted under the Share Option Scheme as set out in the paragraph headed "A summary of the principal terms of the Share Option Scheme" in Appendix V to this prospectus.

The full exercise of all of these options granted under the Pre-IPO Share Option Scheme would result in the issue of 56,000,000 Shares, representing approximately 7% of the issued share capital of the Company immediately following listing (and taking no account of any Shares to be issued pursuant to the exercise of the Over-allotment Option, any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus). This would result in a reduction in the percentage ownership of the Shareholders and may result in dilution in the assets and earnings per Share. In addition, the Company is able to issue further options under the Share Option Scheme amounting up to a maximum of 10% of the issued share capital of the Company as at the Listing Date, provided that the limit of the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Scheme) must not exceed 30% of the number of Shares in issue from time to time.

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Particulars of the outstanding options granted are set out below:

Name of grantee	Position	Percentage of the options granted over the issued capital of the Company as at the Listing Date assuming the Over-allotment Option is not exercised	Subscription Price per Share (HK\$)	Number of Shares to be issued upon exercise of options
Johanas Herkiamto	Director	2%	0.01	16,000,000
Rudi Zulfian	Director	2%	0.01	16,000,000
Elfisno ( <i>Note</i> )	Head of Accounting	1.5%	0.01	12,000,000
Tiswan ( <i>Note</i> )	Head of Internal Audit	1.5%	0.01	12,000,000

*Note:* Tiswan and Elfisno have assisted Mr. Judianto in greatly expanding and further developing the business of Nataki into its current position. They have therefore been granted options under the Pre-IPO Share Option Scheme in recognition of their past contribution to the growth of the Group.

Under the terms of the grant of the options under the Pre-IPO Share Option Scheme, such outstanding options may not be exercised within the twelve-month period following the Listing Date. After such time, the outstanding options under the Pre-IPO Share Option Scheme may be exercised in accordance with the rules of the Pre-IPO Share Option Scheme.

The Shares held in the public hands immediately upon listing of the Shares on GEM would represent approximately 43.0% of the issued share capital of the Company. Assuming that all of the outstanding options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interest of the public would be reduced from approximately 43.0% to approximately 40.1% of the issued share capital of the Company, taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or options granted under the Share Option Scheme or any Shares which may be issued by the Company pursuant to the general mandate.

Each of the holders of options granted under the Pre-IPO Share Option Scheme has severally undertaken to the Company, the Sponsor and the Stock Exchange that he/she will not exercise his/her options granted under the Pre-IPO Share Option Scheme if such exercise would result in the percentage of the securities of the Company held in public hands falling below 25%.



**RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules, the Securities and Futures (Price Stabilising) Rules and the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Placing Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Underwriters, their respective directors, or officers or any other parties involved in the Placing.

**PLACING SHARES ARE FULLY UNDERWRITTEN**

The Placing comprises 240,000,000 Placing Shares initially available for subscription by professional, institutional and other investors under the Placing, in each case at the Placing Price payable in full on application (plus brokerage of 1%, Stock Exchange trading fee of 0.005%, SFC transaction levy of 0.005% and investor compensation levy of 0.002% on such price). The Placing is sponsored by CASH and the Placing Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

**RESTRICTIONS OF OFFERING OF PLACING SHARES**

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an unauthorised offer or invitation.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

The Company is prohibited from making any invitation to the public in the Cayman Islands to subscribe for any of the Placing Shares.

The distribution of this prospectus and the offering of the Placing Shares in certain jurisdictions are restricted by law, in particular, but without limitation, to the foregoing:

### **United Kingdom**

This prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. The Placing Shares have not been and will not be offered or sold and, prior to the expiry of a period of six months from the latest date of the issue of the Placing Shares will not be offered or sold, to any persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by such person in connection with the issue or sale of any Shares except in circumstances in which section 21(1) of the FSMA does not apply to the Company;

### **Japan**

The Placing Shares have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”). The Placing Shares which are being offered hereby may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan, except pursuant to the applicable exemption from the registration requirements of the Securities and Exchange Law of Japan and in accordance with any other applicable requirements of Japanese law. As used in this paragraph a resident of Japan means any person residing in Japan and business offices located in Japan, including any corporation or other entity organised under the laws of Japan.

### **Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore and the Placing Shares have not and will not be offered or sold and neither will this prospectus nor any document or other material relating to the Placing Shares be distributed, either directly or indirectly, to the public or any member of the public in Singapore. Each Placing Underwriter represents and agrees that it has not in Singapore distributed the Placing Documents or any other offering documents or material relating to the Placing Shares nor has it offered or sold directly or indirectly to the public or any member of the public in Singapore other than (i) to such institutions or persons specified in Section 274 of the Singapore Securities and Futures Act (Chapter 289); (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the said Singapore Securities and Futures Act; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable exemption set out in part XIII Division (1) Subdivision (4) of the said Singapore Securities and Futures Act.

**Indonesia**

This prospectus is not a Public Offering within the meaning of the Indonesian Capital Markets Law and has not been filed with the Capital Market Supervisory Board (Bapepam). The distribution of this prospectus and the offer, sale and delivery of the Placing Shares may be restricted by the Indonesian Capital Markets Law. Persons into whose possession this prospectus comes are required by the Company to inform themselves about, and to observe, any such restrictions. This prospectus may not be used for the purposes of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

**Each person acquiring the Placing Shares will be required to confirm, or be deemed by his or her or its acquisition of the Placing Shares to have confirmed, that he or she or it is aware of the above restrictions on offers and sales of the Placing Shares as described in this prospectus.**

**APPLICATION FOR LISTING ON GEM**

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Placing Shares to be issued pursuant to the Placing and any Shares which may fall to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme on GEM.

No part of the share or loan capital of the Company is listed or dealt in on the Main Board or any other stock exchange. At present, the Company is not seeking or proposing to seek any such listing or permission to list on any other stock exchange.

Pursuant to Rule 11.23(1) of the GEM Listing Rules, at the time of listing of the Shares on GEM and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 25%, in the case of the Company, of the issued share capital of the Company in public hands (which term has the same meaning as defined in the GEM Listing Rules). At the time of listing, approximately 43.0% of the issued share capital of the Company will be in the hands of the public.

**PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Placing Shares, you should consult an expert.

None of the Company, the Sponsor, the Underwriters, their respective directors or any other parties involved in the Placing will accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Placing Shares.

## **REGISTERS OF MEMBERS AND STAMP DUTY**

All the Shares will be registered on the Company's branch register of members to be maintained by Tengis Limited in Hong Kong. The Company's principal register of members is maintained by Bank of Butterfield International (Cayman) Limited.

Only the Shares registered on the Company's Hong Kong branch register of members may be traded on GEM. Dealings in Shares registered on the Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

## **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on GEM and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or on any other date as determined by HKSCC. Investors should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interest. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The Company will not issue temporary documents of title. No receipt will be issued for application money paid.

## **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares are expected to commence on 2nd December, 2003.

The Shares will be traded in board lots of 5,000 Shares.

## **STRUCTURE AND CONDITIONS OF THE PLACING**

Details of the structure of the Placing, including conditions thereof, are set out in the section headed "Structure and conditions of the Placing" in this prospectus.

<b>DIRECTORS</b>
------------------

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Harmiono Judianto (Chairman)	Gubeng Kertajaya 5-C/36 Airlangga Surabaya Indonesia	Indonesian
Johanas Herkiamto (Vice-chairman)	Agung Tengah 6 I/4/6A Sunter Agung North Jakarta Indonesia	Indonesian
Rudi Zulfian	Malaka Utara Blok D20/3 Malaka Sari East Jakarta Indonesia	Indonesian
<i>Independent non-executive Directors</i>		
Novayanti	KP. Pesing, Kedoya Kebun Jeruk RT. 003, RW. 002 Jakarta Indonesia	Indonesian
Gandhi Prawira	Jl. Malabar No. 4 RT 004/ RW 004 Kel. Malabar, Lengkong Bandung Indonesia	Indonesian
Wang Poey Foon, Angela	22B Birchwood Place 96 MacDonnell Road Hong Kong	Singaporean

## PARTIES INVOLVED IN THE PLACING

<b>Sponsor</b>	Celestial Capital Limited 21st Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Bookrunner and Lead Manager</b>	SBI E2-Capital Securities Limited 43rd Floor, Jardine House One Connaught Place Central Hong Kong
<b>Co-Lead Managers</b>	Barits Securities (Hong Kong) Limited Room 3406, 34th Floor Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong  Kingsway Financial Services Group Limited 5th Floor, Hutchison House 10 Harcourt Road Central Hong Kong
<b>Co-Managers</b>	Celestial Capital Limited 21st Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong  First Shanghai Securities Limited 19th Floor, Wing On House 71 Des Voeux Road Central Hong Kong  ICEA Capital Limited 42nd Floor, Jardine House 1 Connaught Place Central Hong Kong  Japan Asia Securities Limited 11th Floor No. 8 Queen's Road Central Hong Kong  Koffman Securities Limited 11-13th Floor, Ying Kong Mansion 2-6 Yee Wo Street Causeway Bay Hong Kong

## PARTIES INVOLVED IN THE PLACING

### **Legal advisers to the Company**

*As to Hong Kong law*  
Sidley Austin Brown & Wood  
49th Floor, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

*As to Indonesian law*  
Dewi Soeharto Maramis & Partners  
Penthouse 1, Wisma GKBI  
Jl. Jendral Sudirman No. 28  
Jakarta 10210  
Indonesia

*As to Cayman Islands Law*  
Appleby Spurling & Kempe  
5511 The Center  
99 Queen's Road Central  
Central  
Hong Kong

### **Legal advisers to the Sponsor and Underwriters**

*As to Hong Kong law*  
Richards Butler  
20th Floor  
Alexandra House  
16-20 Chater Road  
Hong Kong

*As to Indonesian law*  
Soewito Suhardiman Eddymurthy Kardono  
14th Floor, Wisma Bank Dharmala  
Jl. Jend. Sudirman Kav.28  
Jakarta 12920  
Indonesia

### **Auditors and reporting accountants**

PKF, *Certified Public Accountants*  
26th Floor, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

### **Property valuer**

American Appraisal China Limited  
Rooms 1506-10, 15th Floor  
Dah Sing Financial Centre  
Wanchai  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Caledonian House P.O. Box 1043 George Town Grand Cayman Cayman Islands
<b>Principal place of business</b>	Jl. P. Jayakarta 117 Blok B/35-39 Jakarta Pusat (10730) Indonesia
<b>Place of business in Hong Kong</b>	26th Floor, Citicorp Centre 18 Whitfield Road Causeway Bay Hong Kong
<b>Company secretary</b>	Casey Mee Huat Lin, <i>ACCA</i>
<b>Authorised representatives</b>	Johanas Herkiamto Rudi Zulfian
<b>Compliance officer</b>	Johanas Herkiamto
<b>Qualified accountant</b>	Casey Mee Huat Lin, <i>ACCA</i>
<b>Audit committee members</b>	Gandhi Prawira Novayanti
<b>Principal banker</b>	PT Bank Central Asia, Tbk KCP P. Jayakarta Jl. P. Jayakarta, Blok A2-3 Jakarta 11110 Indonesia
<b>Cayman Islands share registrar and transfer office</b>	Bank of Butterfield International (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands
<b>Hong Kong branch share registrar</b>	Tengis Limited G/F, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong



## WORLD COCOA INDUSTRY

### Cocoa beans

Cocoa beans are one of the major raw materials used for the production of a variety of food products such as chocolate, beverages and cakes, and various pharmaceutical and cosmetic products such as soaps and moisturisers. Cocoa beans are grown mainly in the tropical rain forests of West and Central Africa, Southeast Asia and South and Central America. The quality of cocoa beans are generally characterised by, among other things, the size and uniformity, solid fat content, flavour and purity, and other general appearance factors of the cocoa beans, which also determine the selling prices of the beans.

### Industry structure

Market participants in the cocoa industry can generally be categorised into: (i) cocoa farmers; (ii) cocoa traders; (iii) cocoa processing companies; and (iv) cocoa products manufacturers.

#### *Cocoa plantation and trading*

Cocoa farmers normally sell the harvested cocoa beans to cocoa traders, who collect cocoa beans from a number of farmers and resell them to other cocoa traders and/or cocoa processing companies. According to an article published by ICCO in July 1998, approximately 70% of the total supply of cocoa beans in the world in 1998 was produced by individual farmers each providing a relatively small scale of supply. The Directors believe that in order to avoid dealing with numerous farmers, cocoa processing companies often rely on the cocoa traders to collect the required amount of cocoa beans from these individual farmers and then perform quality checks on the collected cocoa beans in accordance with the specifications of the processing companies. In addition, cocoa farmers often rely on cocoa traders to handle the exports of the cocoa beans to the overseas importers and processing companies.

#### *Cocoa beans processing and cocoa products manufacturing*

Through a process of roasting, grinding and other processing, cocoa processing companies generally convert cocoa beans into an intermediate product called cocoa liquor, which is further processed into two products: cocoa butter and cocoa powder. Cocoa butter is essentially the fat extracted from cocoa beans and is used almost exclusively in the production of chocolate products, with a small portion being used in the manufacture of various pharmaceutical and cosmetic products. In general, cocoa butter is an essential ingredient of chocolate. Cocoa powder is also used in the

## INDUSTRY OVERVIEW

manufacture of a variety of food products including beverages, cakes, brownies, icing, and cookies primarily to provide the required flavour and colour. The following table sets out the top seven cocoa bean processing countries/regions in the world for the crop years 2000 to 2002:

### Top seven cocoa bean processing countries/regions

	2000	Crop year 2001 ( '000 tonnes)	2002
European Union	1,175	1,195	1,112
US	439	442	415
Cote d'Ivoire	235	285	290
Brazil	201	195	167
Malaysia	115	125	105
Former USSR	87	103	95
Indonesia	85	83	75
World total	2,942	3,050	2,859

*Source:* "Cocoa Commodity Notes", published by Food and Agriculture Organization of the United Nations in March 2003

### World cocoa production

In the crop year 2003, Indonesia was the third largest producing country of cocoa beans in the world, and the largest in Asia according to "Cocoa Market Report" published by ED&F Man in October 2003. The following chart sets out the annual production volume of the top seven cocoa bean producing countries in the world for the crop years 2001 to 2003:

### Production volume of top seven cocoa bean producing countries/regions

	2001	Crop year 2002 ( '000 tonnes)	2003
Cote d'Ivoire	1,185	1,240	1,315
Ghana	395	340	490
Indonesia	388	443	425
Brazil	163	124	162
Nigeria	177	167	150
Cameroon	138	126	140
Ecuador	81	72	78
World total	2,821	2,773	3,045

*Source:* "Cocoa Market Reports" (September 2002 and October 2003) published by ED&F Man

### Pricing

Cocoa beans are a commodity and their prices are quoted on the London Cocoa Terminal Market and the NYCSCE. Producers of cocoa beans set their prices with reference to, amongst other things, the quoted prices. The quoted prices on the London Cocoa Terminal Market and the NYCSCE are determined with reference to the supply and demand of cocoa beans. Hence, factors which affect the supply of cocoa beans, such as a war in a country that supplies a significant amount of cocoa beans in the world markets, will affect the price of cocoa beans quoted on these commodity exchanges.

Prices of cocoa beans decreased substantially during the period from mid-1998 to 2000 and started to recover in 2001. According to INCA, the price of cocoa beans in the international market began to drop from May 1998. Part of the weakness in prices was attributed to strong reactions to financial crises and economic turmoil in global markets. The subsequent slowdown in economic activity in Asia, the Russian Federation and Brazil, insufficient evidence of a return to growth in these areas and indications of sluggish world consumption in traditional cocoa product consuming countries adversely affected the prospects for world growth in cocoa consumption. Moreover, despite a sustained period of low prices, production in a number of leading cocoa producing countries continued to rise. These developments led some market participants to re-assess the world demand-supply balance of cocoa beans in the future. Consequently, the average cocoa bean price dropped from approximately US\$1,670 per tonne in 1998 to approximately US\$890 per tonne in 2000.

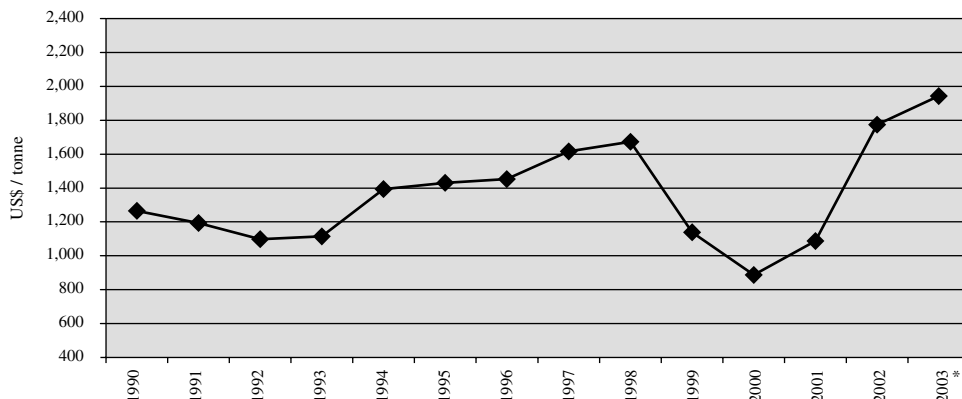
Since 2000, however, confidence in the global economy began to pick up and cocoa market participants had a more bullish outlook for the demand for cocoa products. At the same time, many cocoa producing countries experienced disappointing harvests due to pests and diseases, such as the Cocoa Pod Borer. During the last quarter of 2002, cocoa bean prices were affected by the civil unrest in Cote d'Ivoire, the world's largest cocoa bean producing country. Cocoa bean prices increased sharply as the market was concerned about the impact of the civil unrest on the international supply of cocoa beans.

By the first quarter of 2003, it was apparent that the supply of cocoa beans from Cote d'Ivoire could be virtually unaffected by the civil unrest. In May 2003, a new cease-fire agreement was reached which laid the ground for the re-establishment of civil order in the country. At the same time, a few other major cocoa bean producing countries, including Indonesia, were expected to produce a large crop in 2003. Therefore, cocoa bean prices began to decrease as a result of the stability in Cote d'Ivoire and the expected higher cocoa bean supply. In June 2003, cocoa bean prices averaged approximately US\$1,580 per tonne, down from a peak of approximately US\$2,230 per tonne in February.

## INDUSTRY OVERVIEW

The following chart sets out the yearly average cocoa bean prices for the period from 1990 to 2003\*:

**World cocoa beans average price (1990-2003\*)**



\* Up to June 2003

Source: ICCO

## THE INDONESIAN COCOA INDUSTRY

### Types of cocoa beans

As confirmed by INCA, there is only one type (i.e. grade) of cocoa beans in Indonesia for the export market and such export quality cocoa beans are homogeneous. In general, cocoa beans destined for the export market tend to be larger in size, have a higher level of fat and water content, and less extent of insect damage. On the other hand, cocoa beans sold in the domestic market for domestic consumption in general tend to be smaller in size, contain less cocoa fat and water content, and have more insect damage.

### Regulations governing a foreign company operating in the Indonesian cocoa industry

The following information is based on the legal opinion of the Group's Indonesian legal advisers:

Foreign investment activities in Indonesia are governed by the Foreign Capital Investment Law, Law No.1 of 1967 as amended by Law No.11/1970 ("Foreign Investment Law"). Pursuant to the Foreign Investment Law and its implementing regulations, foreign investment shall be conducted by forming a foreign investment company ("PMA Company") in the form of a limited liability company, abbreviated as "PT" (which is governed by the Limited Liability Company Law, Law No.1 of 1995 — "Company Law").

All PMA Companies fall under the coordination of BKPM.

A PMA Company may only be created or formed for business activities which are opened for foreign investment. Pursuant to the existing regulations, export and import and wholesaling of cocoa beans as well as cocoa processing operations are fully open to foreign investment.

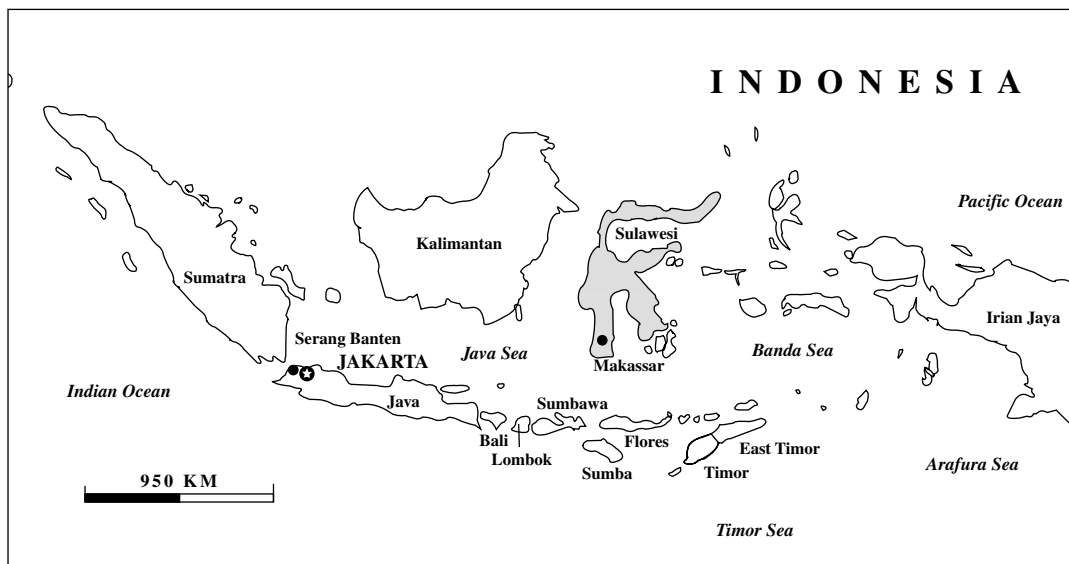
## INDUSTRY OVERVIEW

With due regard to the Law No.24 of 1999 regarding the Foreign Exchange Payment and Exchange Rate System, Indonesia does not adopt foreign currency restrictions. Under this regime, certain companies, such as those having assets not less than IDR100,000,000,000 or those having annual gross sales not less than IDR100,000,000,000, are required to report their activities related to their foreign exchange activities in accordance with Bank Indonesia implementing regulations.

The Group has obtained all required licences to conduct its current businesses including the export and import of cocoa beans activities. In addition, in November 2002, the Group obtained approval from the BKPM for expansion of its business activities to engage in wholesale of cocoa beans to the domestic market.

### Geographical distribution of cocoa plantations in Indonesia

The growth of cocoa beans is sensitive to a number of natural factors including soil, rainfall and other environmental factors. According to INCA, approximately 75% of Indonesian cocoa beans come from Sulawesi, which is also the origin of the cocoa beans traded by the Group. The following diagram shows the location of the Sulawesi and other major locations in Indonesia.



### Government policies on the cocoa industry

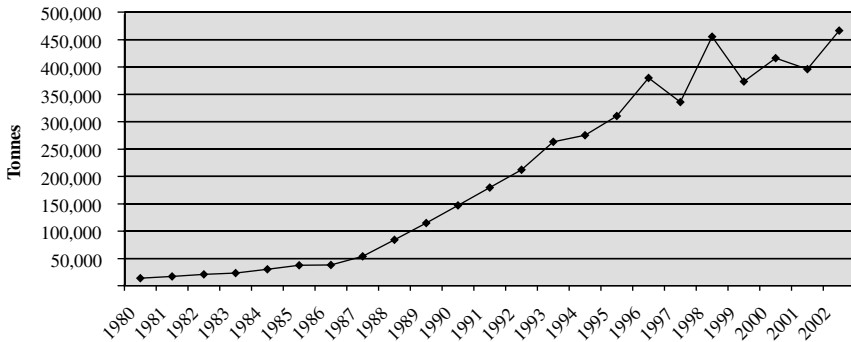
The government has been actively promoting the cocoa industry by (i) granting free or cheap land to farmers for developing cocoa plantations; (ii) providing financial assistance to farmers for setting up cocoa plantations; (iii) providing fertilizers and pesticides to farmers free of charge; and (iv) through INCA, providing education and training to farmers with a view to improving the efficiency and quality of their cocoa harvests.

## Cocoa production in Indonesia

Indonesia expanded its cocoa production substantially from the early 1980s onwards. According to INCA, the annual production volume of cocoa beans in Indonesia increased from approximately 10,300 tonnes in 1980 to approximately 460,000 tonnes in 2002.

The following chart shows the amount of cocoa beans produced in Indonesia for the period from 1980 to 2002:

**Indonesia's cocoa beans production**



*Source: INCA, February 2003*

The rapid increase in cocoa production from 1980 to 1996 was principally because Indonesia was building up its cocoa production to become one of the major cocoa producers in the world. Indonesia has outstripped all other countries in terms of production growth since the 1980s. In 1981/82 it produced approximately 16,000 tonnes and by 1996/97 it produced approximately 330,000 tonnes. The growth has been assisted by a free economy combined with government support to develop Indonesia's cocoa industry. In 1997, Indonesia's cocoa industry was affected by the Cocoa Pod Borer. Starting in the first quarter of 1998, past experience with the Cocoa Pod Borer enabled Indonesian farmers to control the Cocoa Pod Borer problem which helped improve the national cocoa bean output. After the first quarter 1998, the Cocoa Pod Borer problem was exterminated and production yield recovered. Furthermore, in the first half of the 1990s, there was a large migration of farmers from Java to Sulawesi due to government encouragement to develop Sulawesi as the major center for cocoa production. By 1998, there was an increase in new harvested area (i.e. cultivated land used to grow and harvest cocoa beans) due to the migration of farmers to Sulawesi to cultivate the land for cocoa production. In the beginning of 1999, Indonesia experienced political and social instability due to the fall of president Soeharto which led to different political groups fighting to control Indonesia, and fighting for independence for certain parts of Indonesia (e.g. East Timor, Aceh) which coincided with a lack of government support for the cocoa industry.

# INDUSTRY OVERVIEW

## Export markets

According to INCA, the main export markets in 2002 for Indonesian cocoa beans were the US (49.0%), Singapore (13.4%), Europe (10.0%), Brazil (7.2%), Malaysia (7.1%), PRC (6.3%), Philippines (1.5%), Thailand (1.2%), and Canada (1.2%).

INCA has confirmed that around 85% of cocoa beans produced in Indonesia are exported each year. In addition, INCA has confirmed that Europe and the US accounted for around 10% and 49% of Indonesia's total exports in each of the past few years.

## OVERVIEW ON THE INDONESIAN ECONOMY

Indonesia is the world's largest archipelago situated between the Indian Ocean and the Pacific Ocean. According to the Institute for Memetic Research, in 2000, Indonesia had a population of approximately 225 million and was the fourth most populated country in the world.

Although Indonesia, like other Southeast Asian countries, has experienced negative and slowing growth since 1997, its economic conditions have exhibited improvements in recent years. According to the Central Bureau of Statistics of Indonesia, the gross domestic product of Indonesia grew by approximately 3.7% in 2002 while Bank of Indonesia, the central bank in Indonesia, estimates a further growth of approximately 3.5% to approximately 4% in 2003. The following table highlights the key economic indicators of Indonesia from 1997 to 2002:

### Indonesia: Overall economic performance 1997-2002

	1997	1998	1999	2000	2001	2002*
<i>GDP and major components</i>						
Nominal GDP (US\$ billion)	218	103.1	144.2	151.0	145.1	177.6
Real GDP (% change)	4.9	-13.7	0.3	4.8	3.3	3.5
Total consumption (% change)	5.9	-4.1	3.4	3.9	6.2	6.3
Total investment (% change)	8.6	-40.9	-20.0	17.9	4.0	6.4
Export of goods and services (% change)	7.8	10.6	31.6	16.1	1.9	3.1
Import of goods and services (% change)	14.7	-5.4	40.7	18.2	8.1	9.0
Exchange rate (Local currency/US\$)	4,650	8,025	7,764	8,544	10,256	9,300

\* Forecast

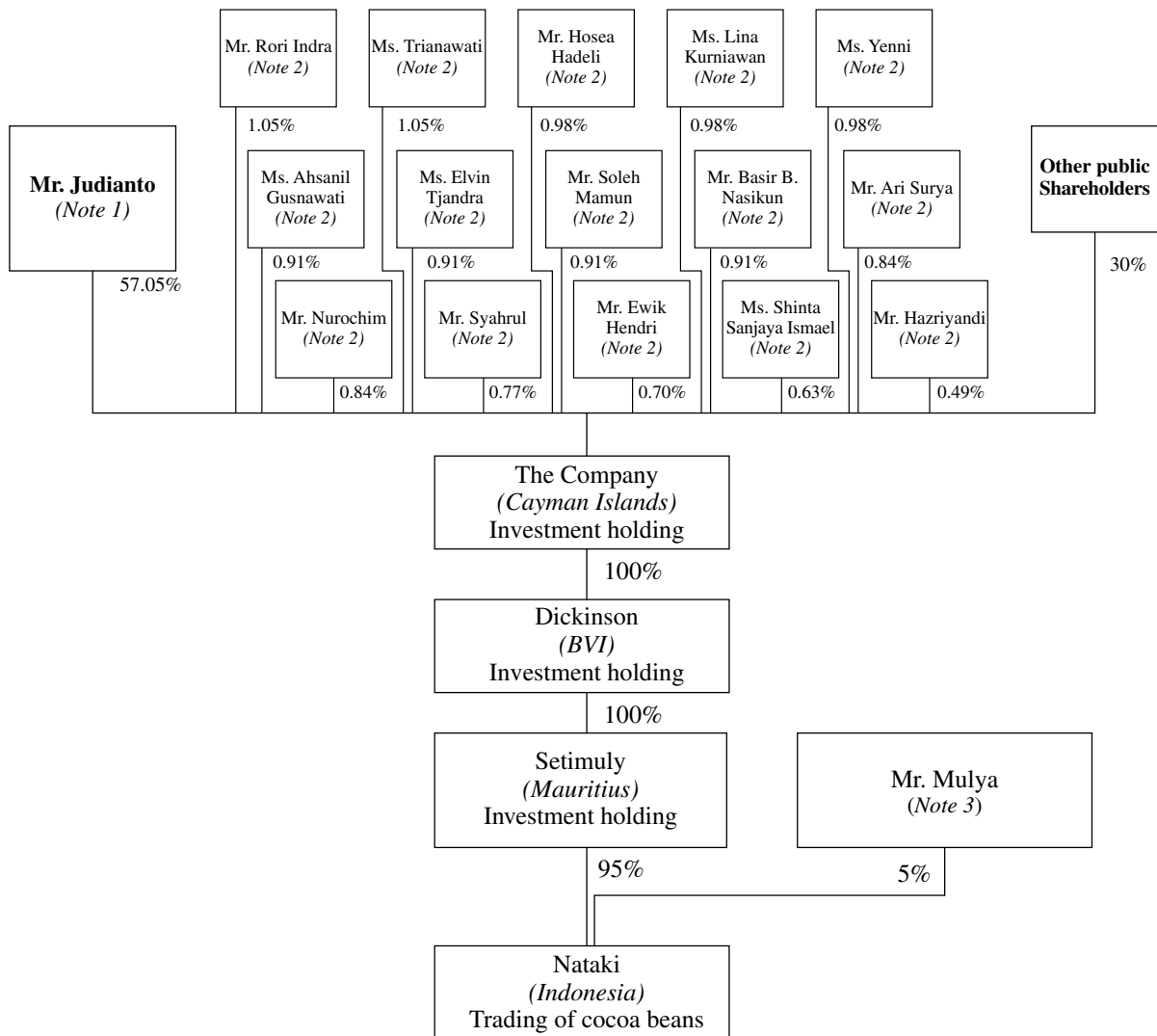
Source: "2002 APEC Economic Outlook" published by Asia-Pacific Economic Cooperation, in October 2002

Having said that, investors should note that Indonesia has in the past few years experienced significant economic downturns, social instability and related difficulties. In addition, Indonesia has also experienced various degrees of political and social uncertainty such as the bombings in Jakarta and Bali and the civil unrest in Aceh. However, these three incidents have not affected the Group's supply of cocoa beans (since they happened far away from the Group's source of cocoa beans, Sulawesi) or its sales (since the Group is an exporter). Any instability in the political, social and/or economic environment in Indonesia may have an adverse effect on the operations and income of the Group. A change in currency exchange rates or policy could also increase the Group's costs relative to its revenues.

# GENERAL OVERVIEW OF THE GROUP

## GROUP STRUCTURE

Set out below is the Group's corporate structure immediately following completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and before taking into account (i) any Shares which may be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme; and (ii) any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus) and a brief description of the principal activities of the members of the Group.



*Notes:*

1. Mr. Judianto is an executive Director and is the Initial Management Shareholder.
2. Each of these Shareholders became interested in the Group when Mr. Judianto required additional funds to acquire a 95% interest in Nataki in 1999. They are each independent of and not connected with each other, any of the Directors, Mr. Mulya or any of their respective associates. They have no management role in the Group and are regarded as members of the public.
3. Mr. Mulya is an Independent Third Party and has no management role in the Group.



## GROUP REORGANISATION

In preparation for and in anticipation of the listing of the Shares on GEM, the Group underwent the Reorganisation following which the Company has become the holding company of the Group. Details of the Reorganisation are set out under the section headed “Corporate reorganisation” in Appendix V to this prospectus.

## HISTORY AND CORPORATE DEVELOPMENT

Nataki was initially established in 1997 as an ordinary limited liability company (non-facilitated domestic company) in Indonesia. Nataki obtained a general trading business license under the Trading Business License No. 1868/09-01/PB/VII/97 dated 18th July, 1997 issued by the Department of Industry and Trade which allowed Nataki to carry on domestic trading, export and import of cocoa beans. Prior to the acquisition by Mr. Judianto and the Investors, Nataki was principally engaged in small-scale trading of cocoa beans for the domestic market in Indonesia.

Working as a marketing manager since 1992 at P.T. Aditama Mandiri and later P.T. Gading Trading Ltd, both of which are cocoa bean trading companies in Indonesia engaged in the export of cocoa beans, Mr. Judianto developed extensive experience in the cocoa industry and built up relationships with overseas customers and, as a result, was aware of the existence of Nataki. During this period, Mr. Judianto also developed good relationships with both overseas cocoa beans purchasers in Europe and domestic cocoa beans farmers in Indonesia. With a view to capitalising on his experience and relationships in the cocoa industry, Mr. Judianto was keen to invest in, operate and manage his own cocoa bean trading business.

During the course of Mr. Judianto’s employment with P.T. Gading Trading Ltd, he was introduced to the original shareholders of Nataki by a common supplier of Nataki and P.T. Gading Trading Ltd. In December 1999, Mr. Judianto, together with the Investors (each of whom, apart from their interests in the Group, is an Independent Third Party), acquired 950,000 shares in Nataki, representing 95% of the then issued share capital, from Nataki’s then existing shareholders for a consideration of IDR950 million (equivalent to approximately HK\$1.0 million). The consideration of IDR950 million was arrived at following arm’s length negotiations between the parties involved. Pursuant to the Joint Agreement dated December 1999 entered into between Mr. Judianto and the Investors, it was contractually agreed by Mr. Judianto and the Investors that of the 950,000 shares acquired, Mr. Judianto would hold 774,250 shares for himself and 175,750 shares on behalf of the Investors. Mr. Judianto and the Investors at that time considered that such arrangement would allow the Investors to maintain a passive role in the management and operations of Nataki and relieve them from unnecessary shareholders’ meetings and execution of documents. It was not until the Group started preparing for the Placing that the Investors decided to formalise their interests in the Group by becoming registered shareholders. As mentioned below, since August 2002, the Investors have held shares in their own names.

In the same month that Mr. Judianto and the Investors acquired 95% interest in Nataki, Mr. Judianto approached two acquaintances, Mr. Herkiamto and Mr. Zulfian, to join Nataki as part of the key management team to further develop the business of Nataki. By that time, each of Mr. Herkiamto and Mr. Zulfian already had over five years’ experience in the cocoa industry. At that time, Mr.

## GENERAL OVERVIEW OF THE GROUP

Herkiamto was working with Davomas, and he later became a director, and subsequently the president director, of Davomas (further information of which is set out under “Information on Davomas” below), a cocoa processing company which buys cocoa beans from local cocoa bean trading companies and farmers, and sells semi-processed cocoa products to overseas customers. Accordingly, Mr. Herkiamto knew the suppliers of cocoa beans in Indonesia and overseas customers of semi-processed cocoa products. Prior to joining the Group, Mr. Zulfian worked as the finance manager in P.T. Harapan Bersama Trading, a foods product trading company which traded cocoa-related products, sugar, salt and coffee beans. Accordingly, Mr. Zulfian had contacts in the cocoa industry. Mr. Herkiamto and Mr. Zulfian joined Nataki in December 1999 as president director and director respectively, and, under the guidance of Mr. Judianto, were responsible for the daily management and daily operations for Nataki. Mr. Judianto was responsible for the overall strategic planning (such as the cessation of domestic trading business and commencement of overseas trading business as set out below) and business development (such as establishing relationships with overseas customers by negotiating and finalising the major terms of the Sales Agreements as set out below) of Nataki.

When Mr. Judianto took over Nataki, its customers were principally other companies trading in cocoa beans. At that time, Nataki sourced all of its cocoa beans from other trading companies in Indonesia. At the end of 1999, Nataki had four domestic customers and sourced cocoa beans from eight suppliers. Due to its small-scale operations, Nataki at that time did not have its own warehouse and adopted a “just-in-time” inventory policy whereby Nataki matched the respective delivery schedules of the customers with those of its suppliers to minimise the inventory holding period. Products were shipped directly from suppliers’ warehouses to the customers’ designated locations. Nataki’s head office was then located at Jalan Pangeran Jayakarta in Jakarta, Indonesia.

In September 2000, Nataki began to explore and prepare for the opportunity of developing sales for the overseas markets by capitalising on the relationships with overseas customers of Mr. Judianto and, to a lesser extent, Mr. Herkiamto. During the year, Nataki expanded its sales and marketing team to 12 staff to assist with the marketing efforts to develop overseas customers. At the same time, Nataki commenced discussions with potential overseas customers of cocoa beans. By November 2000, Nataki had secured three overseas customers in Europe, namely Unicom in the Netherlands, ICBT in the UK and Orebi in France, and commenced business with them in the same month, mainly as a result of the efforts and relationship of Mr. Judianto.

In 2000, Nataki sourced cocoa beans from eight local cocoa bean traders. In December 2000, Nataki rented a warehouse in Makassar, Sulawesi in order to source cocoa beans directly from farmers, facilitate the shipment of products directly to overseas customers, secure a stable supply of quality cocoa beans that meet overseas customers’ requirements, and cope with the anticipated increase in the volume of its trading business from overseas customers.

Since January 2001, Nataki has ceased its sales to the domestic market in Indonesia and focused only on the more profitable export markets. Around the same time, Nataki also began to source cocoa beans directly from farmers in Sulawesi and ceased its purchases from cocoa bean trading companies.

## GENERAL OVERVIEW OF THE GROUP

In order to strengthen its relationships with farmers, in mid-2001 Nataki began to provide certain value-added services free-of-charge to farmers by providing them with the latest market information on the cocoa industry collected from its customers. In addition, Nataki also assisted farmers on an informal basis in improving the yield and quality of their cocoa bean harvests by arranging education and training sessions for the farmers on topics such as improved farming, harvesting and after-harvesting work methods including fermentation and drying techniques. By the end of 2001, Nataki had expanded its sales and marketing team to 19 staff to further develop the overseas market by conducting market research and strengthening the Group's relationships with its existing customers. At the same time, the Group increased its warehouse and quality control team to 18 staff to strengthen the Group's relationships with, and to deal with the increasing number of, farmers and to handle the increase in business volume. As a result, by the end of 2001, Nataki had established good relationships with its three overseas customers and sourced its products directly from over 600 farmers in Sulawesi. Volume of cocoa beans sold by Nataki increased from approximately 6,640 tonnes in 2000 to approximately 16,380 tonnes in 2001, while its turnover increased from approximately HK\$41.7 million in 2000 to approximately HK\$145.2 million in 2001. From 2000 to 2001, the trading volume of cocoa beans increased because overseas customers placed larger orders than domestic customers. The Group's selling price also increased as the average quoted price of cocoa beans increased from approximately US\$886/tonne in 2000 to approximately US\$1,087/tonne in 2001. Nataki successfully established itself as one of the major exporters of cocoa beans in Indonesia.

In December 2001, Nataki began to provide farmers with 50% advance payment for their purchases upon placement of purchase order with farmers. The Directors believe that this is very important in dealing with the farmers since they will sell the better quality cocoa beans from the harvest and at a more competitive price to purchasers which can provide an advance payment. In the same month, Nataki converted the US dollar-denominated loan of US\$16 million advanced to it pursuant to the Loan Agreement to an IDR-denominated loan of IDR166.4 billion.

In preparation for the Placing, the aggregate 95% interests in Nataki held by Mr. Judianto (for himself and on behalf of the Investors) were transferred to Dickinson in consideration for the allotment and issue of shares in August 2002 by Dickinson to Mr. Judianto and the Investors in their own capacities proportionate to their respective interest in Nataki. Dickinson was then held as to approximately 81.5% and 18.5% by Mr. Judianto and the Investors, respectively. The shares in Dickinson were allotted directly to, and were accordingly held by, Mr. Judianto and each of the Investors in his/her own capacity and Mr. Judianto did not at any time hold any of such shares on behalf of the Investors. Consequently, with due regard to the Indonesian Foreign Investment Regulations, Nataki obtained an approval from BKPM to convert its status from a non-facilitated domestic company into a foreign investment company, with such approval serving as a valid temporary business license for foreign investment company to engage in the imports and exports and hence trading of cocoa beans. In October 2002, Nataki obtained its permanent business license from BKPM, which allows Nataki to engage in the export and import of cocoa beans as a foreign investment company and does not provide any restrictions on the volume of cocoa beans which may be traded by Nataki. In addition, in November 2002, the Group obtained approval from the BKPM for expansion of its business activities to engage in wholesale of cocoa beans to the domestic market.

## GENERAL OVERVIEW OF THE GROUP

In the same month as Dickinson's acquisition of a 95% interest in Nataki, Mr. Judianto and the Investors (through Mr. Judianto) advanced in aggregate IDR95 billion (equivalent to approximately HK\$82.9 million) as shareholders' loans to Dickinson in proportion to their then shareholdings in Dickinson, with Mr. Judianto and the Investors advancing IDR77,425 million (equivalent to approximately HK\$67.6 million) and IDR17,575 million (equivalent to approximately HK\$15.3 million), respectively. Dickinson then increased its investment in Nataki by applying the proceeds from the shareholders' loans for the subscription of new shares in Nataki, thus increasing the share capital of Nataki to IDR101 billion (equivalent to approximately HK\$88.1 million). Such funds were, in turn, used by Nataki to reduce the IDR-denominated loan advanced to it pursuant to the Loan Agreement to IDR66,560 million (equivalent to approximately HK\$58.1 million) in August 2002. The shareholders' loans were then capitalised by the issue of new shares in Dickinson directly to Mr. Judianto and the Investors in proportion to their then shareholdings in Dickinson. As a result, the issued share capital of Dickinson increased from US\$1,000 to US\$10,781,000.

Mr. Mulya was one of the founding shareholders of Nataki and has owned 5% of Nataki since it was first established in 1997. The Original Shareholders asked Mr. Mulya to join Nataki in the capacity of a passive investor, in which role he has followed since Nataki's incorporation. Mr. Mulya has never been involved in the management and day-to-day operations of Nataki from its date of establishment and, for this reason, Mr. Mulya elected not to become a Shareholder as part of the Reorganisation. In addition, relevant Indonesian law requires that a limited liability company in Indonesia requires at least two shareholders at all time. Mr. Mulya has been one of the shareholders of Nataki since its establishment in 1997. Since Mr. Judianto and the Investors transferred all their shares in Nataki to Dickinson, Mr. Mulya has to remain as a shareholder of Nataki in order to fulfil the legal requirement for an Indonesian company to have a minimum of two shareholders. Mr. Mulya's cost of investment in Nataki was IDR1,000 (equivalent to approximately HK\$0.87) per share, the same as the Original Shareholders, Mr. Judianto and the Investors.

In order to raise the company's profile, in October 2002, Nataki established an investor relations office at the central business district in Jakarta, Indonesia.

In October 2002, to prepare for the listing of the Shares and to formalise the directorship of the Group, Mr. Judianto was appointed as a director of Nataki and as an executive Director. Mr. Judianto did not become a director of Nataki earlier because as the largest shareholder of the Group, he had been controlling all important aspects of the Group's operations while the directors of Nataki, namely Mr. Herkiamto and Mr. Zulfian, simply executed his instructions.

The Group had commenced relationships with Westermann in the Netherlands earlier in August, and in order to ensure a continuous flow of business from its customers, the Group entered into the Sales Agreements with each of Unicom, ICBT and Westermann in October 2002, whereby these customers agreed to purchase from the Group an annual aggregate minimum amount of 28,000 tonnes of cocoa beans for an initial term of three years.

For the year ended 31st December, 2002, the volume of cocoa beans sold by the Group amounted to approximately 23,920 tonnes while its turnover amounted to approximately HK\$300.9 million. During the year, the Group provided a majority of farmers with an advance payment equivalent to 50% of the purchase order upon placing of the purchase order. By the end of 2002, the Group sourced cocoa

## GENERAL OVERVIEW OF THE GROUP

beans from over 800 farmers in Sulawesi and the number of warehouse and quality control staff employed by the Group increased to 27 to cope with this increase in the number of farmers supplying cocoa beans to the Group. During the year, the Group increased its sales and marketing staff to 20 to deal with the increased sales and to attempt to further expand its overseas customer base.

In January 2003, Setimuly acquired from Dickinson its 95% interest in Nataki, in consideration of which Setimuly issued shares to Dickinson and became a wholly-owned subsidiary of Dickinson. Setimuly was incorporated into the Group in order to reduce the withholding tax on dividends to be paid by Nataki to a foreign-incorporated shareholder. Under the applicable laws of Indonesia regarding Foreign Exchange Payment and Exchange Rate System, there are currently no restrictions for foreign exchange payment in Indonesia, therefore an Indonesian company can distribute dividends in foreign currency to its foreign shareholders, including shareholders which have a domicile in Mauritius.

In June 2003, the companies comprising the Group underwent further reorganisation in anticipation of the Placing. As a result, the Company became the holding company of the Group. Details of the reorganisation are set out under the section headed “Corporate reorganisation” in Appendix V to this prospectus.

For the eight months ended 31st August, 2003, the volume of cocoa beans sold by the Group further increased to approximately 24,470 tonnes while its turnover increased to approximately HK\$352.0 million. During this period, the Group sourced cocoa beans from over 1,100 farmers in Sulawesi. By the first anniversary of their respective Sales Agreements in October 2003, Unicom, ICBT and Westermann have respectively ordered approximately 16,600 tonnes, 12,700 tonnes and 10,100 tonnes of cocoa beans from the Group, which have exceeded their respective annual commitments under the Sales Agreements by approximately 38.3%, 41.1% and 44.3%.

The Group plans to diversify into other cocoa-related businesses such as cocoa processing operations in the future. In October 2003, in order to avoid potential conflicts of interest, Mr. Herkiamto tendered his resignation from Davomas, which is engaged in cocoa processing operations. Mr. Herkiamto’s resignation will become effective upon expiration of the 90-day notification period required under the constitutional documents of Davomas.

Given that: (i) the Group’s land located in Serang, Banten and office property located in Sawah Besar are currently both vacant; (ii) the Group does not plan to acquire or construct a warehouse in Serang, Banten in order to cater to domestic cocoa trading companies until 2005 and does not have any concrete plans for using the office property in Sawah Besar; and (iii) the Group could dispose of these two properties at a gain over their book value as at 31st August, 2003, in October 2003 the Group sold these properties to Independent Third Parties. In the same month, the Group also fully repaid the remaining balance of the IDR-denominated loan advanced to it pursuant to the Loan Agreement.

## STATEMENT OF ACTIVE BUSINESS PURSUITS

The following is the statement of the active business pursuits of the Group during the Track Record Period:

### For the year ended 31st December, 2001

Turnover: Approximately HK\$145.2 million

Volume of cocoa beans traded: Approximately 16,380 tonnes

- Significant events:
1. The Group began to focus on export sales of cocoa beans. It had three overseas customers in Europe, namely Unicom in the Netherlands, ICBT in the UK and Orebi in France.
  2. The Group ceased its purchases from other cocoa bean trading companies in Indonesia and began to source directly from farmers in Sulawesi. By the end of 2001, the Group sourced from over 600 farmers.
  3. The Group began to provide certain value-added services to its farmers.
  4. The Group converted its US dollar-denominated loan of US\$16 million advanced to it pursuant to the Loan Agreement to an IDR-denominated loan of IDR166.4 billion.

Number of staff as at 31st December, 2001:

Management	3
Sales and marketing	19
Purchasing	6
Warehouse and quality control	18
Finance and administration	3
 Total number of staff	 49

## STATEMENT OF ACTIVE BUSINESS PURSUITS

**For the year ended 31st December, 2002**

Turnover: Approximately HK\$300.9 million

Volume of cocoa beans traded: Approximately 23,920 tonnes

- Significant events:
1. Mr. Judianto and the Investors (through Mr. Judianto) advanced in aggregate IDR95 billion (equivalent to approximately HK\$82.9 million) as shareholders' loans to Dickinson in proportion to their then shareholdings in Dickinson, with Mr. Judianto and the Investors advancing IDR77,425 million (equivalent to approximately HK\$67.6 million) and IDR17,575 million (equivalent to approximately HK\$15.3 million), respectively. Dickinson then increased its investment in Nataki by applying the proceeds from the shareholders' loans for the subscription of new shares in Nataki, thus increasing the share capital of Nataki to IDR101 billion (equivalent to approximately HK\$88.1 million). Such funds were, in turn, used by Nataki to reduce the IDR-denominated loan advanced to it pursuant to the Loan Agreement to IDR66,560 million (equivalent to approximately HK\$58.1 million). The shareholders' loans were then capitalised by the issue of new shares in Dickinson directly to Mr. Judianto and the Investors in proportion to their then shareholdings in Dickinson. As a result, the issued share capital of Dickinson increased from US\$1,000 to US\$10,781,000.
  2. The Group commenced sales to Westermann to further diversify its customer base.
  3. The Group entered into the Sales Agreements with each of Unicom, ICBT and Westermann whereby these customers agreed to purchase from the Group an annual minimum amount of cocoa beans for an initial term of three years.
  4. The Group established an investor relations office at the central business district in Jakarta, Indonesia.
  5. The Group sourced cocoa beans directly from over 800 farmers in Sulawesi.

## STATEMENT OF ACTIVE BUSINESS PURSUITS

Number of staff as at 31st December, 2002:

Management	5
Sales and marketing	20
Purchasing	8
Warehouse and quality control	27
Finance and administration	6
	<hr/>
Total number of staff	<u><u>66</u></u>

### From 1st January, 2003 to the Latest Practicable Date

Turnover:	Approximately HK\$352.0 million <i>(for the eight months ended 31st August, 2003)</i>
Volume of cocoa beans traded:	Approximately 24,470 tonnes <i>(for the eight months ended 31st August, 2003)</i>
Significant events:	<ol style="list-style-type: none"><li>1. For the eight months ended 31st August, 2003, the Group sourced cocoa beans directly from over 1,100 farmers in Sulawesi.</li><li>2. By the first anniversary of their respective Sales Agreements in October 2003, Unicom, ICBT and Westermann have respectively ordered approximately 16,600 tonnes, 12,700 tonnes and 10,100 tonnes of cocoa beans from the Group, which have exceeded their respective annual commitments under the Sales Agreements by approximately 38.3%, 41.1% and 44.3%.</li><li>3. Mr. Herkiamto tendered his resignation from Davomas in October 2003 in order to avoid potential conflicts of interest when the Group expands into cocoa processing operations in the future.</li><li>4. In October 2003, the Group fully repaid the remaining balance of the IDR-denominated loan advanced to it pursuant to the Loan Agreement.</li><li>5. In October 2003, the Group sold its land located in Serang, Banten and office property located in Sawah Besar to Independent Third Parties.</li></ol>



<b>STATEMENT OF ACTIVE BUSINESS PURSUITS</b>
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Number of staff as at the Latest Practicable Date:

Management	9
Sales and marketing	19
Purchasing	8
Warehouse and quality control	27
Finance and administration	<u>6</u>
Total number of staff	<u><u>69</u></u>

**INTRODUCTION**

Indonesia is currently the third largest producer of cocoa beans in the world. Capitalising on the abundant supply of quality cocoa beans in Indonesia, the Group has established itself as a major exporter of cocoa beans in terms of trading volume in Indonesia. According to INCA, for the year ended 31st December, 2002, the Group was the fourth largest exporter of cocoa beans in Indonesia. For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the volume of cocoa beans exported by the Group amounted to approximately 16,380 tonnes, 23,920 tonnes and 24,470 tonnes, respectively, while the Group's turnover was approximately HK\$145.2 million, HK\$300.9 million and HK\$352.0 million, respectively. The Group's products are one of the major raw materials used for the manufacture of a variety of food products including chocolate, beverages and cakes, and various pharmaceutical and cosmetic products such as soaps and moisturising creams.

Since January 2001, the Group has ceased sales to the domestic market and focused only on the export market. The Group currently sells its products to four established importers in Europe, namely Unicom in the Netherlands, ICBT in the UK, Orebi in France and Westermann in the Netherlands, who resell the products to other cocoa bean trading companies and cocoa processing and/or manufacturing companies in the US. In October 2002, the Group entered into the Sales Agreements with each of Unicom, ICBT and Westermann whereby these customers agreed to purchase an annual minimum of 12,000 tonnes, 9,000 tonnes and 7,000 tonnes of cocoa beans, respectively, from the Group for an initial term of three years. By the first anniversary of their respective Sales Agreements in October 2003, Unicom, ICBT and Westermann have respectively ordered approximately 16,600 tonnes, 12,700 tonnes and 10,100 tonnes of cocoa beans from the Group, which have exceeded their respective annual commitments under the Sales Agreements by approximately 38.3%, 41.1% and 44.3%.

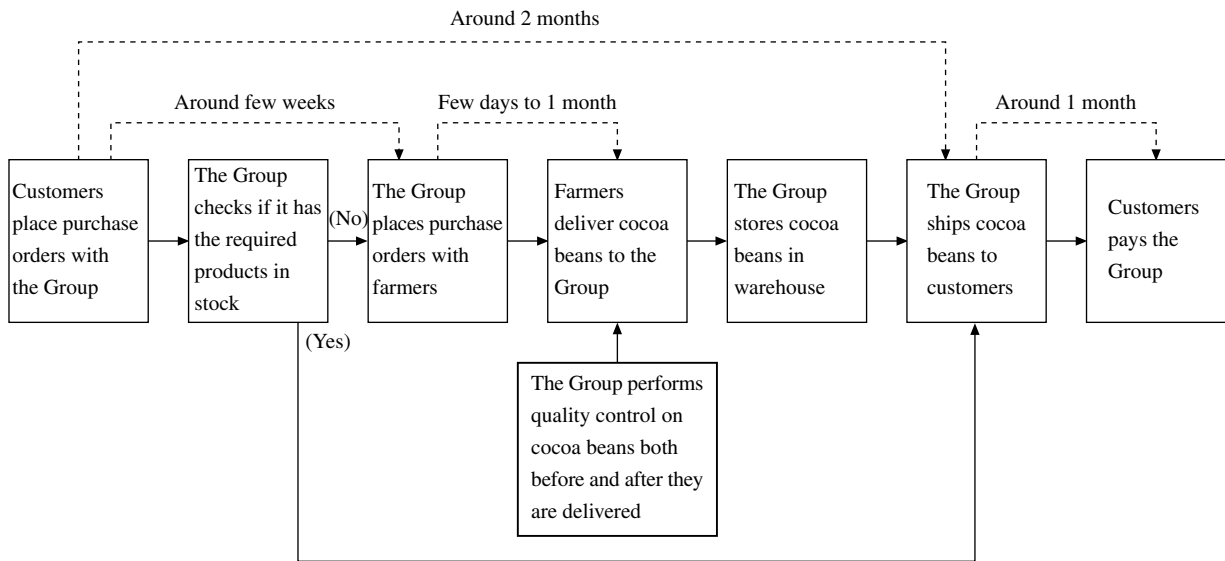
For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the Group sourced all of its cocoa beans directly from over 600, 800 and 1,100 farmers in Sulawesi, respectively. Sourcing from a diversified base of farmers allows the Group to: (i) better control the quality and price of its purchases; (ii) maintain a stable and reliable supply of its products; and (iii) increase its efficiency and cost effectiveness without going through intermediaries. The Directors consider that there are many farmers in Indonesia that can supply cocoa beans to the Group that meet its requirements. The Group has maintained good relationships with farmers and selects its suppliers based mainly on the availability of the cocoa beans that meet the quality and quantity as required by the Group.

The Group is one of the few purchasers in Indonesia which can provide farmers with a 50% advance payment for the purchase of cocoa beans. This is very important in dealing with the farmers since they will sell the better quality cocoa beans from their harvest and at a more competitive price to purchasers which can provide a meaningful advance payment. Given that the Group is one of the major exporters of cocoa beans in Indonesia and that it is able to provide farmers with an advance payment and place large purchase orders, the Group is able to source cocoa beans from farmers at more competitive prices.

# BUSINESS

The Group distinguishes itself from other cocoa bean traders in Indonesia by maintaining good relationships with 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 also assists farmers on an informal basis in improving the yield and quality of their cocoa bean harvests by arranging education and training sessions for the farmers on topics such as improved farming, harvesting and after-harvesting work methods including fermentation and drying techniques.

The following diagram summarises the Group's operations, further details of which are set out under the paragraphs headed "Sales and marketing", "Sourcing", "Inventory" and "Quality control" below:



## PRINCIPAL STRENGTHS

### Major player in the cocoa bean trading industry in Indonesia

The Group has established itself as a major exporter of cocoa beans in terms of trading volume in Indonesia. According to INCA, for the year ended 31st December, 2002, Nataki was the fourth largest exporter of cocoa beans in Indonesia, accounting for approximately 6.1% of the country's total export volume of cocoa beans for that year. On the basis that the Group's sales continue to increase and the Group has entered into the Sales Agreements in October 2002, the Directors believe that the Group will continue to be one of the largest exporters of cocoa beans in Indonesia in the foreseeable future. As the Group is one of the major exporters of cocoa beans in Indonesia and it is able to provide farmers with an advance payment, the Group is able to source cocoa beans from farmers at competitive prices.

**Ability to source and sell cocoa beans at competitive prices**

The Group is one of the few purchasers in Indonesia which provides farmers with a 50% advance payment for the purchase of cocoa beans. This is very important in dealing with the farmers since they will sell the better quality cocoa beans from their harvest and at a more competitive price to purchasers which can provide a meaningful advance payment. In addition, the Directors believe that the Group's ability to place large orders with farmers also enables the Group 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 very important to overseas customers as they source cocoa beans all over the world.

**Good and stable relationships with a diversified base of farmers**

The Group has been sourcing cocoa beans directly from farmers in Sulawesi, Indonesia, since the beginning of 2001. For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the Group sourced from over 600, 800 and 1,100 farmers, respectively. The Directors consider that there are many farmers in Indonesia that can supply the cocoa beans to the Group that meet its requirements. 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 of its products; and (iii) to increase its efficiency and cost effectiveness without going through intermediaries. The Group has not experienced any difficulty in sourcing cocoa beans during the Track Record Period and does not expect any such difficulty in the foreseeable future. The Group's ability to make advance payments and place large orders enhances relationships between the Group and the farmers. Furthermore, the Group also maintains 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. Further, the Group assists farmers on an informal basis in improving the yield and quality of their cocoa bean harvests by arranging education and training sessions for the farmers on topics such as improved farming, harvesting and after-harvesting work methods including fermentation and drying techniques. The good and stable relationships with a diversified base of farmers allows the Group to source products with the required quantity and quality that meet customers' requirements.

**Good and stable relationships with customers**

The Group has maintained good and stable relationships with its overseas customers since it commenced business with them. Such good relationships have been evidenced by the Sales Agreements entered into between the Group and three of its customers, whereby these customers have agreed to purchase an aggregate annual minimum amount of 28,000 tonnes of cocoa beans from the Group for an initial term of three years commencing from October 2002. In addition, the Group has not experienced any customers' complaints or returned sales during the Track Record Period. The Directors believe that the Group's ability to provide its customers with export quality cocoa beans at attractive prices and its ability to provide quality, reliable service to these customers are very important since these customers are established cocoa product suppliers in Europe 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 own warehouse and before shipment of products to customers. The Directors believe that the adoption of these stringent quality control procedures ensure that the quality of the cocoa beans sourced from the farmers meets the customers' requirements. During the Track Record Period, the Group did not experience any customers' complaints or returned sales.

### **Strong industry background of the senior management team**

Mr. Judianto, Mr. Herkiamto and Mr. Zulfian have an average of over nine years of experience in the cocoa industry and possess good relationships with both customers and suppliers of cocoa beans. Their relationships and knowledge in the cocoa bean industry has enabled the Group to rapidly increase its sales and profitability. The Directors believe the Group can leverage on the expertise and business relationships of its senior management team to further develop its sales to existing customers and to diversify its customer base in both the overseas and domestic markets.

### **PRICING**

Both the sale and purchase prices of the Group's cocoa beans are determined with reference to, amongst other things: (i) the prevailing US dollar-denominated prices as quoted on the NYCSCE, (ii) the ability to provide farmers with meaningful advance payments; (iii) the climate in Indonesia since this affects the supply and quality of the cocoa crop; and (iv) the size of the purchase. Both the sale and purchase prices are determined at the time when purchases are placed by the Group's customers with the Group, and the Group with the farmers, respectively. Since Indonesia is one of the largest suppliers of cocoa beans in the world and there are abundant supplies of cocoa beans in Indonesia, local purchasers and local sellers must consider the domestic market's supply and demand in addition to NYCSCE's price in setting prices. Accordingly, the price of cocoa beans in Indonesia generally fluctuates in the same direction as the price of cocoa beans quoted on the NYCSCE, but not necessarily to the same extent given the domestic market's supply and demand situation. Given that the Group is one of the major exporters of cocoa beans in Indonesia, generally provides farmers with an advance payment of approximately 50% of the purchase amount and makes large purchases, the Group has been able to source cocoa beans from farmers at competitive prices which are normally at a significant discount to the reference prices as quoted on the NYCSCE.

The Group's customers generally place purchase orders approximately two months before the designated delivery time. Following receipt of the orders from customers, the Group will source from farmers to fulfil customers' requirements if such orders are not covered by the inventory maintained by the Group. Normally, inventory on-hand is insufficient to fulfill all of the customer's purchase order and the Group will source the cocoa beans from the farmers within a few weeks after receiving the customer's purchase order. Because there is a time lag of a few weeks between the time when the customer places the purchase order to the Group and the Group places the purchase orders to the farmers, the Group is subject to risks arising from fluctuations in cocoa bean prices within these few weeks. In addition, since farmers quote prices to the Group with reference to, amongst other things,

the prices quoted on the NYCSCE, and the Group quotes prices to its customers, amongst other things, with reference to the prices quoted on the NYCSCE, the Group effectively earns a margin between the quoted prices, and the absolute amount of the Group's gross profit and hence its profitability will increase as prices of cocoa beans quoted on the NYCSCE increase (and vice-versa), all other factors being equal.

## **PRODUCTS**

The Group sells cocoa beans which have been fermented and dried. Cocoa beans are one of the major raw materials used for the manufacture of a variety of food products including chocolate, beverages and cakes, and various pharmaceutical and cosmetic products such as soaps and moisturising creams. Since early 2001, the Group has only sold to export customers. The export-quality cocoa bean sold by the Group are generally characterised by the larger size, higher level of fat and water content, less insect damage, and better general appearance relative to the cocoa beans which are sold domestically for domestic consumption. Export-quality cocoa beans sold by the Group are homogeneous with cocoa beans sold by other Indonesian suppliers for the export market. The Directors believe that the Group's products have been able to meet the quality requirements of its customers as a result of the stringent quality control procedures applied to the Group's purchases.

## **SALES AND MARKETING**

The Group has established itself as a major exporter of cocoa beans in terms of trading volume in Indonesia. According to INCA, for the year ended 31st December, 2002, Nataki was the fourth largest exporter of cocoa beans in Indonesia, accounting for approximately 6.1% of the country's total export volume of cocoa beans for that year. Given that the Group's sales continue to increase since its establishment in December 1999 and the Group has entered into the Sales Agreements, the Directors believe that the Group will continue to be one of the largest exporters of cocoa beans in Indonesia in the foreseeable future.

As at 31st August, 2003, the Group had a sales and marketing team comprising 19 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 other departments of the Group (further details of which are set out under the paragraph headed "Sourcing" below). The Directors believe this assists the Group in enabling it to source from farmers the products that satisfy customers' requirements.

Since January 2001, the Group has ceased sales to the domestic market and focused only on the export market since overseas customers generally place larger orders. The Group currently sells its products to four established importers based in Europe who resell the products to other cocoa bean

## BUSINESS

trading companies and cocoa processing and/or manufacturing companies in the US. The following table sets out the name, location, and contribution to the Group's turnover by each of these four customers during the Track Record Period:

<b>Name</b>	<b>Location</b>	<b>Contribution to the Group's turnover</b>		
		<b>For the year ended 31st December, 2001</b>	<b>For the year ended 31st December, 2002</b>	<b>For the eight months ended 31st August, 2003</b>
Unicom	The Netherlands	37.1%	37.4%	38.8%
ICBT	UK	31.7%	32.8%	26.9%
Orebi	France	31.2%	21.1%	11.3%
Westermann ( <i>Note</i> )	The Netherlands	<u>—</u>	<u>8.7%</u>	<u>23.0%</u>
		100.0%	100.0%	100.0%

*Note:* The Group commenced sales to Westermann in October 2002.

Unicom, established in 1991 and based in the Netherlands, trades cocoa beans and other cocoa-related products such as cocoa butter and cocoa powder. It is a member of the FCC and CMAA. Unicom sources cocoa beans from Indonesia, Cote d'Ivoire, Ghana, Nigeria, Brazil and Cameroon and sells cocoa-related products to Europe, US, Russia and Estonia. The Group has supplied cocoa beans to Unicom since November 2000 and there have been 12, 18 and 17 transactions with Unicom for each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, respectively. The Group has not made any bad and doubtful debt provisions for sales to Unicom during the Track Record Period.

ICBT, established in 1989 and which has offices in England and Singapore, is a member of the CMAA. ICBT sources cocoa beans from Indonesia, Cote d'Ivoire, Ghana, Nigeria and Cameroon for sale in European countries, US and Russia. The Group has supplied cocoa beans to ICBT since November 2000 and there have been 10, 14 and 14 transactions with ICBT for each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, respectively. The Group has not made any bad and doubtful debt provisions for sales to ICBT during the Track Record Period.

Orebi is an associate company of Orebi & Cie. Orebi & Cie was set up in 1985 with offices in France and Singapore and is a member of the FCC. Mr. S Orebi of Orebi & Cie is the chairman of the FCC's council. Orebi & Cie sources cocoa beans from Indonesia, Ghana, Nigeria, Brazil and the Cote d'Ivoire for sale to customers all over the world, but mainly to the Netherlands, UK and US. The Group has supplied cocoa beans to Orebi since November 2000 and there have been 10, 11 and 8 transactions with Orebi for each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, respectively. The Group has not made any bad and doubtful debts provision for sales to Orebi during the Track Record Period.

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Westermann, a trading company established in 1991 and based in the Netherlands, is a member of the FCC. It sources cocoa beans from Indonesia, Cote d'Ivoire and Ghana for sale to Europe, US and Russia. The Group has supplied cocoa beans to Westermann since October 2002 and there have been 4 and 13 transactions with Westermann for the year ended 31st December, 2002 and the eight months ended 31st August, 2003, respectively. The Group has not made any bad and doubtful debts provision for sales to Westermann during the Track Record Period.

To ensure a continuous flow of business from its customers, in October 2002 the Group entered into the Sales Agreements with each of Unicom, ICBT and Westermann for an initial term of three years. Under these Sales Agreements, each of Unicom, ICBT and Westermann agreed to purchase from the Group a minimum amount of cocoa beans every year. The Sales Agreements were entered into between the Group and the three customers for the purpose of formalising the relationships between them and to ensure a continuous flow of business from the customers. The annual minimum purchase amount was determined based on the projected purchases of each of the three customers for the next three years.

Details of the Sales Agreements are summarised as follows:

<b>Name</b>	<b>Annual minimum amount of cocoa beans to be purchased under the Sales Agreements (tonnes)</b>	<b>Actual amount of cocoa beans purchased in the first year</b>	<b>Initial term</b>	<b>Expiration date of initial term</b>	<b>Renewal</b>
Unicom	12,000	16,560	3 years	October, 2005	Automatic renewal for successive periods of three years unless terminated
ICBT	9,000	12,680	3 years	October, 2005	Automatic renewal for successive periods of three years unless terminated
Westermann	7,000	10,140	3 years	October, 2005	<i>Note</i>

*Note:* Terms for renewal are not specifically provided in the Sales Agreement entered into between the Group and Westermann and will be subject to mutual agreement between the parties.



Pursuant to the Sales Agreements, the price of each purchase shall be fixed by mutual agreement between the Group and the respective customer. Each customer is required to purchase the minimum amount stated in its respective Sales Agreement insofar as the Group can reasonably supply such amount. The Directors do not believe the Group will have any problems sourcing cocoa beans to meet the minimum purchase amount under the Sales Agreement 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. **Although there is no provision providing for any specified remedies in respect of failure to meet the annual minimum purchase requirements by the customers, the Group can take legal action against the customer in accordance with the terms and conditions of the Sales Agreements.** In any event, the Directors believe that these customers will meet the minimum purchase amounts under the Sales Agreements given the increase in tonnes of cocoa beans sold to these customers during the Track Record Period. By the first anniversary of their respective Sales Agreements in October 2003, Unicom, ICBT and Westermann have respectively ordered approximately 16,600 tonnes, 12,700 tonnes and 10,100 tonnes of cocoa beans from the Group, which have exceeded their respective annual commitments under the Sales Agreements by approximately 38.3%, 41.1% and 44.3%. As acknowledged by the Group's customers, sales to each of these customers during the Track Record Period only represented a small portion of their annual purchases during that period and the Directors believe that the Group will be able to increase sales to these customers and achieve a larger share of their purchases in the future given that they are established cocoa suppliers in Europe which source cocoa beans from all over the world.

The Group intends to expand its sales to its existing customers and into the domestic market and diversify its customer base in both overseas and domestic markets. Sales to each of the existing customers only accounted for a small portion of the respective total purchases of cocoa beans of these customers during the Track Record Period since they purchase cocoa beans from a number of major cocoa beans producing countries. 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 bean purchases in the future since not only can it provide its customers with export-quality cocoa beans at attractive prices but also provide quality, reliable service to these customers which are very important since these customers are established cocoa product suppliers in Europe. The Group's ability to sell more cocoa beans to these customers is already evident since the volume of cocoa beans sold to these customers have increased from 16,380 tonnes for the year ended 31st December, 2001 to 23,920 tonnes for the year ended 31st December, 2002 and to 24,470 tonnes for the eight months ended 31st August, 2003. In addition, the Group will increase its sales and marketing activities in order to secure new customers from both domestic and overseas markets.

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors, their respective associates or Shareholders who owned more than 5% of the issued share capital of the Company had any interest in any of the Group's customers during the Track Record Period.

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 minimise 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 order is placed. Customers are normally required to pay the Group within one month following shipment of the goods. For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the average debtors' turnover period of the Group was approximately 24, 34 and 37 days, respectively. There has not been, and the Group has not made any provisions for, any bad and doubtful debts during the Track Record Period. All trade debts from these customers at 31st August, 2003 were fully settled by the end of September 2003. The Group has also not experienced any customers' complaints or returned sales during the Track Record Period.

## **SOURCING**

The Group has been sourcing cocoa beans directly from farmers in Sulawesi, Indonesia, since the beginning of 2001. For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the Group sourced from over 600, 800 and 1,100 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 of its products; and (iii) to increase its efficiency and cost effectiveness without going through intermediaries. The Directors consider that there are many farmers in Indonesia that can supply to the Group the cocoa beans that meet the Group's requirements. As a result, the Group has not experienced any difficulty in sourcing cocoa beans during the Track Record Period. The Group has maintained good relationships with farmers and select its suppliers mainly based on the availability of the cocoa beans that meet the quality as required by the Group.

The Group is one of the few purchasers which can provide farmers with 50% advance payments for its purchases. This is very important in dealing with the farmers since they will sell the better quality cocoa beans from its harvest and at more competitive prices to purchasers which can provide meaningful advance payments. In addition, the Group distinguishes itself from other cocoa bean traders in Indonesia by maintaining good relationships with farmers through the provision of certain value-added services which include:

1. providing 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; and
2. assisting farmers on an informal basis in improving the yield and quality of their cocoa bean harvests by arranging education and training sessions for the farmers on topics such as improved farming, harvesting and after-harvesting work methods including fermentation and drying techniques.

There are generally two harvest periods for cocoa beans produced in Indonesia: (i) March to July; and (ii) September to December. Cocoa beans generally have a maximum storage life of approximately five months under normal conditions and this allows farmers in Sulawesi to maintain stocks of cocoa beans in their warehouses between the two harvest periods.

During the Track Record Period, the Group's five largest suppliers accounted for less than 3% of the Group's total purchases. To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors, their respective associates or Shareholders who owned more than 5% of the issued share capital of the Company had any interest in any of the five largest suppliers of the Group during the Track Record Period.

All of the Group's purchases are denominated in IDR and made on a cash basis. When the Group began sourcing directly from farmers in 2001, the Group generally paid the farmers upon receipt of cocoa beans. In 2002, the Group normally provides farmers with an advance payment of approximately 50% of the purchase amount when the purchase order is made, with the balance settled upon delivery. The Group has not experienced any failure by the farmers to deliver the cocoa beans purchased by the Group following the payment of the 50% advance payment during the Track Record Period. Delivery of the cocoa beans from the farmers usually occurs within approximately a few days to one month following the placement of purchase orders by the Group. In the event that the Group places a purchase order with the farmers for immediate delivery and the farmers have the required cocoa beans readily available, all payments will be due upon delivery of the products and there will be no advance payment required. The Group has not experienced any disputes in relation to payments or delivery with farmers during the Track Record Period.

#### **FLUCTUATIONS OF EXCHANGE RATES**

The Group's sales are denominated in US dollars while its purchases are denominated in IDR. The Group's customers generally place purchase orders in US dollars approximately two months before the designated shipment time. Following receipt of the orders from customers, the Group will source from farmers to fulfil customers' requirements in IDR if such orders are not covered by the inventory maintained by the Group. Normally, inventory on-hand is insufficient to fulfill all of the customer's purchase order and the Group will source the cocoa beans from the farmers within a few weeks after receiving the customer's purchase order. Farmers normally deliver the cocoa beans to the Group within a few days to a month after the Group place the purchase orders with them. Cocoa beans are stored in the Group's warehouse following delivery by the farmers until they are shipped to the customers at the designated shipment time as specified in the customers' purchase orders. The Group then receives payment from the customers approximately one month after the goods are shipped. Because there is a time lag between the time the Group pays for the goods in IDR and the time when the Group receives its US dollar receipts, the Group is subject to risks arising from the fluctuations in the IDR/US dollar exchange rate.

The financial statements of Nataki are prepared in IDR which is also its functional currency. Should the US dollar appreciate or depreciate against the IDR, the Group will realise an exchange gain or exchange loss, respectively. According to the IDR/US dollar exchange rates quoted by Bank Indonesia (Central Bank of Republic of Indonesia), the IDR/US dollar exchange rates fluctuated significantly during the Track Record Period. IDR depreciated against the US dollar from approximately 9,450 to approximately 11,675 during the period from January to April 2001 and rebounded to approximately 8,865 by August 2001. Since then, the depreciation of IDR against US dollar resumed and the IDR/US dollar exchange rate settled at approximately 10,400 at the end of 2001. During the first half of 2002, IDR appreciated against the US dollar from approximately 10,400

to approximately 8,730. Thereafter, no significant fluctuation occurred during the second half of 2002. During the eight months ended 31st August, 2003 and the IDR/US dollar exchange rate ranged between approximately 9,200 and 8,200, and settled at approximately 8,535 as at 31st August, 2003.

For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the Group's exchange loss from trading operations was approximately HK\$1.2 million, HK\$3.5 million and HK\$3.1 million, respectively, representing approximately 0.8%, 1.2% and 0.9% of the Group's turnover, and approximately 1.0%, 1.5% and 1.1% of the Group's cost of sales, respectively. During the Track Record Period, the Group has not entered into any agreement or purchased any instrument to hedge against fluctuations of foreign exchange rates because the cost of the hedging contract is very significant and requires the Group to place a 100% deposit or cash collateral with the bank which the Directors believe is costly and uneconomical to the Group. According to INCA, it is uneconomical and impractical, and thus not common for cocoa bean traders in Indonesia to enter into foreign exchange contracts because banks in Indonesia charge a very high premium and require a large deposit to cover the foreign exchange contract. However, the Group may decide to do so in the future from time to time when the cost of the hedging contract will be less than the potential foreign exchange loss and when the deposit required by the bank is at a level acceptable by the Group.

The Group also had an exchange loss of approximately HK\$10.2 million for the year ended 31st December, 2001 as a result of the conversion of the outstanding amount of the US dollar-denominated unsecured loan, in the amount of US\$16 million, to IDR in December 2001, and an exchange gain of approximately HK\$1.5 million for the year ended 31st December, 2002, as a result of the settlement in September 2002 of the US dollar-interest accrued for the period before the unsecured loan was converted to IDR, details of which are set out in the paragraph headed "Financial resources and working capital" of this prospectus. Since 2003, there has not been and will not be any exchange gain or loss attributable to the loan since the loan has been converted from US dollar to IDR.

## **INVENTORY**

Cocoa beans are perishable goods with a maximum storage life of approximately five months under normal storage conditions. Accordingly, the Group adopts the FIFO method of physical stock control to reduce the risk of perished stock. Under the FIFO method, goods first stored into the warehouse will be the first to be delivered to customers.

The Group's customers generally place purchase orders approximately two months before the designated delivery time. Following receipt of the orders from customers, the Group will source from farmers to fulfil customers' requirements if such orders are not covered by the inventory maintained by the Group. Normally, inventory on-hand is insufficient to fulfill all of the customer's purchase order and the Group will source the cocoa beans from the farmers within a few weeks after receiving the customers' purchase orders. Cocoa beans are stored in the Group's warehouse following delivery by the farmers until they are shipped to the customers. Under this trading pattern, the Group does not normally hold inventory in anticipation of the customers' orders and the inventory holding period represents the time between the delivery of cocoa beans by the farmers to the Group and the shipment by the Group to the customers. The Directors expect that the Group will follow the same trading pattern and inventory policy in the future. During the Track Record Period, the Group's average

inventory turnover periods were approximately 19, 26 and 20 days respectively, which are less than the maximum storage period of cocoa beans under normal storage conditions. There has not been, and the Group has not made, any provisions for any obsolete inventory during the Track Record Period.

However, since the Group does not normally hedge against fluctuations of foreign exchange rates during the stock holding period, its gross profit margin will be affected if IDR fluctuates against the US dollar during the stock holding period. For further details of the risks arising from the fluctuations of foreign exchange rates, please refer to the paragraphs headed “Fluctuations of exchange rates” under the section headed “Business” and “Exposure to fluctuations of foreign exchange rates and currency conversion risks” under the section headed “Risk Factors” of this prospectus.

## **QUALITY CONTROL**

The Group has adopted stringent quality control procedures to ensure that the quality of the cocoa beans sourced from the farmers meet the customers’ requirements. 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 own warehouse and before shipment of products to customers. In particular, the Group’s quality control procedures comprise the following three stages:

### **Stage 1: Incoming inspection**

The cocoa beans are inspected before they are accepted from the farmers. First, the Group’s quality control staff will visit the farmers’ warehouses to inspect the cocoa beans before they are delivered to the Group’s own warehouse. When the cocoa beans arrive at the Group’s warehouse, they will be inspected once again. In the event that the cocoa beans do not pass inspection at the Group’s warehouse, the Group will reject the order and ask the farmer to replace the order. However, the Directors confirm that the Group has never had a problem with the cocoa beans when they arrive at the warehouse for the second inspection. This dual inspection procedure ensures that all cocoa beans purchased by the Group will meet the customers’ requirements.

### **Stage 2: Storage**

Normally, cocoa beans must be stored under specific conditions in terms of ventilation, room temperature, humidity, exposure to sunlight and certain other room conditions. The Group’s quality control staff regularly checks the warehouse conditions in order to maintain the warehouse under the specific conditions suitable for the storage of cocoa beans. In addition, the Group also performs regular fumigation at the warehouse to protect the cocoa beans from damage caused by insects.

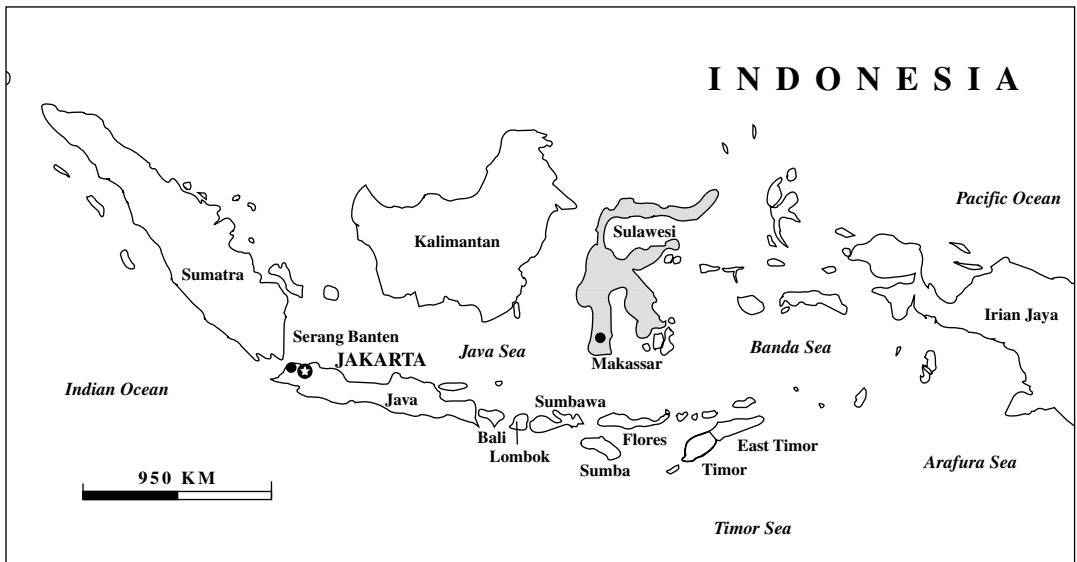
In order to facilitate the shipment of its products directly from Sulawesi to overseas customers, the Group stores its inventory in a warehouse in Makassar, Sulawesi rented from an Independent Third Party. The warehouse has a floor area of approximately 4,608 sq.m. and a maximum storage capacity of approximately 5,000 tonnes of cocoa beans. Further details of the warehouse are set out in the paragraph headed “Property Interests” and the section headed “Property Valuation” in Appendix III to this prospectus. In order to enhance the storage

conditions of the Group’s cocoa beans, the Group plans to acquire or build its own warehouse in Sulawesi. The Directors regard the cocoa trading business as a long term business, therefore it is more appropriate for the Group to own its own warehouse where it can ensure the quality of the warehouse provides proper hygienic and ventilation conditions for the cocoa beans. The planned purchase or construction of a warehouse in Sulawesi is to cater to the overseas customers since the cocoa beans can be transported more efficiently from the farmers to this warehouse in preparation for shipping at the shipping port in Sulawesi. This warehouse will also cater to the future cocoa processing business of the Group.

To cater to the domestic business, the Group plans to purchase or construct a warehouse in Serang, Banten to supply cocoa beans to domestic cocoa trading companies and processing companies which are concentrated around Java. As such, having a warehouse in Serang, Banten will facilitate transportation of cocoa beans to the domestic customers and save transportation costs.

It is expected that the area of each of the two new warehouses in Sulawesi and Serang will be at least equal to or larger than the area of the Group’s existing warehouse. The Directors foresee that the Group will maintain its current inventory policy following the acquisition or construction of the new warehouse. However, as the trading volume of cocoa beans increases and the cocoa processing business begins, inventory will increase accordingly and hence require additional storage space.

The following diagram shows the locations of Makassar, Sulawesi and Serang, Java:



**Stage 3: Outgoing inspection**

The Group’s quality control staff inspect the packaging conditions of cocoa beans in accordance with the customers’ requirements before deliveries are made to customers.

The Directors believe that the Group's quality control procedures have been effective given that it has not experienced any customers' complaints or returned sales during the Track Record Period.

## **INSURANCE**

The Group currently maintains insurance coverage for its inventory stored at the warehouse. The insurance policy for the Group's inventory covers loss arising from natural disasters and accidents. The total coverage is approximately US\$1.5 million. The Directors confirm that, as at the Latest Practicable Date, the Group has not made any insurance claims.

## **COMPETITION**

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

- the Group has entered into the Sales Agreements with three of its customers to ensure the continuous flow of business from these customers;
- the Group is one of the few purchasers in Indonesia which provide farmers with a 50% advance payment for the purchase. This is very important in dealing with the farmers since they will sell the better quality cocoa beans from its harvest and at a more competitive price to purchasers which can provide a meaningful advance down payment. In addition, the Directors believe that the Group's ability to place large orders with farmers also enables the Group 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 very important to overseas customers as they source cocoa beans from all over the world;
- the Group's senior management team has extensive 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 the customers' requirements;
- the Group is a major exporter of cocoa beans in Indonesia. According to INCA, for the year ended 31st December, 2002, Nataki was the fourth largest exporter of cocoa beans in Indonesia, accounting for approximately 6.1% of the country's total export volume of cocoa beans for that period;

- the Group maintains close relationships with the farmers by providing value-added services such as providing latest market information on the cocoa industry and providing informal training on farming and harvesting methods;
- Indonesia is currently the third largest producer of cocoa beans in the world and according to INCA, aims to be the largest producer by 2010.

### **INFORMATION ON DAVOMAS**

Davomas, an Indonesian company whose shares are listed on the Jakarta Stock Exchange, is principally engaged in the cocoa processing business in Indonesia and is not engaged in any cocoa bean trading operations. Davomas sources cocoa beans from local cocoa bean trading companies and farmers for processing, and sells semi-processed cocoa products to overseas customers. The Group's customers, namely Unicom, ICBT, Orebi and Westermann (who are large importers of both cocoa beans and cocoa products), are also Davomas' customers. However, the Group sells cocoa beans to these customers while Davomas sells semi-processed cocoa products to these customers. During the Track Record Period, the Group has not made any sales to, or any purchases from, Davomas. None of the Directors, the Investors, Mr. Mulya or any of their respective associates had any interest in Davomas during the Track Record Period. Given that the Group and Davomas are engaged in different businesses, sell different products and have different suppliers, the Directors consider that there exists no direct competition between the Group and Davomas.

As set out under the section headed "Business objectives and implementation plans" below, the Group intends to expand into other cocoa-related business such as cocoa processing operations as part of its strategy to become a leading player in the Indonesian cocoa industry. Mr. Herkiamto, an executive Director, previously also served as the president director of Davomas. In order to avoid potential conflicts of interest, Mr. Herkiamto tendered his resignation from Davomas in October 2003. Mr. Herkiamto's resignation will become official and effective upon expiration of the 90-day notification period required under the constitutional documents of Davomas. Mr. Herkiamto and his associates have no shareholding interests in either Davomas or the Group (except for the options granted to him under the Pre-IPO Share Option Scheme, details of which are set out under the paragraph headed "A summary of the principal terms of the Pre-IPO Share Option Scheme" in Appendix V to this prospectus).

Other than as set out above, none of the Initial Management Shareholder and the Directors have any interest in a business other than the Group's business which competes with or is likely to compete with the Group or which would require disclosure under Rule 11.04 of the GEM Listing Rules.

The executive Directors have undertaken and confirmed that the Group currently has no intention to acquire any interest in Davomas and that the business operations of the Group and of Davomas shall remain separate.



## BUSINESS OBJECTIVES

It is the Group's objective to become a leading player in the Indonesian cocoa industry. According to INCA, for the year ended 31st December, 2002, Nataki was the fourth largest exporter of cocoa beans in Indonesia, accounting for approximately 6.1% of the country's total export volume of cocoa beans for that year. Given that the Group's sales have continued to increase since its establishment in December 1999 and the Group entered into the Sales Agreements in October 2002, the Directors believe that the Group will continue to be one of the largest exporters of cocoa beans in Indonesia in the foreseeable future. To achieve the goal of becoming a leading player in both the export and domestic markets in the Indonesian cocoa industry, the Group intends to expand its sales to existing customers and into the domestic market and also solicit new customers, in both the overseas and domestic markets. Building on its experience in the cocoa bean trading business, the Group intends to diversify into other cocoa-related business, such as cocoa processing operations.

## STRATEGIES

### Expansion of trading volume

#### *Achieving a larger share of the existing customers' business*

The Group's sales to each of its existing customers only accounted for a small portion of the respective total purchases of cocoa beans of these customers during the Track Record Period. Each of these customers purchases cocoa beans from a number of other major cocoa bean producing countries. Given that: (i) the Group has been able to meet these customers' requirements and has not experienced any customers' complaints or returned sales during the Track Record Period; and (ii) three of its customers have committed to purchase an aggregate annual minimum amount of 28,000 tonnes of cocoa beans from the Group under the Sales Agreements, the Directors consider that the Group is well-positioned to strengthen its relationships with these customers and to achieve a larger share of their business.

The Group's sales and marketing department has in the past taken a passive approach by waiting for overseas customers to place orders with the Group. When the overseas customers place orders with the Group, the Group and the customer will then agree on the selling price for that order. However, in order to achieve a larger share of the existing customers' business, the Group intends to: (i) regularly keep the customers abreast of the latest market developments in the Indonesian cocoa industry such as cocoa harvest and pricing information; (ii) adopt a more proactive approach by regularly calling its customers in relation to their purchase requirements; (iii) offer its customers more flexible credit terms; and (iv) consider offering its customers more competitive prices. In addition, the Group will also continue its stringent quality control and delivery systems in order to ensure that the Group can supply its customers with cocoa beans of the required quality and quantity.

### *Diversifying customer base in both overseas and domestic markets*

In the past, the Group has not attended trade shows, exhibitions or conferences relating to the cocoa industry. The Group intends to procure more overseas customers by expanding its sales and marketing team to 25 staff and by attending trade shows, exhibitions and conferences relating to the cocoa industry, especially in the US, which is currently the largest importing region of Indonesian cocoa beans in the world, and in Indonesia. In addition, it will also develop sales in the domestic market by establishing relationships with the other cocoa bean traders and cocoa processing companies in Indonesia through its local sales and marketing team and the contacts and relationships of the senior management and executive Directors. Potential customers in the domestic market to be targeted include other cocoa bean traders and cocoa processing companies.

The development of sales to buyers in the domestic market will allow the Group to earn additional revenue and gain new market share. As the Group has secured a diverse and reliable source of cocoa bean supplies and is now sourcing cocoa beans directly from farmers, rather than through local traders as previously done when it last traded in the domestic market in 2000, the Directors believe that the future profits from domestic trading will be higher than in 2000. In addition, domestic buyers generally buy in smaller quantities than overseas buyers, and are easier to establish relationships with due to their proximity in terms of geographic location.

### **Expansion into other cocoa-related business**

Capitalising on the Group's experience and business relationships in the cocoa industry, the Directors consider that diversifying into other cocoa-related business such as cocoa processing operations would be a natural extension of its existing operations. The Directors consider that the vertical integration of cocoa bean trading and other cocoa-related business such as cocoa processing operations will allow the Group to further establish itself as one of the leading players in the Indonesian cocoa industry. The Group intends to expand into other cocoa-related business through organic growth or, should the appropriate opportunity arise, through strategic merger or acquisition, alliance or other form of cooperation with partners whose strategy is complimentary to the Group's expansion strategy. Although it is the current intention of the Directors that the Group will establish the cocoa processing operations by setting up its own cocoa processing facilities through acquiring the necessary equipment, the Directors do not rule out the possibility of diversifying into cocoa processing operations by way of strategic merger or acquisition, alliance or other form of cooperation with partners whose strategy is complimentary to the Group's expansion strategy should the appropriate opportunity arise. However, no such partner has yet been identified and the Group has not entered into any negotiations in this respect.

The Directors currently intend to set up the cocoa processing operations in Sulawesi to be near the source of cocoa beans and also the new warehouse to be purchased or constructed there (see paragraph headed "Expansion of Warehouse Capacity" below). By (i) leveraging on the Group's position as one of the major exporters of cocoa beans in Indonesia and the strong industry experience and business relationships of Mr. Judianto, Mr. Herkiamto and Mr. Zulfian; and (ii) recruiting a team of staff with the necessary experience in cocoa processing operations, the Directors believe that the Group is well-positioned to expand into cocoa processing operations by either setting up its own

operations, or setting up joint ventures, business co-operation or subcontracting arrangements with, or acquiring interests in, domestic or overseas cocoa processing companies. When the Group expands into cocoa processing operations the Directors intend to employ staff with the necessary experience in cocoa processing.

As part of the implementation plan for expansion into cocoa processing operations, the Group will conduct market research and feasibility studies, including research and studies on the equipment required, suppliers of the required equipment and the markets for cocoa butter and cocoa powder. Acquisition of the equipment and assembling of the cocoa processing operations are expected to commence during the six months ended 30th June, 2004 and complete by 31st December, 2004. The Group intends to set up one production line with an expected processing capacity of an aggregate of approximately 10,000 tonnes of cocoa butter and cocoa powder per year. The necessary equipment includes, amongst other things, a cleaning plant, a winnower, an alkalizing system, a roasting machine, grinders, and a cocoa butter press. Such cocoa processing machinery will require approximately 15,000 to 20,000 sq.m. of factory area.

As part of the market research to be conducted, well-established buyers of semi-processed cocoa products such as cocoa butter and cocoa powder products in Europe and US will be identified and contacted and their requirements as to the potential quantity and quality of the products required will be obtained. Furthermore, additional staff with the relevant experience for establishing and operating the cocoa processing facilities and for the sales and marketing of cocoa butter and cocoa powder will also be recruited. In relation to sales and marketing, the Group intends to: (i) approach its existing customers, namely Unicom, ICBT, Orebi and Westermann to market its semi-processed cocoa products; and (ii) approach the independent organizations such as INCA, FCC and ICCO to obtain information relating to the buyers of such products including their buying patterns and requirements. Based on this information, the Group will identify additional suitable potential customers for its semi-processed cocoa products.

### **Expansion of warehouse capacity**

In order to cope with the anticipated increase in the volume of its trading business, and the demand of cocoa beans from the new cocoa processing operations as set out above and to ensure that its cocoa beans are stored in a warehouse with proper hygienic and ventilation conditions, the Group will require additional and more advanced warehouse facilities for the storage of cocoa beans. The Group intends to increase its warehouse capacity by: (i) purchasing or constructing a warehouse in Sulawesi to replace its existing rented warehouse to cater for the export market and cocoa processing operations, depending on the availability of a suitable warehouse and the cost of purchasing as compared to the cost of constructing a warehouse; and (ii) purchasing or constructing a warehouse in Serang, Banten to cater for the domestic trading business, depending on the availability of a suitable warehouse and the cost of purchasing as compared to the cost of constructing a warehouse.

## BUSINESS OBJECTIVES AND IMPLEMENTATION PLANS

The warehouse planned to be purchased or constructed in Sulawesi is to cater to overseas customers since the cocoa beans can be transported more efficiently from the farmers to this warehouse in preparation for shipping at the port in Sulawesi. The warehouse will also supply cocoa beans required for the cocoa processing operations. The Directors envisage this warehouse will be equipped with better facilities than the existing warehouse leased by the Group, including a furnished office, a laboratory, a weight scale for trucks, better lighting, better ventilation, better hygienic conditions and prevention against flooding. The Directors regard cocoa trading and processing as a long-term business, therefore it is more appropriate for the Group to own its own warehouse which provides proper storage conditions for its cocoa beans.

The warehouse planned to be purchased or constructed in Serang, Banten is to cater to domestic cocoa trading companies and processing companies, which are concentrated in Java, and will assist the Group to developing sales in the domestic market. Having a warehouse in Serang, Banten will facilitate transportation of cocoa beans to these domestic customers and save transportation costs.

It is expected that the area of each of the two new warehouses in Sulawesi and Serang will be at least equal to or larger than the area of the Group's existing warehouse (which has a floor area of approximately 4,608 sq.m.). The warehouse in Sulawesi and in Serang, Banten are expected to be completed by the end of 2004 and 2005, respectively. The expected completion time of the warehouse in Sulawesi is intended to match with that of the Group's expansion into cocoa processing operations, which are also expected to be completed by the end of 2004. Before the warehouse in Serang, Banten is completed, the Group will temporarily use the warehouse in Sulawesi to cater to domestic trading of cocoa beans.

# BUSINESS OBJECTIVES AND IMPLEMENTATION PLANS

## IMPLEMENTATION PLANS

In light of the Group's business strategies as stated above, the Group has formulated the following business plan to implement the strategies in the time periods as set out below. Given that the Group operates in a dynamic market subject to rapid change in the global environment and in particular changes in cocoa prices, which are difficult to predict and which are beyond the Group's control, the plan being set out only reflects the present intentions of the Group and may be adjusted in the future to meet changes in market conditions.

	Period I Latest Practicable Date to 31st December, 2003 (HK\$'000)	Period II Six months ended 30th June, 2004 (HK\$'000)	Period III Six months ended 31st December, 2004 (HK\$'000)	Period IV Six months ended 30th June, 2005 (HK\$'000)	Period V Six months ended 31st December, 2005 (HK\$'000)	Total (HK\$'000)
<b>Expansion of trading volume</b>						
Marketing and promotional activities		- expand sales and marketing team from 19 to 22 staff	- expand sales and marketing team from 22 to 25 staff		- attend trade shows, exhibitions and conferences relating to the cocoa industry, especially in the US	- attend trade shows, exhibitions and conferences relating to the cocoa industry, especially in the US
		- direct marketing to both overseas and domestic cocoa trading companies	- direct marketing to both overseas and domestic cocoa trading companies	- direct marketing to both overseas and domestic cocoa trading companies	- direct marketing to both overseas and domestic cocoa trading companies	
		150	150	150	150	600

# BUSINESS OBJECTIVES AND IMPLEMENTATION PLANS

Period I Latest Practicable Date to 31st December, 2003 (HK\$'000)	Period II Six months ended 30th June, 2004 (HK\$'000)	Period III Six months ended 31st December, 2004 (HK\$'000)	Period IV Six months ended 30th June, 2005 (HK\$'000)	Period V Six months ended 31st December, 2005 (HK\$'000)	Total (HK\$'000)
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## Expansion into other cocoa-related business

1. Conduct market research and feasibility studies	- conduct research and studies on the equipment required, suppliers of the equipment and the markets for cocoa butter and cocoa powder				100
2. Construct factory and establish operations	- commence construction of cocoa processing factory	- complete construction of cocoa processing factory			
	8,700	4,400			
	- acquire equipment	- complete assembling of the cocoa processing operation			
	- commence assembling the cocoa processing operation	- commence production			
	19,600	29,400			62,100
3. Marketing and promotional activities	- direct marketing to cocoa products manufacturing companies	- direct marketing to cocoa products manufacturing companies	- direct marketing to cocoa products manufacturing companies	- direct marketing to cocoa products manufacturing companies	500
	125	125	125	125	

# BUSINESS OBJECTIVES AND IMPLEMENTATION PLANS

Period I Latest Practicable Date to 31st December, 2003 (HK\$'000)	Period II Six months ended 30th June, 2004 (HK\$'000)	Period III Six months ended 31st December, 2004 (HK\$'000)	Period IV Six months ended 30th June, 2005 (HK\$'000)	Period V Six months ended 31st December, 2005 (HK\$'000)	Total (HK\$'000)
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## Expansion of warehouse capacity

1. Purchase or construct warehouse in Sulawesi	- search for a suitable warehouse or location for constructing a warehouse	- complete the purchase or construction of the warehouse 5,900			
	- commence the purchase or construction of the warehouse				11,800
	11,800				17,700
2. Purchase or construct warehouse in Serang in Banten			- search for a suitable warehouse or location for constructing a warehouse	- complete the purchase or construction of the warehouse	
			- commence the purchase or construction of the warehouse		
			6,600	3,300	9,900
<b>Total</b>	<u>—</u>	<u>40,475</u>	<u>39,975</u>	<u>6,875</u>	<u>3,575</u>
					<u>90,900</u>

## BASES AND ASSUMPTIONS

The Group operates in a rapidly changing industry. There can be no assurance that any of the Directors' view of the market potential of its business and various products will remain unchanged or be realised. Furthermore, there can be no assurance that any general or specific business objectives set out in this section will be attained, realised or remain unchanged over the periods referred to.

The Directors have assessed the potential of the market as identified in the Group's statement of active business pursuits and formulated strategies to achieve the Group's business objectives on the basis of past industry trend, as well as anticipated future growth and expected demand based on the Directors' past experience. The Directors have made the following principal assumptions in making such assessment and formulation:

1. The Group is not materially adversely affected by any of the risk factors set out under the section headed "Risk factors" in this prospectus.
2. The business objectives for each of the specified periods have been stated on the basis that they may have to be revised or adjusted from time to time in light of factors such as changes in market conditions and whether the Group has successfully achieved its stated business objectives in the preceding period or periods. It has also been assumed that the Group does not experience any significant delay in achieving the stated business objectives in any of the specified periods.
3. The Group is not materially and adversely affected by any change in political, legal, fiscal or economic conditions in Indonesia.
4. The demand for the Group's products will be as anticipated by the Directors.
5. Suitable supply of cocoa beans will be available to the Group on terms acceptable to the Group.

## REASONS FOR THE PLACING AND THE USE OF PROCEEDS

The Directors believe that the listing of the Shares on GEM will enhance the Group's profile and the proceeds from the Placing will expand its capital base for the Group's future growth and development. The net proceeds from the Placing (assuming that the Over-allotment Option is not exercised) after deduction of the related expenses are estimated to be approximately HK\$94.4 million. The Directors currently intend to use such net proceeds as follows:

- approximately HK\$62.7 million for expanding into other cocoa-related business;
- approximately HK\$27.6 million for increasing the Group's warehouse capacity, of which approximately HK\$17.7 and HK\$9.9 million will be used for acquiring or constructing a warehouse in Sulawesi and at Serang, Banten, respectively;



## BUSINESS OBJECTIVES AND IMPLEMENTATION PLANS

- approximately HK\$0.6 million for marketing activities aimed at expanding the Group's trading business; and
- the balance of approximately HK\$3.5 million for additional working capital required for the anticipated increase in business volume of the Group.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds in the amount of approximately HK\$15.6 million. The Directors intend to allocate the additional net proceeds raised from the exercise of the Over-allotment Option in full to the different uses mentioned above on a pro-rata basis.

To the extent that the net proceeds of the Placing are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed on short term deposits with financial institutions.

The Directors believe that the net proceeds from the Placing together with the Group's internally generated cash flow will be sufficient to finance the Group's business plans up to 31st December, 2005 as described in this section. In the event that any part of the business objectives and future plans of the Group does not materialise or proceed as planned, the Directors will evaluate carefully the situation and may reallocate the intended funding to other business plans and/or to new projects and/or to hold the funds as short term deposits so long as the Directors consider such action to be in the best interests of the Group. Should there be any material modification to the use of proceeds as set out above, the Company will make an announcement to such effect.

## **EXECUTIVE DIRECTORS**

**Mr. Harmiono Judianto** (*Chairman*), aged 36, joined the Group in December 1999. He had worked as a marketing manager since 1992 in two cocoa bean trading companies, namely P.T. Anditana Mandiri and later in P.T. Gading Trading Ltd, prior to acquiring the controlling interest in Nataki. Both of these cocoa bean trading companies sold cocoa beans to export customers, and as a result, Mr. Judianto built up contacts with overseas customers. Mr. Judianto controls all key aspects of the Group's operations and is responsible for the overall strategic planning and business development of the Group. He holds a Bachelor degree in Accounting from Wijaya Kusuma University, Indonesia.

**Mr. Johanas Herkiamto** (*Vice-chairman*), aged 30, joined the Group as president director of Nataki in December 1999 and is responsible for corporate policy formulation, business strategic planning, finance, investors relation, business development and daily management of the Group. Mr. Herkiamto holds a Bachelor degree in Business Administration from Texas A&M University in the US. Mr. Herkiamto has over eight years of experience in the cocoa industry. Mr. Herkiamto worked for Davomas since 1995 where he built up contacts with local cocoa bean trading companies and farmers, and overseas customers of semi-processed cocoa products. In order to avoid potential conflicts of interest, Mr. Herkiamto has recently tendered his resignation as president director of Davomas, further details of which are set out under the paragraph headed "Information on Davomas".

**Mr. Rudi Zulfian**, aged 34, joined the Group as a director of Nataki in December 1999 and is responsible for overseeing the daily operations and finance matters of the Group. Prior to joining the Group, Mr. Zulfian had worked as a finance manager in P.T. Harapan Bersama Trading, a foods trading company which traded cocoa beans, semi-processed cocoa products such as cocoa butter, salt, sugar and coffee beans, since 1995. Mr. Zulfian is a registered accountant and broker dealer in Indonesia. Mr. Zulfian holds a Bachelor degree in Accounting from Andalas University, Indonesia.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Ms. Novayanti**, aged 29, was appointed as an independent non-executive Director in April 2003. She holds a Bachelor degree in management from the Indonesian Christian University in Indonesia. Ms. Novayanti has been working in the manufacturing-related industry since 1997. She worked for P.T. Tata Niaga, a plastic molding company, from 1997 to 1999 as the assistant manager for exports, P.T. Lancar Usaha Maju, a chemicals company, from 1999 to 2001 as the assistant director responsible for exports, and PT Palawitama Bina, a heavy equipment supplier, as a technical adviser advising management on the strategic trading plan and other matters since 2001.

**Mr. Gandhi Prawira**, aged 38, was appointed as an independent non-executive Director in October 2003. He holds a Bachelor degree in Economics (Accounting) from Airlangga University, Indonesia. Mr. Prawira has over 13 years of experience in the finance and accounting field. He worked for P.T. Nidesco Jaya, a cocoa trading company, from 1990 to 1995 as the accounting manager, P.T. Bintang Makmur, a construction company, from 1995 to 2001 as the finance and accounting manager, and P.T. Aneka Bumi Kencana, a management consultant company, as the assistant vice president, finance, since 2001.

**Ms. Wang Poey Foon, Angela**, aged 45, was appointed as an independent non-executive Director in May 2003. Ms. Wang holds an LLB(Hons) degree from the National University of Singapore and a Solicitor in Hong Kong. She is currently a partner of a firm of solicitors in Hong Kong. She is also the independent non-executive director of Vision Century Corporation Limited (stock code: 0535) and the company secretary of e-Kong Limited (stock code: 0524), both being companies listed on the Main Board.

## **SENIOR MANAGEMENT**

**Mr. Elfisno**, aged 40, is the Group's head of accounting responsible for the accounting, finance and administration functions of the Group. He has 17 years' experience in the finance and accounting field. He was employed by Nataki in September 2002. He graduated from Jayabaya University, Indonesia with a Bachelor degree in Accounting in 1984.

**Mr. Tiswan**, aged 42, is the Group's head of internal audit responsible for internal audit function. He was employed by Nataki in September 2002. Prior to joining the Group, Mr. Tiswan worked in various public accounting firms and has over 18 years' experience in accounting and auditing. He obtained a Bachelor degree in Economics (Accounting) from the Indonesian Economic Sciences College Jakarta in Indonesia.

**Mr. Adi Sucipto**, aged 31, is the head of quality control for the Group. He has over eight years' experience working in quality control of foods products. Prior to joining the Group in January 1999, he worked as the assistant to the head of quality control from 1995 in P.T. Rodeco Intana Jaya, a commodity trading company.

**Mr. Junaidi**, aged 31, is the sales Group's head of sales and marketing manager of the Group. He has over eight years' experience in sales and marketing of foods and related products. Prior to joining the Group in January 1999, he worked for P.T. Putra Sinar Mandiri, an agricultural products supplier, from 1995 to 1997 in the marketing department, and P.T. Eka Pancatama Makmur, a cocoa products trading company, from 1997 to 1998 as a marketing associate. He holds a Bachelor degree in Economics (Management) from Merdeka Malang University in Indonesia.

**Mr. Edy Slamet**, aged 34, is the purchasing manager for the Group. He has over 11 years' experience in commodities trading. Prior to joining the Group in January 1999, he worked for P.T. Bumi Antarnusa, a commodity trading company, from 1992 to 1995 in the marketing department, P.T. Graha Artic Sejati, a cocoa trading company from 1996 to 1998. He holds a Bachelor degree in Financial Management from Malangucecwara Malang Economic College in Indonesia.

**Mr. Abidin**, aged 33, is the warehousing manager for the Group. He has over 10 years' experience in logistics and warehousing. Prior to joining the Group in January 1999, he was the logistics supervisor for P.T. Bahana Laguma Sejahtera, a cocoa-related trading company, from 1993 to 1998.

## **COMPANY SECRETARY AND QUALIFIED ACCOUNTANT**

**Casey Mee Huat Lin**, ACCA, aged 48, is the Company Secretary and Qualified Accountant of the Group and is responsible for the overall financial management of the Group. He joined the Group in January 2003 and has more than 15 years' experience in the financial services industry. He holds a bachelor degree in accounting from the National University of Singapore and is a member of the Association of Chartered Certified Accountant of Singapore. Mr. Lin worked as an accounting audit partner in Tan & Associates, an accounting firm in Singapore from August 1981 to May 2000, and as a senior financial advisor in Citi Pacific Group, a financial institution in Singapore from June 2000 to December 2002.

## **COMPLIANCE OFFICER**

**Mr. Herkiamto**

## **AUDIT COMMITTEE**

The Company established an audit committee on 25th June, 2003 with written terms of reference in compliance with Rules 5.23 and 5.25 of the GEM Listing Rules and with Ms. Wang Poey Foon, Angela and Ms. Novayanti as members. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the board of Directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. On 20th November, 2003, Ms. Wang Poey Foon, Angela resigned as a member of the audit committee and Mr. Gandhi Prawira was appointed as a member in place of Ms. Wang Poey Foon, Angela. As at the Latest Practicable Date, the audit committee of the Company has two members comprising two independent non-executive Directors, namely Mr. Gandhi Prawira and Ms. Novayanti. Mr. Gandhi Prawira is the chairman of the audit committee.

## **DIRECTORS' REMUNERATION**

For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the aggregate remuneration paid and benefits in kind granted to the executive Directors were approximately HK\$49,000, HK\$83,000 and HK\$97,000, respectively.

Each of the executive Directors, namely Mr. Judianto, Mr. Herkiamto and Mr. Zulfian, has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and renewable automatically for successive terms of one year each commencing from the day immediately after the expiry of the then current term of the service contract until terminated by not less than three months' notice in writing served by either party on the other. Each of these executive Directors is entitled to the respective basic salary set out below on a 13-month basis (subject to adjustment at the discretion of the Directors). In addition, for each of the completed year of service, the executive Directors are also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all the executive Directors in respect of such year may not exceed 10% of

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

the audited combined or consolidated profit after taxation and minority interests (and after the payment of such bonus) but before extraordinary items of the Group (if any) for the relevant year (the “Profit”) and provided further that the Profit for such year exceeds HK\$10 million. The current basic annual salaries of the executive Directors are as follows:

<b>Name</b>	<b>Approximate Amount</b>
Mr. Judianto	HK\$45,000
Mr. Herkiamto	HK\$57,000
Mr. Zulfian	HK\$46,000

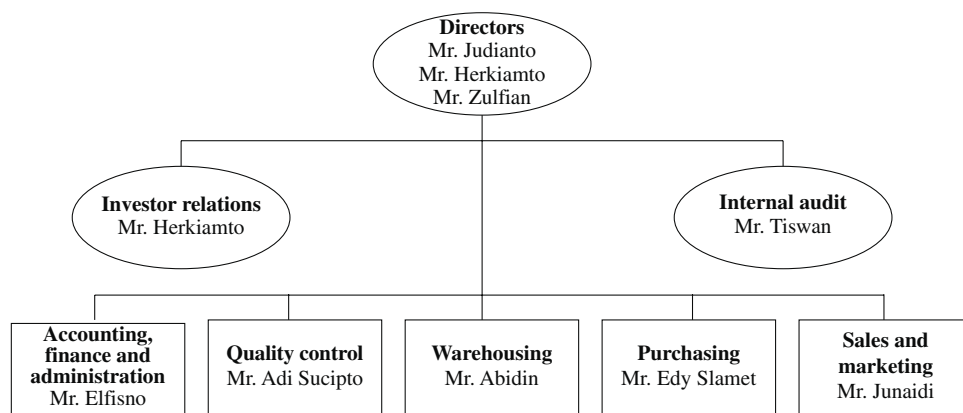
Ms. Novayanti, Ms. Wang Poey Foon Angela and Mr. Gandhi Prawira being the independent non-executive Directors, have not entered into service contracts with the Company and will receive annual remuneration of approximately HK\$46,000, HK\$120,000 and HK\$50,000, respectively.

### STAFF

As at the Latest Practicable Date, the Group had 69 staff, of which 68 were based in Indonesia. A breakdown of the Group’s workforce by activity is as follows:

Management	9
Sales and marketing	19
Purchasing	8
Warehouse and quality control	27
Finance and administration	6
<b>Total number of staff</b>	<b>69</b>

The organisation chart of the Group by functions is as follows:



**BENEFITS**

The Group provides insurance for its employees under the JAMSOSTEK program in Indonesia which is a statutory program providing for mandatory occupational accident, old age and death coverage.

**PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME**

The Company has conditionally adopted the Pre-IPO Share Option Scheme and conditionally granted “Pre-IPO” share options thereunder to subscribe for an aggregate of 56,000,000 Shares to a number of grantees, including full time employees and executive directors of the Group. A summary of the main terms of the Pre-IPO Share Option Scheme and particulars of the options granted are set out in the paragraph headed “A summary of the principal terms of the Pre-IPO Share Option Scheme” in Appendix V to this prospectus. No further options will be granted under the Pre-IPO Share Option Scheme.

These options to subscribe for 56,000,000 Shares in aggregate, representing 7% of the issued share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised) at an exercise price equal to the par value of the Share have been conditionally granted by the Company at a consideration of HK\$1.00 per grant under the Pre-IPO Share Option Scheme.

Particulars of the outstanding options granted are set out below:

Name and address of grantee	Position	Percentage of the options granted over the issued capital of the Company as at the Listing Date assuming the Over-allotment Option is not exercised	Subscription Price per Share (HK\$)	Number of Shares to be issued upon exercise of options
Johanas Herkiamto	Director	2%	0.01	16,000,000
Rudi Zulfian	Director	2%	0.01	16,000,000
Elfisno (Note)	Head of Accounting	1.5%	0.01	12,000,000
Tiswan (Note)	Head of Internal Audit	1.5%	0.01	12,000,000

*Note:* Tiswan and Elfisno have assisted Mr. Judianto in greatly expanding and further developing the business of Nataki into its current position. They have therefore been granted options under the Pre-IPO Share Option Scheme in recognition of their past contribution to the growth of the Group.

Under the terms of the grant of the options under the Pre-IPO Share Option Scheme, such outstanding options may not be exercised within the twelve-month period following the Listing Date. After such time, the outstanding options under the Pre-IPO Share Option Scheme may be exercised in accordance with the rules of the Pre-IPO Share Option Scheme.

The Shares held in the public hands immediately upon listing of the Shares on GEM would represent approximately 43.0% of the issued share capital of the Company. Assuming that all of the outstanding options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interest of the public would be reduced from approximately 43.0% to approximately 40.1% of the issued share capital of the Company, taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or options granted under the Share Option Scheme or any Shares which may be issued by the Company pursuant to the general mandate.

Each of the holders of options granted under the Pre-IPO Share Option Scheme has severally undertaken to the Company, the Sponsor and the Stock Exchange that he/she will not exercise his/her options granted under the Pre-IPO Share Option Scheme if such exercise would result in the percentage of the securities of the Company held in public hands falling below 25%.

Save as disclosed above, no other options have been granted or agreed to be granted under the Pre-IPO Share Option Scheme or by the Company under the Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing, but the provisions of the Pre-IPO Share Option Scheme shall remain in all other respects in full force and effect in respect of any options granted during the life of the Pre-IPO Share Option Scheme which may continue to be exercisable in accordance with their terms of issue.

The Company has also conditionally adopted the Share Option Scheme, a summary of the main terms of which is set out in the paragraph headed “A summary of the principal terms of the Share Option Scheme” in Appendix V to this prospectus. Under the Share Option Scheme, eligible participants may be granted options which entitle them to subscribe for Shares representing up to a maximum of 10% of the issued capital of the Company as at the Listing Date, provided that the limit of the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company (including the Pre-IPO Share Option Scheme) must not exceed 30% of the number of Shares in issue from time to time.

No options have yet been granted under the Share Option Scheme.

# INITIAL MANAGEMENT, SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

## INITIAL MANAGEMENT SHAREHOLDER

So far as the Directors are aware, immediately following completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and before taking into account any Shares to be issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and/or which may be granted under the Share Options Scheme), the following person, is or is deemed by the Stock Exchange to be the Initial Management Shareholder, being: (1) a person (or group of persons who together are) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who is (or are) able, as a practicable matter, to direct or influence the management of the Company; or (2) a director or a member of the senior management of the Company who are shareholders of the Company or a shareholder of the Company and who is represented on the board prior to the date of listing of the Shares on GEM, are regarded as initial management shareholders of the Company under the GEM Listing Rules:

<b>Name</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholdings</b>
Mr. Judianto	456,400,000	57.0%

## SUBSTANTIAL SHAREHOLDER

So far as the Directors are aware, immediately following completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and before taking into account any Shares to be issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and/or which may be granted under the Share Options Scheme), the following person, will be entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company and is therefore regarded as a substantial shareholder of the Company under the GEM Listing Rules:

<b>Name</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholdings</b>
Mr. Judianto	456,400,000	57.0%

## SIGNIFICANT SHAREHOLDER

The Directors are not aware of any person (other than the one named under “Substantial Shareholder” above) who will be a significant shareholder of the Company (as defined in the GEM Listing Rules) immediately following completion of the Placing and the Capitalisation Issue.



# INITIAL MANAGEMENT, SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

## RESTRICTIONS ON DISPOSAL OF SHARES AND INVESTMENT COSTS

The following table sets out the shareholding of the existing Shareholders immediately following completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and the options granted under the Pre-IPO Share Option Scheme or any option which may be granted under the Share Option Scheme have not been exercised), the cost at which they acquired such interests and the restrictions on the disposal of Shares are summarised as follows:

Name of Shareholder	Number of Shares immediately following completion of the Placing and the Capitalisation Issue ( '000)	Approximate percentage of shareholding immediately following completion of the Placing and the Capitalisation Issue	Date of acquisition of interest in Nataki	Approximate total cost of investment (HK\$'000)	Approximate cost of investment per Share (HK\$) (Note 3)	Moratorium period from the Listing Date
<i>Initial Management Shareholder</i>						
Mr. Judianto (Note 1)	456,400	57.05%	December 1999	67,841.42	0.15	12 months
<i>Investors (Note 2)</i>						
Mr. Rori Indra	8,400	1.05%	December 1999	1,248.62	0.15	6 months
Ms. Trianawati	8,400	1.05%	December 1999	1,248.62	0.15	6 months
Mr. Hosea Hadeli	7,840	0.98%	December 1999	1,165.37	0.15	6 months
Ms. Lina Kurniawan	7,840	0.98%	December 1999	1,165.37	0.15	6 months
Ms. Yenni	7,840	0.98%	December 1999	1,165.37	0.15	6 months
Ms. Ahsanil Gusnawati	7,280	0.91%	December 1999	1,082.13	0.15	6 months
Ms. Elvin Tjandra	7,280	0.91%	December 1999	1,082.13	0.15	6 months
Mr. Soleh Mamun	7,280	0.91%	December 1999	1,082.13	0.15	6 months
Mr. Basir B. Nasikun	7,280	0.91%	December 1999	1,082.13	0.15	6 months
Mr. Ari Surya	6,720	0.84%	December 1999	998.89	0.15	6 months
Mr. Nurochim	6,720	0.84%	December 1999	998.89	0.15	6 months
Mr. Syahrul	6,160	0.77%	December 1999	915.65	0.15	6 months
Mr. Ewik Hendri	5,600	0.70%	December 1999	832.41	0.15	6 months
Ms. Shinta Sanjaya Ismael	5,040	0.63%	December 1999	749.17	0.15	6 months
Mr. Hazriyandi	3,920	0.49%	December 1999	582.70	0.15	6 months
	560,000	70.00%		83,241.00		

*Notes:*

1. Mr. Judianto is an executive Director and is regarded as an Initial Management Shareholder.
2. Each of the Investors became interested in the Group when Mr. Judianto required additional funds to acquire a 95% interest in Nataki in 1999. They are each independent of and not connected with each other, any of the Directors, Mr. Mulya or any of their respective associates. They have no management role in the Group and are regarded as members of the public.
3. The approximate cost of investment per Share is derived from the sum of investment cost made by each Shareholder since he or she first acquired an interest and the subsequent investment made by such Shareholders in August 2002, whether directly or indirectly, in a member of the Group.

## **UNDERTAKINGS**

The Initial Management Shareholder has undertaken to the Company, the Sponsor, the Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange that for a period of 12 months from the Listing Date:

- (i) the Initial Management Shareholder places in escrow, with an escrow agent acceptable to the Stock Exchange, all its Relevant Securities (as such term is defined in Rule 13.15(4) of the GEM Listing Rules) (the “Securities”) on terms acceptable to the Stock Exchange;
- (ii) the Initial Management Shareholder shall not, and shall procure that none of his associates, companies controlled by him or his associates or any nominees or trustees holding in trust for him shall, save in circumstances permitted by Rule 13.18 of the GEM Listing Rules or by the Stock Exchange, sell, transfer or otherwise dispose of or create any rights (or enter into any agreement to do any of the foregoing) or permit the registered holder to sell, transfer or dispose of or create any rights (or to enter into any agreement to do any of the foregoing) in respect of any of his interest in the Securities or sell, transfer or otherwise dispose of (or enter into any agreement to do any of the foregoing) any interest in any shares in any company controlled by him which is directly, or through another company indirectly, the beneficial owner of any Securities;
- (iii) in the event that the Initial Management Shareholder pledges or charges any interest in the Securities, he must inform the Company, the Sponsor, the Lead Manager and the Stock Exchange immediately thereafter, disclosing the details required by the GEM Listing Rules; and
- (iv) having pledged or charged any of his interest in the Securities under sub-paragraph (iii) above, the Initial Management Shareholder must inform the Company, the Sponsor, the Lead Manager and the Stock Exchange immediately in the event that he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the securities affected.

## INITIAL MANAGEMENT, SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

Under Rule 17.43 of the GEM Listing Rules, the Company shall publish an announcement on being informed of, or on otherwise becoming aware of, any matter referred to in the undertakings mentioned above concerning the pledging or charging of any interests in the Relevant Securities by the Initial Management Shareholder. In these circumstances, the information to be announced will include the number and class of securities being pledged or charged, the purpose for which the pledge or charge is made, and in the event that the pledgee or chargee has disposed of or intends to dispose of any securities, details of the same, including the number of securities affected or to be affected.

Each of the Investors has voluntarily undertaken to the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) that for a period of 6 months from the Listing Date (unless prior written consent is obtained from the Sponsor and the Lead Manager):

- (i) each of the Investors places in escrow all his/her relevant Securities with an escrow agent acceptable to the Sponsor; and
- (ii) each of the Investors shall not, and shall procure that none of his/her associates, companies controlled by him/her or his/her associates or any nominees or trustees holding in trust for him/her shall, save in circumstances permitted by Rule 13.18 of the GEM Listing Rules, sell, transfer or otherwise dispose of or create any rights (or enter into any agreement to do any of the foregoing) or permit the registered holder to sell, transfer or dispose of (or to enter into any agreement to do any of the foregoing) any of his/her direct or indirect interest in the Securities or sell, transfer or otherwise dispose of (or enter into any agreement to do any of the foregoing) any interest in any shares in any company controlled by him which is directly or through another company indirectly, the beneficial owner of any Securities.

Each of the holders of options granted under the Pre-IPO Share Option Scheme has severally undertaken to the Company, the Sponsor and the Stock Exchange that he will not exercise his options granted under the Pre-IPO Share Option Scheme if such exercise would result in the percentage of the securities of the Company held in public hands falling below 25%.

## SHARE CAPITAL

The authorised and issued share capital of the Company is as follows:

*Authorised share capital:* *HK\$*

1,500,000,000	Shares	15,000,000
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*Issued, to be issued, fully paid or credited as fully paid:*

100,000	Shares in issue as at the date of this prospectus	1,000
559,900,000	Shares to be issued pursuant to the Capitalisation Issue	5,599,000
240,000,000	Shares to be issued under the Placing	2,400,000

*Total:*

800,000,000	Shares	8,000,000
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The minimum level of public float to be maintained by the Company at the time of the listing of the Shares and all times thereafter under Rule 11.23(1) of the GEM Listing Rules is 25% of its share capital in issue from time to time.

*Notes:*

**1. Over-allotment Option**

If the Over-allotment Option is exercised in full, 36,000,000 additional new Shares will be issued resulting in a total issued share capital of 836,000,000 Shares.

**2. Assumptions**

This table assumes that the Placing and the Capitalisation Issue become unconditional.

It takes no account of any Share which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options under the Pre-IPO Share Option Scheme and Share Option Scheme or under the general mandate (see below “General Mandate to issue new Shares”).

**3. Ranking**

The Placing Shares will rank *pari passu* in all respects with all other Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus (other than the Capitalisation Issue).

**4. Share option schemes**

The Company has conditionally adopted the Pre-IPO Share Option Scheme and Share Option Scheme (see “Pre-IPO Share Option Scheme and Share Option Scheme” under section headed “Directors, Senior Management and Staff”). Summaries of its principal terms are set out in the paragraph headed “Share Option Schemes” in Appendix V to this prospectus.

## SHARE CAPITAL

Under the Pre-IPO Share Option Scheme, certain Directors and employees of the Group have conditionally been granted options to subscribe for an aggregate of 56,000,000 Shares representing approximately 7% of the issued share capital of the Company immediately after the Placing and the Capitalisation Issue without taking into account the exercise of the Over-allotment Option.

Under the Share Option Scheme, options to subscribe for Shares may be granted to any full time or part time employee, executive, officer or director (including executive and non-executive) of any members of the Group or any supplier, customer, joint venture partner, professional adviser or consultant who, in the sole opinion of the board of Directors, has made or will make contribution which are or may be beneficial to any members of the Group provided that the maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time.

### 5. General mandate to allot and issue new Shares

A general unconditional mandate has been granted to the Directors to allot, issue and deal with Shares or securities or options convertible into Shares with a total nominal value of not more than the sum of 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue (including any additional Shares which may be issued pursuant to any exercise of the Over-allotment Option).

This mandate is in addition to the power of the Directors to allot, issue or deal with Shares under a rights issue, an issue of Shares upon the exercise of any subscription rights attached to any warrants or convertible securities, on the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or any other option scheme or other similar arrangements, pursuant to any scrip dividend scheme in accordance with the articles of association of the Company or a specific authority granted by the shareholders of the Company in general meeting.

This mandate will expire:

- (i) at the end of the Company's next annual meeting; or
- (ii) at the end of the period within which the Company is required by applicable law or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of shareholders of the Company in general meeting,

whichever is the earliest.

For further details of this general mandate, see the paragraph headed "Written resolutions of all the Shareholders passed on 25th June, 2003 and 20th November, 2003" in Appendix V to this prospectus.

## **INDEBTEDNESS**

The Group did not have any outstanding bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding as at 31st October, 2003.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31st October, 2003.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Net current assets**

As at 31st October, 2003, the Group had net current assets of approximately HK\$117.5 million. Current assets of the Group comprised cash and bank balances of approximately HK\$47.8 million, inventory of approximately HK\$13.6 million, trade debtors of approximately HK\$68.1 million, advances to suppliers of approximately HK\$14.3 million and prepayments and other receivables of approximately HK\$4.0 million. Current liabilities of the Group comprised Indonesian corporate income tax payable of approximately HK\$30.3 million.

### **Financial resources and working capital**

The Group has historically financed its operations with internally generated cash flow and an unsecured loan from Bakerloo, an Independent Third Party.

Pursuant to the Loan Agreement, the Group obtained a US dollar-denominated unsecured loan of US\$30 million from Bakerloo in 1999. Bakerloo has confirmed that it is independent of and not connected with any of the Directors, Mr. Mulya, each of the Investors, the previous shareholders of Nataki, and their respective associates. Bakerloo is engaged in the business of providing debt financing and investing. Regarding the debt financing business, Bakerloo lends to businesses in Indonesia and other Southeast Asian countries. In Indonesia, it has provided financing to 14 companies, and in other parts of Southeast Asia, it has provided financing to 18 companies. The decision to borrow US dollar-denominated unsecured loan was made by the previous owners and management of Nataki before Mr. Judianto and the Investors acquired 95% of the issued share capital of Nataki in December 1999. The Directors believe that the previous owners and management of Nataki decided to obtain financing for Nataki in US dollars instead of IDR because the US dollars interest rate when the loan was granted in 1999 was much lower than the IDR interest rate. The normal interest rate for a US dollar-denominated loan in Indonesia was around 11% per annum in 1999, while that for a IDR-denominated loan was around 21% per annum. The US dollar-denominated unsecured loan matures at the end of 2003. The interest rate of the US dollar-denominated unsecured loan was 3.75% per annum. On 28th December, 2001, the Loan Agreement was amended whereby: (i) the then outstanding amount of US\$16 million of the US dollar-denominated loan was fully converted to an IDR-denominated loan of IDR166,400 million at the rate of US\$1=IDR10,400; and (ii) the interest rate was changed to 6% per annum with effect from 28th December, 2001.

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In August 2002, Mr. Judianto and the Investors advanced in aggregate IDR95 billion (equivalent to approximately HK\$82.9 million) as shareholders' loans to Dickinson in proportion to their then shareholdings in Dickinson. Dickinson then increased its investment in Nataki by applying the proceeds from the shareholders' loans for the subscription of new shares in Nataki, thus increasing the share capital of Nataki from IDR1 billion (equivalent to approximately HK\$0.9 million) to IDR101 billion (equivalent to approximately HK\$88.1 million). Such funds were in turn, used by Nataki to reduce the IDR-denominated loan to IDR66,560 million (equivalent to approximately HK\$58.1 million). The shareholders' loans were then capitalised by the issue of new shares in Dickinson to Mr. Judianto and the Investors in proportion to their then shareholdings in Dickinson. As a result, the issued share capital of Dickinson increased from US\$1,000 to US\$10,781,000.

In October 2003, the IDR-denominated unsecured loan was fully repaid.

The Directors are of the opinion that, taking into account the existing financial resources available to the Group including internally generated cash flows and the estimated net proceeds from the Placing, the Group has sufficient capital to meet its present working capital requirements.

### **Capital commitments**

As at 31st October, 2003, the Group had no material capital commitments.

### **Foreign exchange risk**

Since the Group commenced export sales in 2001, its sales and purchases have been denominated in US dollars and IDR, respectively. For each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003, the exchange loss attributable to the Group's trading operations was approximately HK\$1.2 million, HK\$3.5 million and HK\$3.1 million, respectively. Currently, the Group has not entered into any agreement or purchased any instrument to hedge against fluctuations of foreign exchange rates because the costs of the hedging contract is very significant and requires the Group to place a 100% deposit or cash collateral with the bank which the Directors believe is costly and uneconomical to the Group. However, the Group may decide to do so in the future from time to time when the cost of the hedging contract will be less than the potential foreign exchange loss and when the deposit required by the bank is at a level acceptable by the Group.

The Group had a US dollar-denominated unsecured loan which was converted to IDR in December 2001. During the year ended 31st December, 2001, the Group incurred an exchange loss of approximately HK\$10.2 million as a result of the conversion of the loan into IDR. During the year ended 31st December, 2002, the Group incurred an exchange gain of approximately HK\$1.5 million as a result of the settlement in September 2002 of the outstanding US dollar-interest accrued for the period before the unsecured loan was converted to IDR. Since the US dollar-denominated unsecured loan was converted to an IDR-denominated loan in December 2001 and all outstanding US dollars interest was settled in September 2002, there has not been and will not be any exchange gain or loss associated with the unsecured loan since 2003.

# FINANCIAL INFORMATION

## TRADING RECORD

The following is a summary of the Group's combined audited results for the Track Record Period which has been extracted from the Accountants' Report set out in Appendix I to this prospectus. The combined audited results were prepared on the assumption that the current structure of the Group had been in existence throughout the Track Record Period and in accordance with the basis set out in section 1 of the Accountants' Report contained in Appendix I to this prospectus.

		Year ended 31st December, 2001	2002	Eight months ended 31st August, 2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		145,153	300,947	351,974
Cost of sales		<u>(115,771)</u>	<u>(236,580)</u>	<u>(274,179)</u>
Gross profit		29,382	64,367	77,795
Other income		344	644	1,373
Selling and distribution expenses		(695)	(1,073)	(1,248)
General and administrative expenses		(625)	(1,212)	(1,360)
Net exchange loss	1	<u>(11,377)</u>	<u>(1,972)</u>	<u>(3,276)</u>
Profit from operations		17,029	60,754	73,284
Finance costs		(4,741)	(6,474)	(1,776)
Impairment losses of fixed assets	2	<u>(9)</u>	<u>—</u>	<u>—</u>
Profit before taxation		12,279	54,280	71,508
Taxation	3	<u>(4,009)</u>	<u>(16,561)</u>	<u>(21,364)</u>
Profit after taxation		8,270	37,719	50,144
Minority interests	4	<u>—</u>	<u>—</u>	<u>(2,507)</u>
Profit attributable to Shareholders		<u>8,270</u>	<u>37,719</u>	<u>47,637</u>
Earnings per Share				
Basic, HK cents	5	<u>1.5</u>	<u>6.7</u>	<u>8.5</u>
Diluted, HK cents	6	<u>1.3</u>	<u>6.1</u>	<u>7.7</u>



## FINANCIAL INFORMATION

### Notes:

1. The exchange loss for the year ended 31st December, 2001 was mainly due to the exchange loss arising from the US dollar-denominated loan advanced to the Group pursuant to the Loan Agreement. Such loan was converted into a IDR-denominated loan in December 2001. For the year ended 31st December, 2001, the exchange loss attributable to the US dollar-denominated loan was approximately HK\$10.2 million. The balance of the exchange loss of approximately HK\$1.2 million resulted from the trading operations of the Group. The net exchange loss of approximately HK\$2.0 million for the year ended 31st December, 2002 resulted mainly from the trading operations of the Group and a foreign currency deposit. The net exchange loss of approximately HK\$3.3 million for the eight months ended 31st August, 2003 resulted mainly from the trading operations of the Group.
2. The Directors carried out an impairment review of the carrying values of the land use rights and land and buildings as at 31st December, 2001 with reference to the open market values as at that date.
3. During the Track Record Period, all of the Group's profits were derived from Nataki which is incorporated and operated in Indonesia. No provision for Hong Kong profits tax has been made in these financial statements as the Group has no assessable profits for the Track Record Period. No provision for Indonesian corporate income tax has been made for the two years ended 31st December, 2002 as Nataki had no net taxable income after offsetting against available tax losses brought forward and taxation in the combined income statements for the two years ended 31st December, 2002 represents the tax charge transferred from deferred taxation. For the eight months ended 31st August, 2003, taxation in combined income statements represents a provision for Indonesian corporate income tax of approximately HK\$16.4 million and a net tax charge transferred from deferred taxation of approximately HK\$4.9 million. Further details of the taxation during the Track Record Period are set out in note 8 to the Accountants' Report in Appendix I to this prospectus.
4. Minority interests in the combined income statement represent the net amount of the minority's share of current year's profit less its share of losses previously unabsorbed. In accordance with accounting policy note 2(k) to the Accountants' Report in Appendix I to this prospectus, losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered. All the minority's share of losses previously unabsorbed had been fully recovered during the year ended 31st December, 2002.
5. The calculation of basic earnings per Share is based on the Group's combined profit for the Track Record Period and the assumption that a total of 560,000,000 Shares had been in issue during the Track Record Period.
6. Diluted earnings per Share for the Track Record Period are based on the Group's combined profit attributable to Shareholders and on the assumption that 614,755,556 Shares have been in issue during the Track Record Period. The number of Shares used in the calculation comprised 560,000,000 Shares referred to above and 54,755,556 Shares that are deemed to have been issued at no consideration on the deemed exercise of the options granted under the Pre-IPO Share Option Scheme as referred to in the paragraph headed "Share Option Schemes" in Appendix V to this prospectus, but takes no account of any Shares to be issued pursuant to the exercise of the Over-allotment Option, any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS**

The following is a discussion of the combined audited results of the Group for the Track Record Period based on the presentation set out in the Accountants' Report in Appendix I to this prospectus.

**Overview of net profit margin**

*For the year ended 31st December, 2001*

The net profit margin increased to approximately 5.7% for the year ended 31st December, 2001 mainly due to (i) the decrease in exchange loss arising from the unsecured loan from approximately HK\$83 million for the year ended 31st December, 2000 to approximately HK\$10 million for the year ended 31st December, 2001; (ii) the absence of impairment loss of land use rights for the year ended 31st December, 2001; and (iii) the increase in gross profit margin from approximately 7.1% for the year ended 31st December, 2000 to approximately 20.2% for the year ended 31st December, 2001 as the Group began to source directly from farmers instead of traders in 2001.

*For the year ended 31st December, 2002*

The net profit margin increased to approximately 12.5% for the year ended 31st December, 2002 mainly due to the absence of exchange loss arising from the unsecured loan for the year ended 31st December, 2002.

*For the eight months ended 31st August, 2003*

The net profit margin increased to approximately 13.5% for the eight months ended 31st August, 2003 mainly due to the increased trading volume of cocoa beans.

**Financial year ended 31st December, 2001**

*Turnover*

The turnover of the Group amounted to approximately HK\$145.2 million for the year ended 31st December, 2001. During the year, the Group had three overseas customers, namely Unicom, ICBT and Orebi, which accounted for 37.1%, 31.7% and 31.2% of the Group's sales for that year, respectively. The total purchase volume of these customers was 16,380 tonnes.

*Gross profit*

The gross profit from the sale of cocoa beans amounted to approximately HK\$29.4 million, representing a gross profit margin of approximately 20.2%.

*Other income*

During the year, other income principally comprised bank interest income.

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### *Selling and distribution expenses*

Selling and distribution expenses comprised salaries to staff working in the sales and warehouse departments and transportation charges for the delivery of cocoa beans from its warehouse to the port before shipment to overseas customers.

### *General and administrative expenses*

General and administrative expenses principally comprised depreciation charges of approximately HK\$0.2 million and bank charges of approximately HK\$0.2 million.

### *Net exchange loss*

During the year ended 31st December, 2001, the IDR/US dollar exchange rates fluctuated significantly; especially during the period from May to August 2001, IDR appreciated against US dollar by approximately 22.1% from US\$1 to IDR11,375 as at 1st May, 2001 to US\$1 to IDR8,535 as at 31st August, 2001.

As a result, the Group incurred an exchange loss of approximately HK\$10.2 million from the conversion of the US dollar-denominated unsecured loan to IDR on 28th December, 2001. The Group also incurred a net exchange loss of approximately HK\$1.2 million from its export trading operations, which received payments in US dollars.

### *Finance costs*

Finance costs amounted to approximately HK\$4.7 million, arising from interest on the unsecured loan.

### *Profit attributable to Shareholders*

The profit attributable to Shareholders was approximately HK\$8.3 million for the year ended 31st December, 2001.

## **Financial year ended 31st December, 2002**

### *Turnover*

The Group's turnover for the year ended 31st December, 2002 was approximately HK\$300.9 million, which exceeds the turnover for the year ended 31st December, 2001 by approximately 107.3%. Such increase in turnover for the year was due to two reasons: (i) the Group's customers increased their purchase volume from 16,380 tonnes to 23,920 tonnes in total as the relationships between the Group and its customers strengthened; and (ii) the Group's average selling price per tonne of cocoa beans rose by approximately 43.2% from approximately HK\$8,800 for the year ended 31st December, 2001 to approximately HK\$12,600 for the year ended 31st December, 2002, which was generally in line with the increase in the price quoted on NYCSCE. Cocoa bean price increased during

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2002 because the international supply of cocoa beans was reduced by (i) pests and diseases which affected the harvest of cocoa beans in many producing countries; and (ii) the civil unrest in Cote d'Ivoire, the world's largest cocoa bean producing country. During this year, Unicom, ICBT and Orebi accounted for approximately 37.4%, 32.8% and 21.1% of the Group's turnover, respectively.

### *Gross profit*

The gross profit of the Group was approximately HK\$64.4 million which exceeds the gross profit for the year ended 31st December, 2001 by approximately 119.1%. The increase in gross profit was attributable to (i) the increase in trading volume of cocoa beans and (ii) the increase in the selling price of cocoa beans. The gross profit margin remained stable at 21.4%.

### *Other income*

Other income principally comprised bank interest income during the year.

### *Selling and distribution expenses*

Selling and distribution expenses increased by approximately HK\$0.4 million during the year principally due to increase in transportation charges as the Group incurred more transportation charges as a result of increased sales volume to overseas customers.

### *General and administrative expenses*

During the year, general and administrative expenses increased by approximately HK\$0.6 million principally due to increase in bank charges. Bank charges were incurred upon the receipt of remittances from overseas customers. Since sales increased significantly in 2002 as compared with 2001, bank charges increased accordingly.

### *Net exchange loss*

During the year ended 31st December, 2002, IDR appreciated against the US dollar from US\$1 to IDR10,425 as at 1st January, 2002 to US\$1 to IDR8,940 as at 31st December, 2002. As such, the Group made an exchange gain from the settlement of the outstanding US dollars interest accrued for the period before the US dollar-denominated unsecured loan were converted to IDR, but suffered an exchange loss from the export trading operations.

As the US dollars-denominated unsecured loan was converted to an IDR-denominated unsecured loan on 28th December, 2001, the Group had no exchange gain or loss from the principal of the unsecured loan for the year ended 31st December, 2002. However, the US dollars interest accrued before the unsecured loan was converted to IDR remained outstanding until September 2002. When the Group paid the US dollars interest in September 2002, it recognised an exchange gain of approximately HK\$1.5 million.

On the other hand, the exchange loss arising from the Group's export trading operations amounted to approximately HK\$3.5 million.

Therefore, the Group's net exchange loss for the year was approximately HK\$2.0 million.

#### *Finance costs*

Finance costs increased to approximately HK\$6.5 million because the interest rate of the unsecured loan increased from 3.75% per annum to 6% per annum pursuant to the amendment of the Loan Agreement on 28th December, 2001.

#### *Profit attributable to Shareholders*

Due to the increase in the trading volume of cocoa beans, the rise in cocoa bean prices, and the reduction in exchange loss, the profit attributable to Shareholders for the year ended 31st December, 2002 amounted to approximately HK\$37.7 million, which is over four times of the profit attributable to shareholders for the year ended 31st December, 2001.

### **Eight months ended 31st August, 2003**

#### *Turnover*

For the eight months ended 31st August, 2003, the Group's turnover amounted to approximately HK\$352.0 million, which already exceeds the turnover of approximately HK\$300.9 million for the entire 12 months ended 31st December, 2002. During the eight months ended 31st August, 2003, the Group sold a total of 9,625 tonnes, 6,575 tonnes, 5,510 tonnes and 2,760 tonnes of cocoa beans to Unicom, ICBT, Westermann and Orebi, respectively, accounting for approximately 38.8%, 26.9%, 23.0% and 11.3% of the Group's total sales, respectively. Although cocoa bean prices quoted on NYCSCE began to decrease in February 2003 as a result of, amongst other things, the settlement of the civil unrest in Cote d'Ivoire, the average selling price of the Group's cocoa beans was approximately HK\$14,300 per tonne during the period, which was still higher than that of approximately HK\$12,600 per tonne for the year ended 31st December, 2002.

#### *Gross Profit*

The Group's gross profit during the eight months ended 31st August, 2003 was approximately HK\$77.8 million, which exceeds the Group's gross profit of approximately HK\$64.4 million for the year ended 31st December, 2002 mainly as a result of the increase in turnover. The Group's gross profit margin during the period was approximately 22.1%.

#### *Other income*

Other income principally comprised bank interest income during the period.

### *Selling and distribution expenses*

During the eight months ended 31st August, 2003, the Group's selling and distribution expenses were approximately HK\$1.2 million, mainly as a result of increase in transportation charges due to increase in sales volume to overseas customers and in salary expenses. The Directors consider that the increase in salary expenses for the Group's sales and marketing staff, which is in line with the increase in the Group's sales volume and turnover, is essential in providing an incentive for motivating the Group's sales and marketing team to further develop the Group's business.

### *General and administrative expenses*

During the eight months ended 31st August, 2003, the Group's general and administrative expenses amounted to approximately HK\$1.4 million, mainly as a result of increase in salary expenses, rental expenses and bank charges. Salary expenses increased during the period mainly due to (i) an increase in the number of management staff as the Group further strengthened its management team in preparation for the Placing and increase in the Group's business, and (ii) the general increment in salaries of the existing general and administrative staff in recognition of their efforts leading to the growth of the Group's business. Rental expenses increased mainly as a result of the increase in the rental of additional office space for the Group's investor relations office in preparation of the Placing. Bank charges increased during the period mainly due to the increase in sales volume.

### *Net exchange loss*

During the eight months ended 31st August, 2003, IDR appreciated against the US dollar from US\$1 to IDR8,968 as at 1st January, 2003 to US\$1 to IDR8,535 as at 31st August, 2003. The Group's net exchange loss during the period was approximately HK\$3.3 million and was mainly resulted from the Group's trading operations. During the period, the Group did not incur any exchange gain or loss arising from its unsecured loan under the Loan Agreement since it had been converted from US dollar into IDR in 2001.

### *Finance costs*

The Group's finance costs decreased during the period to approximately HK\$1.8 million mainly as a result of the further repayment of an amount of approximately HK\$39.8 million of the unsecured loan by August 2003. The remaining amount of the unsecured loan of HK\$18.2 million was fully repaid in October 2003.

### *Profit attributable to Shareholders*

Due to the increase in sales volume of cocoa beans, the Group's profit attributable to Shareholders during the eight months ended 31st August, 2003 amounted to approximately HK\$47.6 million, which exceeds the profit attributable to Shareholders of approximately HK\$37.7 million for the year ended 31st December, 2002.

**TAXATION**

The Group is subject to Hong Kong and Indonesian taxation. No provision for profits tax in Hong Kong has been made as the Group had no income assessable for profits tax during the Track Record Period in Hong Kong.

Nataki, a subsidiary of the Company, is an enterprise operating in Indonesia and was subject to Indonesian corporate income tax at the following progressive tax rates during the Track Record Period:

<b>Taxable income</b>	<b>Rate</b>
<i>IDR</i>	<i>%</i>
On the first 50,000,000	10
On the next 50,000,000	15
Over 100,000,000	30

No provision for corporate income tax in Indonesia has been made for Nataki for the two years ended 31st December, 2002 as it had no net taxable income during that period after offsetting against available tax losses brought forward. After offsetting against the tax losses brought forward at 1st January, 2003, a provision for corporate income tax was made by Nataki for the eight months ended 31st August, 2003 in the amount of approximately IDR18 billion (equivalent to approximately HK\$16 million). Taxation in the combined income statements for the Track Record Period also includes a net tax charge transferred from deferred tax asset of approximately HK\$4 million, HK\$16 million and HK\$5 million respectively. Further details of taxation during the Track Record Period are set out in note 8 to the Accountants' Report in Appendix I to this prospectus.

Pursuant to the prevailing tax treaty between Indonesia and Maruitius, dividend distributions by Nataki to its shareholder, Setimuly (being an entity incorporated in Mauritius), are currently subject to a withholding tax of 5%. Should the withholding tax rate increase as a result of a change in the tax treaty between Indonesia and Mauritius, the net amount of dividends to be received by the Company and thus the amount of profit available for distribution to the Shareholder through the Group's dividend distributions will be adversely affected.

The tax regulations in Indonesia adopts a "self-assessment" system. The tax authority does not normally confirm the self-assessment of a taxpayer; however it has the right to issue an assessment within 10 years, if, after an audit, it considers that the taxpayer has not self-assessed the correct amount or if no tax return has been lodged. However, an assessment can be issued after expiry of 10 years if the taxpayer has committed a criminal act. The Directors confirm that Nataki has properly submitted the corporation income tax returns for the years ended 31st December, 2001 and 2002 to the tax authority. In addition, each of the executive Directors and Mr. Mulya has entered into a deed of indemnity containing indemnities in favour of the Group in respect of, among other things, certain tax liabilities of the Group, details of which are set out under the paragraph headed "Estate duty and tax indemnities" in Appendix V to this prospectus.

## **PROPERTY INTERESTS**

The Group leases the 2nd floor of a 4-storey office building at Pangeran Jayakarta Street, No. 117, B.35, B.37 and B.39, Sawah Besar Village, Mangga Dua Selatan Sub-District, Jakarta Pusat Municipality, DKI Jakarta Province, (with a floor area of approximately 216 sq.m.) for a term of 10 years commencing from 27th May, 2003 for an annual rent of IDR12 million (equivalent to approximately HK\$11,000) from an Independent Third Party.

The Group also leases an office on the 9th Floor, Plaza BII, Tower 3 M. H. Thamrin Street No. 51, Jakarta Pusat Municipality, DKI Jakarta Province (with a floor area of approximately 294 sq.m.) from an Independent Third Party for a term commencing from 27th May, 2003 and expiring on 29th November, 2004 (with an option to extend for a further term of 3 years) for a monthly rent (including service charges) of approximately US\$6,200 (equivalent to approximately HK\$48,000). The Group uses this office as its investor relations office.

The Group also leases from an Independent Third Party a warehouse with a floor area of 4,608 sq.m. for storage and warehousing of its cocoa beans at Makassar, Sulawesi. The lease of the warehouse, at a monthly rent of IDR5 million (equivalent to approximately HK\$5,000), will expire in December 2005.

A letter and a summary of valuation issued by American Appraisal China Limited, an independent property valuer, in respect of the property interests leased by the Group are set out in Appendix III to this prospectus.

## **DIVIDENDS**

**No dividend has been paid or declared by the Company nor any of its subsidiaries during the Track Record Period.** The Directors expect that, in the future, the amount of any dividends to be declared will depend on, among others, the Company's results of operations, cash flow and financial condition, operating and capital requirements and other factors which the Directors may determine are important.

The Directors expect that, in the future, the interim dividend and final dividend will be paid in or about September and April of each year, respectively, and that the interim dividend will normally represent approximately one-third of the expected total dividends for the full year.

It is the Company's current intention to recommend annually the distribution to Shareholders of no less than 30% of the Company's distributable annual earnings as dividends commencing in 2004 for the year ending 31st December, 2003. Such dividend policy may be amended where there is a negative impact on the cash flows of the Group due to investments made by the Company as approved by the Directors where such investments are not fully covered by the appropriate financing. The amounts of dividends actually distributed to shareholders will depend upon the Company's earnings and financial position, operating and capital requirements.



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The profits of the Group are derived entirely from the businesses conducted by Nataki in Indonesia. The profits available for distribution by the Company to the Shareholders are therefore entirely dependent on profits distributed by Nataki to the Company through the intermediate holding companies within the Group. Under existing legislation, dividends paid by Nataki to Setimuly are subject to an effective tax rate of 8%, comprising a withholding tax of 5% on gross dividends (to be paid by Nataki to the Indonesian Government) and an effective income tax of 3% on gross dividends (to be paid by Setmuly to the Mauritius Government).

### DISTRIBUTABLE RESERVES

The Company was incorporated on 16th October, 2002 and had distributable reserves of approximately HK\$71 million as at 31st August, 2003.

### ADJUSTED NET TANGIBLE ASSETS

The following statement of adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 31st August, 2003 as set out in the Accountants' Report in Appendix I to this prospectus and adjusted as follows:

	<i>HK\$' million</i>
Audited combined net assets of the Group as at 31st August, 2003 as set out in Appendix I to this prospectus	95.4
Unaudited combined profits for the two months ended 31st October, 2003	16.3
Estimated net proceeds of the Placing ( <i>Note 1</i> )	<u>94.4</u>
Adjusted net tangible assets	<u><u>206.1</u></u>
Adjusted net tangible asset value per Share ( <i>Note 2</i> )	<u><u>HK25.8 cents</u></u>

*Notes:*

1. The estimated net proceeds of the Placing takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option. Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds in the amount of approximately HK\$15.6 million.
2. The adjusted net tangible asset value per Share is based on 800,000,000 Shares in issue and to be issued under the Placing and the Capitalisation Issue but taking no account of (i) any Shares to be issued pursuant to the exercise of the Over-allotment Option; (ii) any Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and/or which may be granted under the Share Option Scheme; and (iii) any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus.

If the options under the Pre-IPO Share Option Scheme are exercised in full, the adjusted net tangible asset value per Share will be approximately HK25.8 cents.

If the Over-allotment Option is exercised in full, the adjusted net tangible asset value per Share will be approximately HK27.7 cents.

## **PROFIT FORECAST**

The Directors forecast that, in the absence of unforeseen circumstances and on the bases and assumptions set out in Appendix II to this prospectus, the combined profit after taxation and minority interests but before extraordinary items of the Group for the year ending 31st December, 2003 (which includes a gain on disposal of fixed assets of approximately HK\$12.3 million) will not be less than HK\$80 million. As at the Latest Practicable Date, the Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31st December, 2003.

On the basis of the above forecast combined profit after taxation and minority interests but before extraordinary items of not less than HK\$80 million and the weighted average number of 580,000,000 Shares expected to be in issue during the year ending 31st December, 2003, the forecast earnings per Share will amount to approximately HK13.8 cents, representing a weighted average prospective price/earnings multiple of approximately 3.3 times based on the Placing Price. This does not take into account (i) any Shares to be issued pursuant to the exercise of the Over-allotment Option; (ii) any Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and/or which may be granted under the Share Option Scheme; and (iii) any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus. On the assumption that the Placing and the Capitalisation Issue had been completed and a total of 800,000,000 Shares were in issue since 1st January, 2003, the forecast diluted earnings per Shares is approximately HK9.8 cents, representing a pro forma fully diluted prospective price/earnings multiple of approximately 4.6 times based on the Placing Price. The texts of the letters from the auditors and reporting accountants, PKF, and from the Sponsor, CASH, in respect of the profit forecast are set out in Appendix II to this prospectus.

## **NO MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading positions or prospects of the Group since 31st August, 2003.

## **DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES**

As at 31st August, 2003, the total trade debtors due from Unicom and ICBT, customers of the Group, exceeded 25% of the audited combined tangible net asset value of the Group as at 31st August, 2003. Pursuant to Rule 17.15 of the GEM Listing Rules, details of the trade debtors are disclosed below.

As at 31st August, 2003, the total trade debts due from Unicom and ICBT amounted to approximately HK\$25.5 million and HK\$24.9 million respectively, representing approximately 26.7% and 26.1% of the audited combined tangible net asset value of the Group as at 31st August, 2003, respectively. The trade debtors arose from the Group's cocoa bean trading transactions and were unsecured, interest free and normally settled within one month following shipment of the goods. The Directors confirm that the Group will comply with the continuing disclosure obligations arising from its trading transactions pursuant to Rules 17.16 and 17.22 of the GEM Listing Rules following the listing of the Shares on GEM.

Save as disclosed herein, the Directors have confirmed that, as at 31st August, 2003, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 17.15 to 17.21 of the GEM Listing Rules.

## **UNDERWRITERS**

### **SBI**

**Barits Securities (Hong Kong) Limited**

**Kingsway Financial Services Group Limited**

**Celestial Capital Limited**

**First Shanghai Securities Limited**

**ICEA Capital Limited**

**Japan Asia Securities Limited**

**Koffman Securities Limited**

## **UNDERWRITING ARRANGEMENTS AND EXPENSES**

### **Underwriting Agreement**

Pursuant to the Underwriting Agreement dated 24th November, 2003 entered into between, among others, the Company, the Sponsor, the executive Directors and the Underwriters, the Company is offering 240,000,000 new Shares for subscription by way of the Placing with professional, institutional and private investors on and subject to the terms and conditions of this prospectus. The Company has granted the Over-allotment Option to the Lead Manager which is exercisable from time to time during the period of 30 days from the date of this prospectus to require the Company to issue an aggregate of not more than 36,000,000 additional new Shares representing 15% of the Shares initially available under the Placing, on the same terms as those applicable to the Placing solely for the purpose of covering over-allocations in the Placing, if any.

Pursuant to the Underwriting Agreement, the Underwriters have severally agreed to subscribe or procure subscribers for the Placing Shares. Placing Shares shall be allotted and issued to subscribers on the business day before the date on which dealings in the Shares commence on the Stock Exchange. Such allotment and issue shall be conditional on, amongst other things, (i) the GEM Listing Committee granting listing of, and permission to deal in the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Placing Shares to be issued pursuant to the Placing as mentioned herein and any Shares which may fall to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme (and in respect of which an application for listing has been made); and (ii) to certain conditions in the Underwriting Agreement being satisfied by no later than 9:00 a.m. (Hong Kong time) on the date on which dealings in the Shares first commence on the Stock Exchange.

### **Grounds for termination**

The obligations of the Underwriters to subscribe or procure subscribers for the Placing Shares are subject to termination and the Sponsor and the Lead Manager (acting for themselves and on behalf of the Underwriters), have the right upon giving notice to the Company, to terminate the Underwriting

## UNDERWRITING

Agreement with immediate effect if any of the following events shall occur at any time prior to 6:00 p.m. (Hong Kong time) on the business day immediately preceding the date on which dealings in Shares first commence on the Stock Exchange:

- (A) if it has come to the notice of the Sponsor and the Lead Manager, acting for themselves and on behalf of the Underwriters:
  - (i) that any statement contained in this prospectus was, when the prospectus was issued, or has become, untrue, incorrect or misleading in any respect; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus or the Underwriting Agreement constitute an omission therefrom the omission of which would make any statement therein misleading; or
  - (iii) any material breach of the undertakings, warranties and representations contained in the Underwriting Agreement, other than those given by the Sponsor or the Lead Manager, has occurred; or
  - (iv) any material breach of any of the obligations imposed upon any party to the Underwriting Agreement, other than on any of the Underwriters or the Sponsor; or
  - (v) any adverse change in the business or in the financial or trading position of any member of the Group which is, in the opinion of the Sponsor and the Lead Manager, material in the context of the Placing; or
  - (vi) any act or thing done by or omission of any member of the Group or the Directors, or any of them, otherwise than in the ordinary course of business whereby any of the undertakings, warranties and representations contained in the Underwriting Agreement (other than those given by the Sponsor or the Lead Manager) would not be true in any material respect if given at that time; or
  - (vii) any event, act or omission which gives or is likely to give rise to any material liability of the Company, the executive Directors, Mr. Mulya and the Substantial Shareholder pursuant to the indemnities contained in the Underwriting Agreement or the deed of indemnity referred to in the section headed “Summary of material contracts” in Appendix V to this prospectus;
  
- (B) if there develops, occurs, exists or comes into effect:
  - (i) any adverse change or deterioration in the conditions of local, national or international securities markets; or
  - (ii) any event, or series of events, or escalation of events beyond the reasonable control of the Underwriters (including, without limitation, acts of government, strikes, riot, public disorder, terrorist strike, epidemic, lock-outs, fire, explosion, flooding, civil commotion, acts of war, escalation of current wars or conflicts, acts of terrorism, acts of God, accident or interruption or delay in transportation); or

## UNDERWRITING

- (iii) any change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions, or any other change whether or not ejusdem generis with any of the foregoing, and, or, disasters, (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange), and, or, the occurrence of any disasters; or
- (iv) any new law or regulation or change, whether or not forming part of a series of changes, in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Indonesia, Hong Kong, Mauritius, the Cayman Islands, the British Virgin Islands or any other jurisdiction relevant to the Group or any member thereof; or
- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United Nations, the US or by the European Union, or any member thereof, on Indonesia, Hong Kong, Mauritius, the Cayman Islands, the British Virgin Islands or any other jurisdiction relevant to the Group or any member thereof; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control, or the implementation of any exchange control, in Indonesia, Hong Kong, Mauritius the Cayman Islands, the British Virgin Islands or any other jurisdiction relevant to the Group or any member thereof; or
- (vii) any litigation or claim of any third party being threatened or instigated against any member of the Group, which will, or is reasonably likely to result in the Group incurring liability that is material to the Group taken as a whole; or
- (viii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the New York Stock Exchange, NASDAQ, the London Stock Exchange or the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (ix) any change or prospective material change in the business or in the financial or trading position of the Group; or
- (x) a general moratorium on commercial banking activities in New York, London, Hong Kong or Indonesia declared by the relevant authorities; or
- (xi) any outbreak, continuation or escalation of any outbreak, of any infectious disease, virus or similar event in New York, London, Hong Kong, the PRC, Singapore or Indonesia or the refusal by any potential investor(s) to meet with any of the underwriters as a result of any of the foregoing; or
- (xii) any other change which is ejusdem generis with any of the foregoing,

## UNDERWRITING

which in each case, in the opinion of the Sponsor and the Lead Manager, for themselves and on behalf of the Underwriters:

- (a) is or will or is likely to be materially adverse to the business, financial or other condition or prospects of the Group (taken as a whole) or, in the case of a change or development involving a prospective change in taxation or exchange control, or the implementation of any exchange control, in Indonesia, Hong Kong, Mauritius, the Cayman Islands, the British Virgin Islands or any other jurisdiction relevant to the Group or any member thereof, is or will or is likely to be materially adverse to any present or prospective shareholder of the Company in his capacity as such; or
- (b) has or will or is likely to have a material adverse effect on the success of the Placing or the level of Placing Shares being applied for; or
- (c) for any reason makes it impracticable, inadvisable or inexpedient to proceed with the Placing.

### UNDERTAKINGS

The Initial Management Shareholder has undertaken to the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange that for a period of 12 months from the Listing Date:

- (i) The Initial Management Shareholder places in escrow, with an escrow agent acceptable to the Stock Exchange, all its Relevant Securities (as such term is defined in Rule 13.15(4) of the GEM Listing Rules) (the “Securities”) on terms acceptable to the Stock Exchange;
- (ii) Initial Management Shareholder shall not, and shall procure that none of his associates, companies controlled by him or his associates or any nominees or trustees holding in trust for him shall, save in circumstances permitted by Rule 13.18 of the GEM Listing Rules or by the Stock Exchange, sell, transfer or otherwise dispose of or create any rights (or enter into any agreement to do any of the foregoing) or permit the registered holder to sell, transfer or dispose of (or to enter into any agreement to dispose of) any of his direct or indirect interest in the Securities or sell, transfer or otherwise dispose of (or enter into any agreement to do any of the foregoing) any interest in any shares in any company controlled by him which is directly, or through another company indirectly, the beneficial owner of any Securities;
- (iii) in the event that the Initial Management Shareholder pledges or charges any interest in the Securities, he must inform the Company, the Sponsor, the Lead Manager and the Stock Exchange immediately thereafter, disclosing the details required by the GEM Listing Rules; and
- (iv) having pledged or charged any of his interest in the Securities under sub-paragraph (iii) above, the Initial Management Shareholder must inform the Company, the Sponsor, the Lead Manager and the Stock Exchange immediately in the event that he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the securities affected.

## UNDERWRITING

Each of the Investors has voluntarily undertaken to the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) that for a period of 6 months from the Listing Date (unless prior written consent is obtained from the Sponsor and the Lead Manager):

- (i) each of the Investors places in escrow all his/her relevant Securities with an escrow agent acceptable to the Sponsor; and
- (ii) each of the Investors shall not, and shall procure that none of his/her associates, companies controlled by him/her or his/her associates or any nominees or trustees holding in trust for him/her shall, save in circumstances permitted by Rule 13.18 of the GEM Listing Rules or by the Stock Exchange, sell, transfer or otherwise dispose of or create any rights (or enter into any agreement to do any of the foregoing) or permit the registered holder to sell, transfer or dispose of or create any rights (or to enter into any agreement to do any of the foregoing) in respect of any of his/her direct or indirect interest in the Securities or sell, transfer or otherwise dispose of (or enter into any agreement to do any of the foregoing) any interest in any shares in any company controlled by him which is directly or through another company indirectly, the beneficial owner of any Securities.

In addition, pursuant to the Underwriting Agreement, each of the Company and the executive Directors has jointly and severally undertaken to the Sponsor, the Lead Manager and the Underwriters that it shall not, (in the case of the Company) or procure (in the case of the executive Directors) that the Company and the Subsidiaries shall not:

- (A) within the period of six months from the Listing Date (i) allot or issue, or agree to allot or issue, any securities in the Company or any Subsidiaries (including warrants or other convertible securities and whether or not of a class already listed); or (ii) grant, or agree to grant, any options or other rights carrying any right to subscribe for or otherwise acquire any securities of the Company or any of its Subsidiaries; or (iii) offer to or agree to do any of the foregoing or announce any intention to do so other than any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, or the Capitalisation Issue or the grant or the exercise of the options under the pre-IPO Share Option Scheme or the Share Option Scheme or as otherwise approved by the Stock Exchange;
- (B) within the period commencing six months from the Listing Date and ending twelve months from the Listing Date, do or cause to be done any of the matters referred to in the sub-paragraphs (i), (ii) and (iii) above which result in the Substantial Shareholder, his associates and his nominees or trustees together ceasing to control at least 30% of the voting rights in general meeting of the Company from time to time; and
- (C) without the prior written consent of the Sponsor and the Lead Manager at any time during the period during which the Over-allotment Option may be exercised by the Lead Manager, declare or make any payment of dividend, make any distribution of profits whatsoever, any return of value or any issue of bonus shares to its shareholders or offer or agree to do any of the foregoing or announce any intention to do so.

## **Commission and expenses**

The Underwriters will receive a commission of 3.5% of the aggregate Placing Price of all the Placing Shares, including any number of Shares issued under the Over-allotment Option (being not more than 36,000,000 Shares), out of which each Underwriter will pay its own sub-underwriting commission, if any. In addition, the Sponsor will receive financial advisory and documentation fee for providing advisory services and for acting as the sponsor to the Company. Such fee and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, the investor compensation levy, legal and other professional fees, printing and other expenses relating to the Placing which are currently estimated to be approximately HK\$13.6 million in aggregate, will be payable by the Company.

In the circumstances where the Over-allotment Option is not exercised in respect of such number of over-allocated Shares as notified by the Lead Manager to the Company pursuant to the Underwriting Agreement, the Lead Manager shall return to the Company underwriting commission paid to it by the Company, at the rate of one and three quarters per cent. of the aggregate price of such over-allocated Shares in respect of which the Over-allotment Option is not exercised (i.e. the Over-allotment Shares minus the over-allocated Shares). Such amounts, if any, shall be paid by the Lead Manager to the Company within 15 business days of the last date by which the Lead Manager may exercise the Over-allotment Option under the terms of the Underwriting Agreement.

## **Underwriters' interests in the Company**

Save for its obligations under the Underwriting Agreement, none of the Underwriters has any shareholding interest, in any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, each of the Underwriters and/or its subsidiaries may subscribe for Placing Shares under the Placing or otherwise purchase Shares in the market for its own account.

## **Sponsor's agreement**

Under a sponsor's agreement dated 24th November, 2003 and made between CASH and the Company (the "Sponsor's Agreement"), the Company appoints and CASH agrees to act as sponsor to the Company for its listing on GEM and in accordance with the GEM Listing Rules for a fee from the date of the Sponsor's Agreement to 31st December, 2005 (being the last day of the second full financial year of the Company after its listing on GEM) or until the Sponsor's Agreement is terminated upon the terms and conditions set out therein.

## **Sponsor's interest in the Company**

Save for its obligations under the Sponsor Agreement, and interests in securities that may be subscribed for pursuant to the Placing, neither the Sponsor nor its associates have or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).



## UNDERWRITING

No director or employee of the Sponsor who is involved in providing advice to the Company has or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed by any such director or employee pursuant to the Placing).

Neither the Sponsor nor its associates has accrued any material benefit as a result of the successful outcome of the Placing, including by way of example, the repayment of material outstanding indebtedness or success fees save and except for the receipt of the financial advisory fee to be received by the Sponsor, and save as otherwise disclosed in this prospectus.

No director or employee of the Sponsor has a directorship in the Company or any other company in the Group.

## THE PLACING

The Company is initially offering 240,000,000 new Shares for subscription under the Placing at the Placing Price. Assuming the Over-allotment Option is not exercised, the Placing Shares will represent approximately 30% of the enlarged issued share capital of the Company immediately following completion of the Placing. The Placing Shares are fully underwritten by the Placing Underwriters.

The Placing Shares are to be placed with selected professional, institutional and private investors. Professional, institutional and private investors generally include brokers, dealers and fund managers, whose ordinary course of business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the Placing Shares is based on a number of factors including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares, or hold or sell its Shares, after the listing of the Shares on GEM. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which will lead to the establishment of a broad shareholder base to the benefit of the Company and the Shareholders as a whole.

## PRICE PAYABLE UNDER THE PLACING

The Placing Price is HK\$0.45 per Share plus 1% brokerage, a 0.005% SFC transaction levy, 0.002% investor compensation levy and 0.005% Stock Exchange trading fee. The cost for every board lot of 5,000 Shares is HK\$2,272.77.

## CONDITIONS OF THE PLACING

Acceptance of all applications for, and the allotment and issue of, Placing Shares under the Placing is conditional upon:

### 1. Listing

The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including Shares to be issued under the Capitalisation Issue, pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

### 2. Underwriting agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional, and not being terminated in accordance with the terms of the Underwriting Agreement (details of the Underwriting Agreement, its conditions and grounds for termination,

## STRUCTURE AND CONDITIONS OF THE PLACING

are set out in the section headed “Underwriting” of this prospectus), in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date following 30 days after the date of this prospectus.

If these conditions are not fulfilled or, where applicable, waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by the Company on the GEM website on the next day following such lapse.

### STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, newly issued securities in the secondary market during a specified period of time to delay and, if possible, prevent a decline in the initial public offer price of such securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Placing Price. Stabilisation may only be undertaken pursuant to the Securities and Futures (Price Stabilisation) Rules in circumstances where, *inter alia*, the gross offer proceeds exceed HK\$100 million.

Stabilisation is not a practise commonly associated with the distribution of securities in Hong Kong. In Hong Kong, such stabilisation activities are restricted to cases where underwriters genuinely purchase shares in the secondary market solely for the purpose of covering over-allocation in an offering. The relevant provisions of the SFO and the Securities and Futures (Price Stabilising) Rules prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

In connection with this offer, the Lead Manager (or any person acting for it) may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Lead Manager (or any person acting for it) to do this. Such stabilising action, if taken, may be discontinued any time and is required to be brought to an end after a limited period.

Any such stabilisation will be effected in compliance with all applicable laws, rules and regulatory requirements. In addition, there is no obligation on the Lead Manager or any person acting for it to conduct any such stabilising activity which, if commenced, will be done in the absolute discretion of the Lead Manager, and may be discontinued at any time.

In accordance with such stabilisation, the Lead Manager may purchase, or agree to purchase, any of the Shares or offer or attempt to purchase any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares (“Primary Stabilising Action”).

The Lead Manager, in connection with the foregoing actions, may undertake any of the following matters: (i) for the purposes of preventing or minimizing any reduction in the market price of the relevant securities, (a) allocate a greater number of the Placing Shares than the number initially

## **STRUCTURE AND CONDITIONS OF THE PLACING**

offered; or (b) sell or agree to sell Placing Shares so as to establish a short position in them; (ii) pursuant to an option or other right to purchase or subscribe for Placing Shares, purchase or subscribe for or agree to purchase or subscribe for Placing Shares in order to close out any position established under (i); (iii) sell, or agree to sell any Placing Shares acquired by the Lead Manager in the course of the Primary Stabilising Action in order to liquidate any position that has been established by such action; or (iv) offer or attempt to do anything described in (i)(b), (ii) or (iii) above.

Investors should note that:

- (i) the Lead Manager may, in connection with the above stabilising action, maintain a long position in the Placing Shares;
- (ii) there is no certainty regarding the extent to which and the time period for which the Lead Manager will maintain such a position;
- (iii) on any liquidation of such long position by the Lead Manager, the then market price of the Placing Shares may be adversely effected;
- (iv) any stabilising action taken by the Lead Manager to support the price of the Placing Shares may not be taken for longer than the period commencing on the earlier of the date on which the Company receives any of the proceeds of the Placing or the trading of the Shares after the issue of this prospectus, and ending on the 30th day after the commencement of trading of the Placing Shares on GEM. Any stabilising action is expected to expire on 24th December, 2003 and, following such date, when no further stabilising action may be taken, demand for the Placing Shares and, therefore, their price, could fall;
- (v) investors should be aware that the price of the Placing Shares cannot be assured to stay at or above their Placing Price by the taking of any stabilising action by the Lead Manager; and
- (vi) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Placing Price, which means the stabilising bids may be made or transactions effected at a price below the price investors have paid for Placing Shares.

### **OVER-ALLOTMENT OPTION**

Under the Underwriting Agreement, the Company has granted to the Lead Manager the right, but not the obligation, to exercise the Over-allotment Option.

The Over-allotment Option is exercisable by the Lead Manager at any time at or before 5:00 p.m. on the date which is 30 days after the date of this prospectus for the sole purpose of covering over-allocations in the Placing. Pursuant to the Over-allotment Option, the Company may be required to allot and issue at the Placing Price up to an aggregate of 36,000,000 additional new Shares, representing 15% of the Shares initially available under the Placing, solely to facilitate and cover over-allocations in the Placing, if any.

## **STRUCTURE AND CONDITIONS OF THE PLACING**

In connection with the Placing, the Lead Manager may, at its option, also cover any over-allocation by, amongst other things, purchases of Shares in the secondary market, or by a combination of purchases in the secondary market and exercise of the Over-allotment Option. Any such secondary market purchases will be made at prices not higher than the issue price of the Placing Shares and in compliance with all applicable laws, rules and regulations. The maximum number of Shares that may be over-allocated in the Placing may not exceed the number of Shares that may be issued and allotted under the Over-allotment Option.

If the Over-allotment Option is exercised in full, the total Placing Shares will represent approximately 33.0% of the enlarged issued share capital of the Company immediately after completion of the Placing, the Capitalisation Issue and the exercise of the Over-allotment Option, taking no account of (i) any Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme; and (ii) any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus. In the event that the Over-allotment Option is exercised, an announcement will be made on the GEM website.

### **STOCK BORROWING**

In order to facilitate settlement of over-allocations in connection with the Placing, the stock borrowing agreement has also been entered into between Mr. Judianto and the Lead Manager. Pursuant to this agreement, Mr. Judianto has agreed that, if so requested by the Lead Manager, he will lend to the Lead Manager up to 36,000,000 Shares. The main terms of the stock borrowing agreement are set out below:

- (i) Shares may be borrowed by the Lead Manager solely for settlement of over-allocations in connection with the Placing;
- (ii) the maximum number of Shares which may be borrowed from Mr. Judianto must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option; and
- (iii) the same number of Shares borrowed must be returned to Mr. Judianto and deposited with an escrow agent not later than three business days following the earlier of (i) the day on which the Over-allotment Option is exercised in full, and (ii) the last day for the exercise of the Over-allotment Option.

The stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements. No benefits or payments will be made to Mr. Judianto by the Lead Manager in relation to such stock borrowing arrangement.

The Lead Manager may return Shares to Mr. Judianto by, among other means, purchasing Shares in the secondary market, exercise of the Over-allotment Option, or by a combination of purchase in the secondary market and exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

梁學濂會計師事務所



26th Floor, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

25th November, 2003

The Directors  
Pan Sino International Holding Limited  
Celestial Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Pan Sino International Holding Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003 (the “Relevant Period”) for inclusion in the prospectus of the Company dated 25th November, 2003 (the “Prospectus”).

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 group reorganisation (the “Reorganisation”) described in Appendix V to the Prospectus which was completed on 23rd June, 2003, the Company became the holding company of the subsidiaries, all of which are private companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of company	Place and date of incorporation	Attributable equity interest		Issued and paid up capital	Principal activities
		Direct %	Indirect %		
Dickinson Group Limited (“Dickinson”)	British Virgin Islands 11th June, 1997	100	—	USD10,781,000	Investment holding
Setimuly International Group Limited (“Setimuly”)	Mauritius 15th January, 2003	—	100	USD1,000	Investment holding
P.T. Nataki Bamasas (“Nataki”)	Republic of Indonesia 9th May, 1997	—	95	IDR101,000,000,000	Trading of cocoa beans

At the date of this report, no audited financial statements have been prepared for the Company, Setimuly and Dickinson since the dates of their incorporation. These companies have not been involved in any business transactions since incorporation other than the acquisition to effect the Reorganisation referred to herein. We have, however, reviewed all relevant transactions of these companies since their respective dates of incorporation to 31st August, 2003 for the purpose of this report.

The statutory auditors of Nataki for the Relevant Period are as follows:

<b>From</b>	<b>To</b>	<b>Auditors</b>
1st January, 2001	31st December, 2001	Rodi Kartamulja & Budiman Registered Public Accountants in Republic of Indonesia
1st January, 2002	31st August, 2003	PKF Registered Public Accountants in Republic of Indonesia

For the purpose of this report, we have carried out independent audits of the financial statements of Nataki for the Relevant Period in accordance with Auditing Standards and Guidelines issued by the Hong Kong Society of Accountants.

For the purpose of this report, we have examined the audited financial statements or, where appropriate, management accounts of all companies comprising the Group for the Relevant Period in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The combined balance sheets of the Group as at 31st December, 2001, 2002 and 31st August, 2003 and the related combined income statements, cash flow statements and statements of changes in equity of the Group for the Relevant Period (the "Financial Information") set out in this report have been prepared from the audited financial statements or, where appropriate, management accounts of the companies now comprising the Group and are presented on the basis set out in note 1 below after making such adjustments as we considered appropriate.

The directors of the respective companies comprising the Group are responsible for preparing financial statements which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are also responsible for the Financial Information. It is our responsibility to form an independent opinion on the Financial Information.

In our opinion, on the basis of presentation set out in note 1 below, the Financial Information give, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31st December, 2001, 2002 and 31st August, 2003 and of the Company as at 31st August, 2003 and of the combined results and cash flows of the Group for the Relevant Period.

## A. FINANCIAL INFORMATION

## Combined income statements

	<i>Note</i>	Year ended 31st December,		Eight months ended
		2001	2002	31st August, 2003
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	145,153	300,947	351,974
Cost of sales		<u>(115,771)</u>	<u>(236,580)</u>	<u>(274,179)</u>
Gross profit		29,382	64,367	77,795
Other income	4	344	644	1,373
Selling and distribution expenses		(695)	(1,073)	(1,248)
General and administrative expenses		(625)	(1,212)	(1,360)
Net exchange loss	5	<u>(11,377)</u>	<u>(1,972)</u>	<u>(3,276)</u>
Profit from operations		17,029	60,754	73,284
Finance costs		(4,741)	(6,474)	(1,776)
Impairment losses of fixed assets		<u>(9)</u>	<u>—</u>	<u>—</u>
Profit before taxation	6	12,279	54,280	71,508
Taxation	8(a)	<u>(4,009)</u>	<u>(16,561)</u>	<u>(21,364)</u>
Profit after taxation		8,270	37,719	50,144
Minority interests		<u>—</u>	<u>—</u>	<u>(2,507)</u>
Profit attributable to shareholders		<u>8,270</u>	<u>37,719</u>	<u>47,637</u>
Earnings per share				
Basic, HK cents	10(a)	<u>1.5</u>	<u>6.7</u>	<u>8.5</u>
Diluted, HK cents	10(b)	<u>1.3</u>	<u>6.1</u>	<u>7.7</u>



## Combined balance sheets

		At 31st December,		At 31st August,
		2001	2002	2003
	Note	HK\$'000	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>				
Fixed assets	11	2,913	3,180	3,185
Deferred tax assets	8(b)	<u>28,969</u>	<u>16,551</u>	<u>12,344</u>
		<u>31,882</u>	<u>19,731</u>	<u>15,529</u>
<b>CURRENT ASSETS</b>				
Inventories	13	8,532	25,678	19,880
Trade debtors	14	18,437	37,570	69,470
Advances to suppliers	15	6,495	6,665	17,534
Prepayments and other receivable		—	2,872	3,600
Fixed deposits		—	8,794	—
Cash and bank balances		<u>1,891</u>	<u>4,984</u>	<u>9,412</u>
		<u>35,355</u>	<u>86,563</u>	<u>119,896</u>
<b>DEDUCT:</b>				
<b>CURRENT LIABILITIES</b>				
Unsecured loan	18	74,854	58,063	18,246
Tax payable		—	—	16,587
Accrued expenses		<u>10,197</u>	<u>715</u>	<u>169</u>
		<u>85,051</u>	<u>58,778</u>	<u>35,002</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>				
		<u>(49,696)</u>	<u>27,785</u>	<u>84,894</u>
		<u>(17,814)</u>	<u>47,516</u>	<u>100,423</u>
<b>REPRESENTING:</b>				
<b>SHARE CAPITAL</b>				
RESERVES	16	1,040	82,201	1
	17(a)	<u>(68,756)</u>	<u>(37,061)</u>	<u>95,401</u>
<b>(CAPITAL DEFICIENCY)/</b>				
SHAREHOLDERS' FUNDS		(67,716)	45,140	95,402
MINORITY INTERESTS		—	2,376	5,021
<b>NON-CURRENT LIABILITY</b>				
Unsecured loan	18	<u>49,902</u>	<u>—</u>	<u>—</u>
		<u>(17,814)</u>	<u>47,516</u>	<u>100,423</u>

## Balance sheet

	<i>Note</i>	<b>At 31st August, 2003</b> <i>HK\$'000</i>
NON-CURRENT ASSETS		
Interests in subsidiaries	12	68,103
CURRENT ASSETS		
Prepayments		<u>3,378</u>
		<u>71,481</u>
REPRESENTING:		
SHARE CAPITAL	16	1
RESERVES	17(b)	<u>71,480</u>
SHAREHOLDERS' FUNDS		<u>71,481</u>

## Combined cash flow statements

	Year ended 31st December,		Eight months ended 31st August,
	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation	12,279	54,280	71,508
Interest expenses	4,741	6,474	1,776
Interest income	(344)	(644)	(1,373)
Depreciation	183	202	145
Impairment losses	9	—	—
Exchange loss on conversion of unsecured loan	9,785	—	—
Exchange gain on settlement of interest payable	—	(1,488)	—
	<u>26,653</u>	<u>58,824</u>	<u>72,056</u>
Operating profit before working capital changes	26,653	58,824	72,056
(Increase)/decrease in inventories	(5,205)	(17,146)	5,798
Increase in trade debtors	(17,047)	(19,133)	(31,900)
Increase in advances to suppliers	(4,942)	(170)	(10,869)
Increase in prepayments	—	(2,825)	(728)
(Decrease)/increase in accrued expenses	(50)	14	34
Exchange adjustments	(352)	7,422	4,146
	<u>(943)</u>	<u>26,986</u>	<u>38,537</u>
Cash (used in)/from operations	(943)	26,986	38,537
Interest received	345	597	1,373
Interest paid	—	(16,144)	(2,356)
	<u>(598)</u>	<u>11,439</u>	<u>37,554</u>
Net cash (used in)/ from operating activities	(598)	11,439	37,554
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of new shares	—	82,193	—
Contribution from a minority shareholder	—	4,326	—
Decrease in unsecured loan	—	(86,380)	(42,574)
	<u>—</u>	<u>139</u>	<u>(42,574)</u>
Net cash from /(used in) financing activities	—	139	(42,574)

	Year ended 31st December,		Eight months ended
	2001	2002	31st August, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(598)	11,578	(5,020)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	2,698	1,891	13,778
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(209)</u>	<u>309</u>	<u>654</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	<u>1,891</u>	<u>13,778</u>	<u>9,412</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Fixed deposits	—	8,794	—
Cash and bank balances	<u>1,891</u>	<u>4,984</u>	<u>9,412</u>
	<u>1,891</u>	<u>13,778</u>	<u>9,412</u>

## Combined statements of changes in equity

		<b>Eight months ended</b>		
		<b>Year ended 31st December,</b>		<b>31st August,</b>
		<b>2001</b>	<b>2002</b>	<b>2003</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January		(82,264)	(67,716)	45,140
Exchange difference on translation of financial statements of Nataki	17(a)	5,964	(8,556)	2,625
Minority's share of losses previously unabsorbed	17(a)	314	1,500	—
Net gains/(losses) not recognised in the combined income statement		6,278	(7,056)	2,625
Profit attributable to shareholders		8,270	37,719	47,637
Issue of new shares in Dickinson		—	82,193	—
At 31st December/August		(67,716)	45,140	95,402

**Notes:****1. Basis of presentation of Financial Information**

The combined income statements and combined cash flow statements of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Relevant Period or since their respective dates of incorporation where this is a shorter period. The combined balance sheets of the Group as at 31st December, 2001, 2002 and 31st August, 2003 have been prepared to present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at those dates.

**2. Significant accounting policies**

The Financial Information have been prepared in accordance with the accounting policies set out below and comply with the disclosure requirements of the Listing Rules of the Growth Enterprise Market as applicable to accountants' report for inclusion in Listing Documents. These accounting policies conform with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

*(a) Basis of preparation*

The Financial Information of the Group have been prepared under the historical cost convention.

*(b) Fixed assets and depreciation*

Fixed assets are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is calculated to write off the costs of fixed assets over their estimated useful lives on a straight line basis at the following annual rates:-

Land use rights	3.33%
Land and buildings	5%
Office equipment	20%
Motor vehicles	20%

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement.

*(c) Impairment of assets*

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(d) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost comprises of purchase cost and is determined on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(e) *Provisions and contingent liabilities*

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(f) *Revenue recognition*

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(g) *Operating leases*

Payments under operating leases are charged to the income statement on a straight line basis over the periods of the relevant leases.

(h) *Employee benefits*

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to defined contribution retirement plan under the Indonesia Jamsostek Fund are recognised as an expenses in the income statement as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(i) *Foreign currency translations*

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange

prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date; non-monetary assets and liabilities denominated in other currencies are translated at historical rates. Exchange gains or losses are dealt with in the income statements of the individual companies.

The Group prepares combined financial statements in Hong Kong dollars. On combination, all of the assets and liabilities of the companies of the Group with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all of the income and expenses items of the companies of the Group with functional currencies other than Hong Kong dollars are translated at the applicable average rates during the year. Exchange differences arising from such translations are dealt with in the exchange reserve.

The financial statements of Nataki are prepared in Indonesian Rupiah and both the reporting and functional currency adopted by Nataki is Indonesian Rupiah.

During the Relevant Period, substantially all the Group's transactions were denominated in Indonesian Rupiah. The rates of exchange in effect on 31st December, 2001, 31st December, 2002 and 31st August, 2003 were HK\$1 to IDR1,334, HK\$1 to IDR1,146 and HK\$1 to IDR1,094 respectively. The average exchange rates for the two years ended 31st December, 2002 and eight months ended 31st August, 2003 were HK\$1 to IDR1,316, HK\$1 to IDR1,187 and HK\$1 to IDR1,105 respectively.

(j) *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



(k) *Minority interests*

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

(l) *Related parties*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(m) *Cash equivalents*

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

3. **Turnover**

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

4. **Other income**

	<b>Year ended 31st December,</b>		<b>Eight months ended</b>
	<b>2001</b>	<b>2002</b>	<b>31st August, 2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	<u>344</u>	<u>644</u>	<u>1,373</u>

## 5. Net exchange loss

	Year ended 31st December,		Eight months ended
	2001	2002	31st August,
	HK\$'000	HK\$'000	2003
			HK\$'000
Exchange (gain)/loss arising from:			
Conversion of principal of unsecured loan denominated in US\$ into IDR at predetermined exchange rate	9,785	—	—
Retranslation of interest payable on unsecured loan denominated in US\$	430	—	—
Settlement of interest payable on unsecured loan denominated in US\$	—	(1,488)	—
Uplift of fixed deposits denominated in US\$ and Yen	—	12	—
Retranslation of prepayments denominated in US\$	—	—	158
Other trading operations	1,162	3,448	3,118
	<u>11,377</u>	<u>1,972</u>	<u>3,276</u>

## 6. Profit before taxation

	Year ended 31st December,		Eight months ended
	2001	2002	31st August,
	HK\$'000	HK\$'000	2003
			HK\$'000
Profit before taxation is arrived at after charging:			
Cost of inventories sold	115,771	236,580	274,179
Auditors' remuneration	11	31	28
Depreciation	183	202	145
Directors' remuneration - Note 7	49	83	130
Other staff costs	310	482	623
Interest on other loan wholly repayable within five years	4,741	6,474	1,776
Minimum lease payments in respect of land and buildings	46	89	215
	<u>46</u>	<u>89</u>	<u>215</u>

## 7. Remuneration of directors and employees

- (a) The emoluments received by the Company's directors who are directors or employees of the subsidiaries comprising the Group during the Relevant Period are as follows:

	Year ended 31st December,		Eight months ended
	2001	2002	31st August, 2003
	HK\$'000	HK\$'000	HK\$'000
Fees	—	—	—
Basic salaries, allowances and benefits in kind			
— Executive directors	49	83	97
— Independent non-executive directors	—	—	33
Pension scheme contributions	—	—	—
	<u>49</u>	<u>83</u>	<u>130</u>

The number of directors whose remuneration fell within the following band is as follows:

	Year ended 31st December,		Eight months ended
	2001	2002	31st August, 2003
HK\$Nil - HK\$1,000,000	<u>2</u>	<u>3</u>	<u>5</u>

Two executive directors received individual emoluments of approximately HK\$28,000 and HK\$21,000 for the year ended 31st December, 2001, three executive directors received individual emoluments of approximately HK\$41,000, HK\$32,000 and HK\$10,000 for the year ended 31st December, 2002 and three executive directors received individual emoluments of approximately HK\$38,000, HK\$30,000 and HK\$29,000 and two independent non-executive directors received individual emoluments of approximately HK\$30,000 and HK\$3,000 for the eight months ended 31st August, 2003.

- (b) The remuneration of employees who were not directors during the Relevant Period and who were amongst the five highest paid individuals of the Group is as follows:

	Year ended 31st December,		Eight months ended
	2001	2002	31st August, 2003
	HK\$'000	HK\$'000	HK\$'000
Basic salaries, allowances and benefits in kind	38	56	30
Pension scheme contributions	—	—	—
	<u>38</u>	<u>56</u>	<u>30</u>

The number of employees whose remuneration fell within the following band is as follows:

	Year ended 31st December,		Eight months ended
	2001	2002	31st August, 2003
HK\$Nil - HK\$1,000,000	<u>3</u>	<u>3</u>	<u>1</u>

- (c) During the Relevant Period, no directors have waived any emoluments and no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join the Group or as compensation for loss of office.

## 8. Taxation

- (a) Taxation in the combined income statements represents:

	Year ended 31st December,		Eight months ended
	2001	2002	31st August, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income tax expenses			
Indonesia:			
Current tax	—	—	16,421
Deferred tax - Note 8(b)	<u>4,009</u>	<u>16,561</u>	<u>4,943</u>
	<u>4,009</u>	<u>16,561</u>	<u>21,364</u>

During the Relevant Period, all of the Group's profits were derived from Nataki incorporated and operated in 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 Relevant Period.

Nataki is subject to Indonesian corporate income tax at the following progressive tax rates during the Relevant Period:

<b>Taxable income</b> <i>IDR</i>	<b>Rate</b> %
On the first 50,000,000	10
On the next 50,000,000	15
Over 100,000,000	30

No provision for Indonesian corporate income tax has been made for the years ended 31st December, 2001 and 2002 as Nataki has no net taxable income during that period after offsetting against available estimated tax losses brought forward. According to the audited financial statements of Nataki for the year ended 31st December, 2002, Nataki had estimated unutilised tax losses as at 31st December, 2001 and 2002 amounting to approximately IDR81 billion (equivalent to approximately HK\$61 million) and IDR17 billion (equivalent to approximately HK\$15 million) respectively.

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

	<b>Year ended 31st December,</b>		<b>Eight months</b>
	<b>2001</b>	<b>2002</b>	<b>ended</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>31st August,</b>
			<b>2003</b>
			<i>HK\$'000</i>
Profit before taxation	<u>12,279</u>	<u>54,280</u>	<u>71,508</u>
Taxation at the Indonesian progressive income tax rates	3,671	16,269	21,436
Tax effect of expenses that are not deductible in determining taxable profit	2	14	12
Tax effect of income that are not assessable in determining taxable profit	(103)	(193)	(412)
Tax effect of temporary difference arising on impairment losses on land and buildings	(3)	—	—
Tax effect of reversal of temporary difference arising on impairment losses on land use rights and land and buildings	399	446	319
Others	<u>43</u>	<u>25</u>	<u>9</u>
Income tax expenses	<u>4,009</u>	<u>16,561</u>	<u>21,364</u>

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

	Accelerated/ (decelerated) depreciation allowances <i>HK\$'000</i>	Impairment losses on land use rights and land and buildings <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.1.2001	19	(12,118)	(23,598)	(35,697)
Exchange adjustments	(2)	936	1,785	2,719
Charge/(credit) to income statement for the year	<u>(6)</u>	<u>399</u>	<u>3,616</u>	<u>4,009</u>
At 31.12.2001 and 1.1.2002	11	(10,783)	(18,197)	(28,969)
Exchange adjustments	2	(1,747)	(2,398)	(4,143)
Charge/(credit) to income statement for the year	<u>(11)</u>	<u>446</u>	<u>16,126</u>	<u>16,561</u>
At 31.12.2002 and 1.1.2003	2	(12,084)	(4,469)	(16,551)
Exchange adjustments	(1)	(570)	(165)	(736)
Charge/(credit) to income statement for the period	<u>(10)</u>	<u>319</u>	<u>4,634</u>	<u>4,943</u>
At 31.8.2003	<u>(9)</u>	<u>(12,335)</u>	<u>—</u>	<u>(12,344)</u>

As at 31st December, 2001, 2002 and 31st August, 2003, no temporary difference arising in connection with interest in subsidiaries was recognised as the subsidiaries had no distributable reserves during the Relevant Period.

## 9. Dividends

No dividend has been paid or declared by the companies now comprising the Group during the Relevant Period.

## 10. Earnings per share

- (a) The calculation of basic earnings per share is based on the Group's combined profit for the Relevant Period and the assumption that a total of 560,000,000 shares have been in issue during the Relevant Period.
- (b) Diluted earnings per share for the two years ended 31st December, 2002 and the eight months ended 31st August, 2003 are based on the Group's combined profit for the year under review and on the assumption that 614,755,556 shares have been in issue during the year under review. The number of shares used in the calculation comprised 560,000,000 shares referred to above and 54,755,556 shares that are deemed to have been issued at no consideration on the deemed exercise of the options granted under the Pre-IPO Share Option Scheme as referred to in the paragraph headed "Share Option Schemes" in Appendix V to the Prospectus, but takes no account of any shares to be issued pursuant to the exercise of the Over-allotment Option, any shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to the Prospectus.

## 11. Fixed assets

	Land use rights HK\$'000	Land and buildings HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1.1.2001	44,076	1,691	29	354	46,150
Exchange adjustments	<u>(3,422)</u>	<u>(132)</u>	<u>(3)</u>	<u>(28)</u>	<u>(3,585)</u>
At 31.12.2001 and 1.1.2002	40,654	1,559	26	326	42,565
Exchange adjustments	<u>6,648</u>	<u>255</u>	<u>5</u>	<u>54</u>	<u>6,962</u>
At 31.12.2002 and 1.1.2003	47,302	1,814	31	380	49,527
Exchange adjustments	<u>2,248</u>	<u>87</u>	<u>1</u>	<u>17</u>	<u>2,353</u>
At 31.8.2003	<u>49,550</u>	<u>1,901</u>	<u>32</u>	<u>397</u>	<u>51,880</u>
Aggregate depreciation					
At 1.1.2001	2,204	42	12	136	2,394
Exchange adjustments	(173)	(3)	(1)	(12)	(189)
Charge for the year	<u>83</u>	<u>29</u>	<u>5</u>	<u>66</u>	<u>183</u>
At 31.12.2001 and 1.1.2002	2,114	68	16	190	2,388
Exchange adjustments	350	12	3	34	399
Charge for the year	<u>91</u>	<u>32</u>	<u>6</u>	<u>73</u>	<u>202</u>
At 31.12.2002 and 1.1.2003	2,555	112	25	297	2,989
Exchange adjustments	122	6	1	15	144
Charge for the period	<u>66</u>	<u>23</u>	<u>4</u>	<u>52</u>	<u>145</u>
At 31.8.2003	<u>2,743</u>	<u>141</u>	<u>30</u>	<u>364</u>	<u>3,278</u>
Impairment losses:					
At 1.1.2001	39,352	1,039	—	—	40,391
Exchange adjustments	(3,055)	(81)	—	—	(3,136)
Charge for the year	<u>—</u>	<u>9</u>	<u>—</u>	<u>—</u>	<u>9</u>
At 31.12.2001 and 1.1.2002	36,297	967	—	—	37,264
Exchange adjustments	<u>5,936</u>	<u>158</u>	<u>—</u>	<u>—</u>	<u>6,094</u>
At 31.12.2002 and 1.1.2003	42,233	1,125	—	—	43,358
Exchange adjustments	<u>2,006</u>	<u>53</u>	<u>—</u>	<u>—</u>	<u>2,059</u>
At 31.8.2003	<u>44,239</u>	<u>1,178</u>	<u>—</u>	<u>—</u>	<u>45,417</u>
Net book value:					
At 31.12.2001	<u>2,243</u>	<u>524</u>	<u>10</u>	<u>136</u>	<u>2,913</u>
At 31.12.2002	<u>2,514</u>	<u>577</u>	<u>6</u>	<u>83</u>	<u>3,180</u>
At 31.8.2003	<u>2,568</u>	<u>582</u>	<u>2</u>	<u>33</u>	<u>3,185</u>

*Notes:*

- (a) The land use rights represent 40 plots of land currently held under freehold by three Indonesian citizens who have entered into binding agreements to relinquish title to the land with Nataki. Pursuant to these binding agreements, Nataki is granted by the registered owners with powers of attorney to act as representative of the registered owners for all matters related to the management and utilisation of the land without any reservation. Accordingly, Nataki is contractually entitled to use, utilise and occupy the land.
- (b) The land and buildings, representing a plot of land and a 4-storey office building are currently held under a medium term lease by an Indonesian citizen who has entered into a binding agreement for sale and purchase with Nataki. Pursuant to this binding agreement, Nataki is granted by the registered owner with power of attorney to conduct any necessary action as if Nataki is the owner of the land and buildings. Accordingly, Nataki is contractually entitled to use, utilise and occupy the land and buildings.
- (c) For the year ended 31st December, 2000, the Group suffered from impairment losses of fixed assets of IDR49,690,895,000 (equivalent to approximately HK\$45,444,000 as translated at average rate or approximately HK\$40,391,000 as translated at closing rate) as a result of an impairment review of the carrying values of the land use rights and land and buildings which were purchased in December 1999 and July 2000 respectively. The carrying values of land use rights and land and buildings as at 31st December, 2000 amounted to IDR51,512,895,000 (equivalent to approximately HK\$41,872,000) and IDR2,028,000,000 (equivalent to approximately HK\$1,649,000) were written down to IDR3,100,000,000 (equivalent to approximately HK\$2,520,000) and IDR750,000,000 (equivalent to approximately HK\$610,000) respectively with reference to the open market values as at that date. The respective property interests were both appraised by an independent professional valuer, PT. Hutama Penilai.
- (d) The directors carried out an impairment review of the carrying values of the land use rights and land and buildings as at 31st December, 2001 with reference to the open market values as at that date. The respective property interests were both appraised by an independent professional valuer, PT. Hutama Penilai.

**12. Interests in subsidiaries**

	<b>At 31st August, 2003</b>
	<i>HK\$'000</i>
Unlisted shares, at cost	71,481
Amount due to a subsidiary - Note 12(b)	<u>(3,378)</u>
	<u><u>68,103</u></u>



(a) Details of the subsidiaries as at 31st August, 2003 are as follows:

Name of company	Place and date of incorporation	Attributable equity interest		Issued and paid up capital	Principal activities
		Direct %	Indirect %		
Dickinson	British Virgin Islands 11th June, 1997	100	—	USD10,781,000	Investment holding
Setimuly	Mauritius 15th January, 2003	—	100	USD1,000	Investment holding
Nataki	Republic of Indonesia 9th May, 1997	—	95	IDR101,000,000,000	Trading of cocoa beans

(b) The amount is interest-free, unsecured and has no fixed repayment terms.

### 13. Inventories

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

### 14. Trade debtors

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

The following is an aging analysis of trade debtors:

	At 31st December,		At 31st August,
	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	13,450	20,249	69,470
31 - 60 days	<u>4,987</u>	<u>17,321</u>	<u>—</u>
	<u>18,437</u>	<u>37,570</u>	<u>69,470</u>

15. **Advances to suppliers**

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

16. **Share capital**

	<b>Number of shares</b>	<b>Amount</b> <i>HK\$'000</i>
<i>Ordinary shares of HK\$0.01 each</i>		
Authorised:		
On incorporation at 16.10.2002 and at 31.12.2002	10,000,000	100
Increase during the period	<u>1,490,000,000</u>	<u>14,900</u>
At 31.8.2003	<u><u>1,500,000,000</u></u>	<u><u>15,000</u></u>
Issued and fully paid:		
Issued on 16.10.2002 and at 31.12.2002	1	—
Issued on 23.6.2003	<u>99,999</u>	<u>1</u>
At 31.8.2003	<u><u>100,000</u></u>	<u><u>1</u></u>

(a) For the purpose of this report, the share capital at 31st December, 2001 and 31st December, 2002 represented 95% of the nominal value of the issued share capital of Nataki and the nominal value of the issued share capital of Dickinson respectively.

(b) The issued share capital as at 31st August, 2003 represented the issued share capital of the Company.

## 17. Reserves

(a) *The Group*

	<b>Revenue reserve</b>	<b>Special reserve</b>	<b>Exchange reserve</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1.1.2001	(93,324)	—	10,020	(83,304)
Profit for the year	8,270	—	—	8,270
Minority's share of losses previously unabsorbed	314	—	—	314
Exchange difference on translation of financial statements of Nataki	<u>—</u>	<u>—</u>	<u>5,964</u>	<u>5,964</u>
At 31.12.2001 and 1.1.2002	(84,740)	—	15,984	(68,756)
Profit for the year	37,719	—	—	37,719
Minority's share of losses previously unabsorbed	1,500	—	—	1,500
Special reserve arising on the Reorganisation	—	1,032	—	1,032
Exchange difference on translation of financial statements of Nataki	<u>—</u>	<u>—</u>	<u>(8,556)</u>	<u>(8,556)</u>
At 31.12.2002 and 1.1.2003	(45,521)	1,032	7,428	(37,061)
Profit for the period	47,637	—	—	47,637
Special reserve arising on the Reorganisation	—	82,200	—	82,200
Exchange difference on translation of financial statements of Nataki	<u>—</u>	<u>—</u>	<u>2,625</u>	<u>2,625</u>
At 31.8.2003	<u>2,116</u>	<u>83,232</u>	<u>10,053</u>	<u>95,401</u>

- (i) All the minority's share of losses previously unabsorbed had been fully recovered during the year ended 31st December, 2002.
- (ii) The special reserve arising in the year ended 31st December, 2002 represents the difference between the nominal value of the shares of Nataki acquired by Dickinson pursuant to the Reorganisation over the nominal value of the shares issued by Dickinson in exchange therefor.
- (iii) The special reserve arising in the eight months ended 31st August, 2003 represents the difference between the nominal value of the shares of Dickinson acquired by the Company pursuant to the Reorganisation over the nominal value of the shares issued by the Company in exchange therefor.
- (iv) Under articles 61 and 62 of the Indonesian Company Law, Nataki is required to appropriate a certain amount of its available net profit to a reserve fund. However, with due regard to the Indonesian accounting practice, the appropriation is conducted after offsetting the accumulated losses brought down from previous years. The appropriation to the reserve fund is required until it aggregates to at least 20% of Nataki's total paid-up capital. The amount of profit to be appropriated to the reserve fund for each year shall be determined by the shareholders in the general meeting of shareholders. The reserve fund is non-distributable and can only be used to make good future years' losses. No profit has been appropriated to the reserve fund during the Relevant Period as Nataki had accumulated losses under Indonesian accounting standards during that period.

(b) *The Company*

	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Surplus arising on the Reorganisation and at 31.8.2003	<u>71,480</u>	<u>—</u>	<u>—</u>	<u>71,480</u>

- (i) The share premium of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the Reorganisation. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.
- (ii) As at 31st August, 2003, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$71,480,000 subject to the restrictions as stated in Note 17(b)(i).

18. **Unsecured loan**

	At 31st December, 2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	At 31st August, 2003 <i>HK\$'000</i>
Amount repayable:			
Within one year	74,854	58,063	18,246
After one year but within five years	<u>49,902</u>	<u>—</u>	<u>—</u>
	<u>124,756</u>	<u>58,063</u>	<u>18,246</u>

In October 1999, Nataki entered into the loan agreement with an independent third party, Bakerloo Group Limited, whereby the lender agreed a loan amounted to US\$30,000,000 to Nataki. The loan is unsecured and bears interest at SIBOR plus 2% per annum and will mature in 48 months after the date of the loan agreement.

In December 2001, Nataki entered into an addendum of the loan agreement with the lender whereby both parties agreed to convert the remaining balance of the loan amounted to US\$16,000,000 from US\$ denominated into IDR denominated at the rate of IDR10,400 per US\$1. Both parties also agreed to fix the interest rate at 6% per annum from 28th December, 2001.

In September 2002, the interest rate of SIBOR plus 2% per annum was superceded by a mutual agreement whereby interest charged from October 1999 to December 2001 was frozen at approximately HK\$8,956,000 which represents interest on the principal at 3.75% per annum.

19. **Commitments**

As at 31st December, 2001 and 2002 and 31st August, 2003, the Group had no material capital commitments to be disclosed.

20. **Contingent liabilities**

As at 31st December, 2001 and 2002 and 31st August, 2003, the Group had no material contingent liabilities to be disclosed.

21. **Operating lease arrangements**

The Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	At 31st December,		At 31st August,
	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000
Within one year	45	52	468
After one year but within five years	135	104	218
After five years	—	—	52
	<u>180</u>	<u>156</u>	<u>738</u>

Operating lease payments represent rentals payable by the Group for its offices and warehouse. The leases are negotiated for terms of one to ten years with fixed monthly rentals.

22. **Related party transactions**

The Group did not enter into any material related party transaction during the Relevant Period.

23. **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 basic salary of its employees, and 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 accident incurred by the employees during work and to the entire pension obligations of the retired employees. However, Nataki did not join the Jamsostek fund since its incorporation until August 2002. The contributions payable by the Group which have not been accounted for amounted to approximately HK\$14,000, HK\$21,000 and HK\$25,000 for each of the two years ended 31st December, 2002 and eight months ended 31st August, 2003 respectively. The total unpaid and unaccrued contributions under the Jamsostek fund amounted to approximately HK\$92,000 as at 31st August, 2003. There were no forfeited contributions available during the Relevant Period.

## 24. Segment information

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

(a) *Business segments:*

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

(b) *Geographical segments:*

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

	<b>France</b>	<b>Netherlands</b>	<b>United Kingdom</b>	<b>Republic of Indonesia</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended</b>					
<b>31st December, 2001</b>					
Turnover	<u>45,268</u>	<u>53,855</u>	<u>46,030</u>	<u>—</u>	<u>145,153</u>
Segment assets	<u>4,873</u>	<u>8,691</u>	<u>4,873</u>	<u>48,800</u>	<u>67,237</u>
Capital expenditure	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Year ended</b>					
<b>31st December, 2002</b>					
Turnover	<u>63,168</u>	<u>139,011</u>	<u>98,768</u>	<u>—</u>	<u>300,947</u>
Segment assets	<u>—</u>	<u>26,480</u>	<u>11,090</u>	<u>68,724</u>	<u>106,294</u>
Capital expenditure	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Eight months ended</b>					
<b>31st August, 2003</b>					
Turnover	<u>39,832</u>	<u>217,497</u>	<u>94,645</u>	<u>—</u>	<u>351,974</u>
Segment assets	<u>6,185</u>	<u>38,351</u>	<u>24,934</u>	<u>65,955</u>	<u>135,425</u>
Capital expenditure	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

**B. DIRECTORS' REMUNERATION**

Save as disclosed in this report, no remuneration was paid or is payable to the Company's directors by the Company or any of its subsidiaries in respect of the Relevant Period.

Under the arrangement presently in force, the aggregate amount of the directors' fees and emoluments paid or payable for the year ending 31st December, 2003 is estimated to be approximately HK\$224,000, excluding the discretionary bonuses payable under directors' service contracts, the terms of which are set out in the subsection headed "Particulars of service contracts" in Appendix V to the Prospectus.

**C. SUBSEQUENT EVENTS**

The following significant events took place subsequent to 31st August, 2003:

- (a) In October 2003, the outstanding balance of the unsecured loan was fully repaid by Nataki.
- (b) In October 2003, Nataki sold the land use rights and the land and buildings at a consideration of approximately HK\$14,475,000 and HK\$1,108,000 respectively to four independent third parties.

**D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31st August, 2003.

Yours faithfully,  
**PKF**  
*Certified Public Accountants*  
Hong Kong

*The forecast of the combined profit after taxation and minority interests but before extraordinary items of the Group for the year ending 31st December, 2003 is set out in the section headed “Financial information — Profit forecast” in this prospectus.*

## **1. BASES AND ASSUMPTIONS**

The forecast of the combined profit after taxation and minority interests (which includes a gain from disposal of properties of approximately HK\$12.3 million) but before extraordinary items of the Group for the year ending 31st December, 2003 prepared by the Directors is based on the audited financial statements of the Group for the eight months ended 31st August, 2003, unaudited management accounts of the Group for the two months ended 31st October, 2003 and a forecast of the results of the Group for the two months ending 31st December, 2003. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31st December, 2003. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarised in the accountants’ report, the text of which is set out in Appendix I to the prospectus and is based on the following principal assumptions:

1. There will be no material changes in the existing laws or regulations, government policies or political, legal (including changes in legislation or regulations or rules), fiscal or economic conditions in Hong Kong, Indonesia, or any of the countries in which the Group carries on business or to which it exports its products or from which it sources its products.
2. There will be no significant changes in the inflation, interest rates or exchange rate.
3. There will be no material change in the bases or rates of taxation or duties in Hong Kong, Indonesia, Mauritius, BVI and the Cayman Islands or any of the countries in which the Group operates or in which the Group companies are incorporated or registered.



## 2. COMFORT LETTERS

Set out as follows are texts of letters received by the Directors from the Company's auditors and reporting accountants, PKF, and from the Sponsor, CASH, in connection with the profit forecast of the Group for the year ending 31st December, 2003, for the purpose of incorporation in this prospectus.

### (i) Letter from PKF

梁學濂會計師事務所

The logo for PKF, consisting of the letters 'PKF' in a bold, stylized, black font. The 'P' and 'K' are connected, and the 'F' is separate.

26th Floor, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

25th November, 2003

The Directors  
Pan Sino International Holding Limited  
Celestial Capital Limited

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the forecast of the combined profit after taxation and minority interests but before extraordinary items of Pan Sino International Holding Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ending 31st December, 2003 (the "Forecast") as set out in the paragraph headed "Profit forecast" under the section headed "Financial Information" in the prospectus of the Company dated 25th November, 2003 (the "Prospectus").

The Forecast, for which the directors of the Company (the "Directors") are solely responsible, has been prepared by the Directors based on the audited combined financial statements of the Group for the eight months ended 31st August, 2003, the unaudited combined management accounts of the Group for the two months ended 31st October, 2003 and a forecast of the combined results of the Group for the remaining two months ending 31st December, 2003.

In our opinion, the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the bases made by the Directors and is presented on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in our accountants' report dated 25th November, 2003, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,  
**PKF**  
*Certified Public Accountants*

(ii) Letter from CASH

**CASH**  
**Celestial Capital Limited**  
21st Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

25th November, 2003

The Directors  
Pan Sino International Holding Limited  
Pangeran Jayakarta Street No. 117, B.35, B.37 and B.39  
Sawah Besar Village  
Mangga Dua Selatan Sub-District  
Jakarta Pusat Municipality  
DKI Jakarta Province  
Republic of Indonesia

Dear Sirs,

We refer to the forecast of the combined profit after taxation and minority interests but before extraordinary items of Pan Sino International Holding Limited (the "Company") and its subsidiaries for the year ending 31st December, 2003 as set out in the Company's prospectus dated 25th November, 2003 (the "Forecast").

We have discussed with you the bases and assumptions upon which the Forecast has been made. We have also considered the letter dated 25th November, 2003 addressed to you and us from PKF relating to the accounting policies and calculations upon which the Forecast has been based. On the basis of the assumptions made by you and the accounting policies and calculations reviewed by PKF, we have formed the opinion that the Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of  
**Celestial Capital Limited**  
**Allen Mak**  
*Managing Director*

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus, received from American Appraisal China Limited, an independent valuer, in connection with their valuations of the property interests of the Group as at 30th September, 2003.



Rm 1506-10, 15/F  
Dah Sing Financial Centre  
108 Gloucester Road  
Wanchai, Hong Kong  
Tel : (852) 2511 5200  
Fax : (852) 2511 9826  
www.american-appraisal.com.hk

PRC Offices:  
Hong Kong • Beijing • Shanghai • Guangzhou • Shenzhen

25th November, 2003

The Directors  
Pan Sino International Holding Limited  
Pangeran Jayakarta Street No. 117, B.35, B.37 and B.39  
Sawah Besar Village  
Mangga Dua Selatan Sub-District  
Jakarta Pusat Municipality  
DKI Jakarta Province  
Republic of Indonesia

Dear Sirs,

In accordance with your instructions to value the property interest owned by Pan Sino International Holding Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in the Republic of Indonesia (“Indonesia”), we confirm that our affiliate P.T. Asian Appraisal Indonesia (the “Affiliate”) has carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such property interests as at 30th September, 2003 (the “valuation date”).

#### **BASIS OF VALUATION**

Our valuation of the property is our opinion of open market value which we would define as intended to mean “the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation assuming:

- i) a willing seller;

- ii) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- iii) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the valuation date;
- iv) that no account is taken of any additional bid by a purchaser with a special interest; and
- v) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

### **VALUATION METHODOLOGY**

Base on the open market approach, the property interests are rented and occupied by the Group are considered to have no commercial value either because of their non-assignability in the open market or there are prohibitions against subletting and/or assignment contained in the respective lease and/or tenancy agreement or the lack of substantial profit rent.

### **ASSUMPTIONS**

Our valuations have been made on the assumption that the owners sell the property interests on the open market without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to increase the value of such property interests. In addition, no forced sale situation in any manner is assumed in our valuations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their rental values.

We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the site are held by the owners or permitted to be occupied by the owner.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificate. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificate.

**TITLESHIP INVESTIGATION**

All legal documents disclosed in this letter and valuation certificate are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificate.

We have relied upon the legal opinion (refer as the “legal opinion”) as stated in the property title report given by Dewi Soeharto Maramis & Partners in relation to the legal title to the property interests in the Republic of Indonesia.

**LIMITING CONDITIONS**

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, site and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificate are based on information contained in the documents provided to us and are only approximations.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

P.T. Asian Appraisal Indonesia has inspected the exterior and, where possible, the interior of the property interests included in the attached valuation certificate. However, no structural survey has been made and we are therefore unable to report as to whether the property interests are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services. In the course of our inspection, we did not notice any serious defects.

Neither we nor the Affiliate have carried out investigations on site to determine the suitability of ground conditions and services for the proposed development, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

**REMARKS**

In our valuation, we have complied with all the requirements contained in the Chapter 8 to the Rules Governing the Listing of Securities on the Growth Enterprise market of The stock Exchange of Hong Kong Limited.

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars. The exchange rate adopted in our valuations as at 30th September, 2003 being IDR1,084 = HK\$1. There has been no significant fluctuation in the exchange rate between that date and the date of this letter.

We enclose herewith the summary of valuations and the valuation certificate.

Yours faithfully,  
For and on behalf of  
**AMERICAN APPRAISAL CHINA LIMITED**  
**Leo C. Ho**  
BSc., MBA, MTP, MRICS, MHKIS  
*Vice President*

*Notes:*

1. Leo C. Ho, who is a Chartered Valuation Surveyor and Registered Professional Surveyor, has extensive experience in valuation of properties in Asia.
2. P.T. Asian Appraisal Indonesia is an appraisal firm established in Indonesia since 1973. The appraiser, Mr. Ir. Benny Supriyanto who is a Licensed Valuer of Indonesia and a member of Indonesian Society of Appraisers, has extensive experience in valuation of properties in Indonesia.

## SUMMARY OF VALUATION

## PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN INDONESIA

<b>Property</b>	<b>Open Market Value in existing state as at 30th September, 2003</b>
1. An office space on 9th Floor Plaza BII Tower 3 M.H. Thamrin Street No. 51 Jakarta Pusat Municipality DKI Jakarta Province Indonesia	No commercial value
2. An office space on 2nd Floor Pangeran Jayakarta Street No. 117, B.35, B.37 and B.39 Sawah Besar Village Mangga Dua Selatan Sub-District Jakarta Pusat Municipality DKI Jakarta Province Indonesia	No commercial value
3. A warehouse Located at Ir. Sutami Street Sudiang Village Biringkanaya Sub-District Makassar Municipality South Sulawesi Province Indonesia	No commercial value

## VALUATION CERTIFICATE

## PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN INDONESIA

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30th September, 2003
1. An office space on 9th Floor Plaza BII Tower 3 M.H. Thamrin Street No. 51 Jakarta Pusat Municipality DKI Jakarta Province Indonesia	<p>The property comprises an office unit on 9th floor of a 12-storey office building completed in about 1996.</p> <p>The total floor area of the property is approximately 294.188 sq.m. (3,167 sq.ft.).</p> <p>The property is leased to PT Nataki Bamasa ("Nataki") from an independent third party for a term commencing from 27th May, 2003 to 29th November, 2004 (with an option to extend for a further term of 3 years) at a monthly rental of US\$14 per sq.m. and a monthly service charges of US\$7 per sq.m..</p>	The property is currently occupied by the Group for office purposes.	No commercial value

*Notes:*

1. Nataki is a 95% owned subsidiary of the Company.
2. We have been provided with legal opinion on the title to the property interest by the Group's Indonesian legal adviser, which contains, inter alia, the following information:
  - (i) The lessor of the property is PT Royal Oriental;
  - (ii) The Tenancy Agreement ("Agreement") is validly conferred on the Company or Nataki in accordance with the terms of the Agreement and the terms are fully enforceable against the Company or Nataki and the lessor;
  - (iii) The performance by the Company or Nataki and the lessor of their respective obligations does not contravene any laws or other regulations binding on the leased property, its owner or occupier; and
  - (iv) The Company or Nataki is entitled to enjoy possession of the relevant leased property during the term of the tenancy.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30th September, 2003
2. An office space on 2nd Floor Pangeran Jayakarta Street No. 117, B.35, B.37 and B.39 Sawah Besar Village Mangga Dua Selatan Sub-District Jakarta Pusat Municipality DKI Jakarta Province Indonesia	<p>The property comprises a whole 2nd floor of a 4-storey office building completed in about 1988.</p> <p>The floor area of the property is approximately 216 sq.m. (2,325 sq.ft.).</p> <p>The property is leased to PT Nataki Bamasa (“Nataki”) from an independent third party for a term of 10 years from 27th May, 2003 and expiring on 27th May, 2013 at an annual rental of IDR12,000,000 exclusive of maintenance, telephone, electricity and water supply charges.</p>	<p>The property is currently occupied by the Group for office purposes.</p>	<p>No commercial value</p>

*Notes:*

1. Nataki is a 95% owned subsidiary of the Company.
2. We have been provided with legal opinion on the title to the property interest by the Group’s Indonesian legal adviser, which contains, inter alia, the following information:
  - (i) The lessor of the property is PT Heradi Utama;
  - (ii) The Tenancy Agreement (“Agreement”) is validly conferred on the Company or Nataki in accordance with the terms of the Agreement and the terms are fully enforceable against the Company or Nataki and the lessor;
  - (iii) The performance by the Company or Nataki and the lessor of their respective obligations does not contravene any laws or other regulations binding on the leased property, its owner or occupier; and
  - (iv) The Company or Nataki is entitled to enjoy possession of the relevant leased property during the term of the tenancy.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30th September, 2003
3. A warehouse located at Ir. Sutami Street Sudiang Village Biringkanaya Sub-District Makassar Municipality South Sulawesi Province Indonesia	The property comprises a single-storey warehouse complex with a total floor area of approximately 4,608 sq.m. (49,600 sq.ft.).  The property is leased to PT Nataki Bamasa ("Nataki") from an independent third party for a term of 5 years from 28th December, 2000 with a monthly rental of IDR5,000,000.	The property is currently occupied by the Group as a warehouse of cocoa inventory.	No commercial value

*Notes:*

1. Nataki is a 95% owned subsidiary of the Company.
2. We have been provided with legal opinion on the title to the property interest by the Group's Indonesian legal adviser, which contains, inter alia, the following information:
  - (i) The lessor of the property is PT Sumber Adipangan Usaha Tama;
  - (ii) The Tenancy Agreement ("Agreement") is validly conferred on the Company or Nataki in accordance with the terms of the Agreement and the terms are fully enforceable against the Company or Nataki and the lessor;
  - (iii) The performance by the Company or Nataki and the lessor of their respective obligations does not contravene any laws or other regulations binding on the leased property, its owner or occupier; and
  - (iv) The Company or Nataki is entitled to enjoy possession of the relevant leased property during the term of the tenancy.

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16th October, 2002 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles").

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (which includes acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate, irrespective of any question of corporate benefit, as set forth in Section 27(2) of the Companies Law whether as principal, agent, contractor or otherwise whatever may be and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 25th June, 2003. The following is a summary of certain provisions of the Articles:

#### (a) Shares

##### (i) *Classes of Shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Share Certificates*

The Articles provide that every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for Shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for Shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of Shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of Shares, and where the capital of the Company includes Shares with different voting rights, the designation of each class of Shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of Shares. The Company shall not be bound to register more than 4 persons as joint holders of any Share.

(b) **Directors**

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Law, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and the Memorandum and Articles, any preference share may, with the sanction of a special resolution, be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board of Directors of the Company (the “Board”) may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any

shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such considerations and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be illegal or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act should be and is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

In accordance with the Articles, payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Unless otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement of proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other circumstance, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not be entitled to vote (nor shall he be counted in the quorum in relation thereto) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following proposed contracts or arrangements, namely:

- (aa) the giving of any security or indemnity to the Director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
  - (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (dd) any proposal concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director together with any of his associates (as defined by the rules, where applicable, of any stock exchange of the Relevant Territory (as defined in the Articles)) is beneficially interested in five percent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest is derived);
  - (ee) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; or
  - (ff) any proposal in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.
- (vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At any time or from time to time, the Directors shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board subject to any maximum number of Directors, if any, as may be fixed by the Articles. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors (other than the managing Director or joint managing Directors or chairman) for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not greater than one third shall be the number of retiring Directors. The



Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The latest date for lodgement of such notices will be not more than 7 clear days prior to the date of the meeting appointed for such election and the minimum length of the period during which such notices to the Company may be given must be at least 7 clear days.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board whereupon the Board resolved to accept such resignation;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolved that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the Board resolved that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;

- (ff) if he ceased to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; and
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, comply with any regulations that may from time to time be imposed upon it by the Board.

(viii) *Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(ix) *Register of Directors and officers*

Pursuant to the Companies Law and the Articles, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(c) **Alterations to the constitutional documents**

The Memorandum and Articles of the Company may only be rescinded, altered or amended, and the name of the Company may only be changed by the Company in general meeting by special resolution.

(d) **Variation of rights of existing shares of classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be a person or persons together holding (or representing by proxy) not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Alteration of capital**

The Company may, by an ordinary resolution of its members, if so authorised by the Articles, alter the conditions of its Memorandum of Association to: (a) increase its share capital by new shares of such amount as it thinks expedient provided that an exempted company having no shares of a fixed amount may increase its share capital by such number of shares without nominal or par value, or may increase the aggregate consideration for which such shares may be issued, as it thinks expedient; (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (c) convert all or any of its paid-up shares into stock, and reconvert that stock into paid-up shares of any denomination; (d) subdivide its shares or any of them, into shares of an amount smaller than that fixed by the Memorandum so, however, that

in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and (e) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled or, in the case of shares without nominal or par value diminish the number of shares into which its capital is divided.

*Reduction of share capital* — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way, cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

**(f) Special resolution — majority required**

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(g) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in

person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share registered in his name in the register of members of the Company at the date of such meeting but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need use all of his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (aa) the chairman of the meeting; or
- (bb) at least five two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (cc) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (dd) a member or members present in person or in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a recognized clearing house (as defined in the Articles) or its nominee(s), be a member of the Company, such a person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (as defined in the Articles) or its nominee(s), as if such person were the registered holder of the shares of the Company held by that clearing house or its nominee(s), including the rights to vote individually on a show of hands.

(h) **Annual general meetings**

The Company must hold an annual general meeting each year, other than in the year of incorporation. Such meeting must be held within not more than 15 months after the holding of the last preceding annual general meeting or within a period of 18 months from the date of incorporation, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) **Accounts and audit**

The Board shall cause true accounting records to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters as required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounts and books of the Company shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as may be permitted by the Companies Law or other law or authorised by the Board or the Company in general meeting.

Beginning with the first annual general meeting and at every subsequent annual general meeting of the Company, the Board shall cause to be laid before the Company balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a printed copy of the Board's report and a copy of the auditors' report not less than 21 days before the date of the meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles, not less than 21 days' before the date of the meeting.

Pursuant to the provisions of the articles, the Company shall appoint auditor(s) and the terms and tenure of such appointment and their duties at all times regulated. The auditors' remuneration shall be fixed by the Company in general meeting or in such other manner as may be determined by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted auditing principles ("GAAP"). The auditor shall make a written report thereon in accordance with GAAP standards and such report shall be submitted to the members in general meeting. The GAAP standards referred to herein may be those of Hong Kong, the International Accounting Standards the Cayman Islands or of such some other country or jurisdiction as may be permitted by the stock exchange of the Relevant Territory (as defined in the Articles). In such event, the financial statements and the report of the auditor shall disclose this fact and name such country or jurisdiction.

(j) **Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must (except in the circumstances set out above in sub-paragraph (f)) be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice. The notice must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business. Furthermore, notice of every general meeting shall be given to all members of the Company other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company. Notice must also be given to the auditors for the time being of the Company.

Any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by delivering or leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers or displaying the relevant notice conspicuously at the registered office and the head office. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (aa) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (bb) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issue shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (i) the declaration and sanctioning of dividends;
- (ii) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

- (iii) the election of directors in place of those retiring;
- (iv) the appointment of auditors and other officers;
- (v) the fixing of the remuneration of the directors and of the auditors;
- (vi) the granting of any mandate or authority of the directors to offer, allot grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be set out in the rules of the stock exchange of the Relevant Territory (as defined in the Articles) and the number of any securities repurchased under sub-paragraph (vii) below by the Company since the granting of such mandate; and
- (vii) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form (or such other form prescribed by the stock exchange of the Relevant Territory (as defined in the Articles) as the Board may approve and which may be under hand or, if the transferor or transferee is a recognised clearing house (as defined in the Articles) or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. In addition, the Board may resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

Insofar as permitted by any applicable law the Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.



Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other persons on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any stock exchange of the Relevant Territory (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year as further described in sub-paragraph 2(p) of this Appendix.

Fully paid Shares shall be free from any restriction with respect to the right of the holder thereof to transfer such Shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

**(1) Power of the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by any stock exchange of the Relevant Territory (as defined in the Articles).

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

**(m) Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

**(n) Dividends and other methods of distribution**

Subject to the Companies Law and the Articles, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide that dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (aa) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, however, no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (bb) all dividends shall be apportioned and paid rateably in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such addresses as the holder or joint holder may in writing so direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one or two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the Share or the due portion of the Shares upon which payment has been advanced by such member before it is called up.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on 2 consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy, shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) **Calls on shares and forfeiture of shares**

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made, such place being either the registered office of the Company, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(q) Inspection of the corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on a stock exchange in Hong Kong, any member may inspect any register of members of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32 of the Laws of Hong Kong).

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit. The Companies Law does not require that the Company make any returns of members to the Registrar of Companies in the Cayman Islands. Accordingly, the names and addresses of the members are not a matter of public record in the Cayman Islands.

**(r) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Except as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

See sub-paragraph (c) above for the quorum needed for a separate general meeting of the members of a separate class of shares of the Company.

**(s) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(t) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (aa) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- (bb) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed to that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which out to have been paid up, at the commencement of the winding up on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or authorised by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of member as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property in respect of which there is a liability.

(u) **Untraceable members**

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable or shares to which a person is entitled by virtue of transmission on death, bankruptcy or operation of law if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the stock exchange of the Relevant Territory (as defined in the Articles), has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) **Subscription rights reserve**

Pursuant to the Articles provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 16th October, 2002 subject to the Companies Law of the Cayman Islands. Certain provisions of the Cayman Islands company law are set out below but does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) **Company operations**

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Register of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) **Share capital**

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums or shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members of fully paid bonus shares;



- (iii) in the redemption and repurchase of shares (in accordance with the detailed provisions of section 37 of the Companies Law);
- (iv) writing off the preliminary expenses of the company;
- (v) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares without the manner of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or

purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's Memorandum and Articles, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(m) of this Appendix for further details).

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) **Disposal of assets**

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the company has obtained an undertaking from the Governor-in-Council:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the company or its operations; and

- (2) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the company:
- (i) on or in respect of the shares, debentures or other obligations of the company;  
or
  - (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the company is for a period of twenty years from 1st November, 2002.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not a party to any double tax treaties.

(k) **Stamp duty on transfers**

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's Articles.

(n) **Register of members**

A Cayman Islands exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) **Winding up**

A Cayman Islands company may be wound up either by (i) an order of the court or (ii) voluntarily by a special resolution of its members. The court also has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or where the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no further executive action may be carried out without his approval.

A company is placed in liquidation either by an order of the court or by a special resolution of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and settle the list of contributories ("members") and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

When the affairs of a company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This general meeting shall be called by Public Notice or such other means as the Registrar of Companies may direct.

For the purpose of the conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an Official Liquidator or Official Liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) **Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

#### 4. GENERAL

Appleby Spurling & Kempe, the company's special legal advisors on Cayman Islands law, have sent to the company a letter of advice which summarises certain aspects of the Cayman Islands company law. The letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT THE COMPANY****Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 16th October, 2002. The Company has established a place of business in Hong Kong at 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong. The Company was registered as an oversea company in Hong Kong under Part XI of the Companies Ordinance on 26th August, 2003, and has appointed Angela Wang & Co as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong at 24th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong. As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution which comprises a memorandum of association and articles of association. A summary of various parts of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

**Changes in share capital**

As at the date of incorporation of the Company, its initial authorised share capital was HK\$100,000 divided into 10,000,000 Shares. On 16th October, 2002, one Share was allotted and issued at par, credited as fully paid, to the initial subscriber, and such Share was subsequently transferred to Mr. Judianto on 12th December, 2002.

On 23rd June, 2003, the authorised share capital of the Company was increased from HK\$100,000 divided into 10,000,000 Shares to HK\$15,000,000 divided into 1,500,000,000 Shares by the creation of an additional 1,490,000,000 Shares.

On 23rd June, 2003, the Company allotted and issued an aggregate of 99,999 Shares, credited as fully paid at par, to Mr. Judianto and the Investors in proportion to their then shareholdings in Dickinson as consideration for the acquisition of 10,781,000 ordinary shares of US\$1.00 each in the share capital of Dickinson, representing the then entire issued share capital of Dickinson.

Assuming that the Placing becomes unconditional and the issue of the Placing Shares and the Capitalisation Issue mentioned herein are made but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the options which have been conditionally granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$15,000,000 divided into 1,500,000,000 Shares and the issued share capital of the Company will be HK\$8,000,000 divided into 800,000,000 Shares fully paid or credited as fully paid, with 700,000,000 Shares remaining unissued. Other than pursuant to the exercise of the Over-allotment Option, any options which have been conditionally granted under the Pre-IPO Share Option Scheme, or any options which may be granted under the Share Option Scheme, and save as otherwise disclosed herein, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since the date of its incorporation.

**Written resolutions of all the Shareholders passed on 25th June, 2003 and 20th November, 2003**

Pursuant to the written resolutions passed by the Shareholders on 25th June, 2003, the new amended and restated memorandum and articles of association of the Company were adopted and in substitution for and to the exclusion of the then existing articles of association of the Company.

Pursuant to the written resolutions passed by the Shareholders on 20th November, 2003:

- (a) conditional on (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any such option under the Pre-IPO Share Option Scheme and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) thereunder) and not being terminated in accordance with the terms of that agreement or otherwise, the rules of the Pre-IPO Share Option Scheme were approved and adopted, and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Pre-IPO Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Pre-IPO Share Option Scheme;
- (b) conditional on (i) the GEM Listing Committee of the Stock Exchange granting approval of the Share Option Scheme and the granting of any options thereunder and the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any such option under the Share Option Scheme, and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) thereunder) and not being terminated in accordance with the terms of that agreement or otherwise, the rules of the Share Option Scheme were approved and adopted, and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;
- (c) conditional on the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus of the Company (including any Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option, the exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme and/or the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions(s) thereunder) and not being terminated in accordance with the terms of that



agreement or otherwise, in each case on or before 24th December, 2003 (or such later date as CASH and the Lead Manager, for itself and on behalf of the Underwriters, may agree), the Placing and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Placing Shares and the Shares which may be required to be issued if the Over-allotment Option is exercised;

- (d) conditional on the share premium account being credited as a result of the allotment and issue of the Placing Shares under the Placing, the Directors were authorised to capitalise HK\$5,599,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 559,900,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business on 27th June, 2003 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing holdings; and
- (e) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or an issue of shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme, the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company or a specific authority granted by the shareholders of the Company in general meeting, Shares with an aggregate nominal value not exceeding 20% of the aggregate of (i) the total nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue, and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:
  - (A) the conclusion of the next annual general meeting of the Company;
  - (B) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable laws of the Cayman Islands to be held; or
  - (C) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate.

**Corporate reorganisation**

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on GEM. As a result, the Company became the holding company of the Group. The Reorganisation involved the following:

- (a) Pursuant to an agreement dated 3rd June 2002, the aggregate 95% interests held by Mr. Judianto and the Investors in Nataki were transferred to Dickinson in consideration for the issue and allotment of 990 shares of US\$1.00 each in the capital of Dickinson on 8th August, 2002, which was then held as to approximately 81.5% and 18.5% by Mr. Judianto and the Investors respectively.
- (b) On 27th January, 2003, Setimuly acquired from Dickinson 95,950,000 shares of IDR1,000 each in Nataki, representing 95% of the issued share capital of Nataki, in consideration of which Setimuly issued to Dickinson 999 shares of US\$1.00 each in Setimuly.
- (c) On 23rd June, 2003, the Company acquired from Mr. Judianto and the Investors the entire issued share capital of Dickinson, in consideration of which the Company issued to Mr. Judianto and the Investors an aggregate of 99,999 Shares in proportion to their then shareholdings in Dickinson.

Further information in relation to the development and organisation of the Company is contained in the section headed "Statement of Active Business Pursuits" of this prospectus.

**Changes in the share capital of subsidiaries of the Company**

The Company's principal subsidiaries are referred to in the accountants' report, the text of which is set out in Appendix I to this prospectus. In addition to those mentioned in the section headed "Corporate reorganisation" in this Appendix, the following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

- (a) On 8th August, 2002, the shareholders of Nataki passed a resolution to increase the authorised share capital of Nataki from IDR4,000,000,000 to IDR101,000,000,000 by the creation of an additional 97,000,000 shares of IDR1,000 each. On the same day, 95,000,000 shares and 5,000,000 shares of IDR1,000 each in Nataki were issued to Dickinson and Mr. Mulya respectively.
- (b) On 8th August, 2002, an aggregate of 990 shares of US\$1 each in the capital of Dickinson were issued to Mr. Judianto and the Investors in satisfaction of the consideration of IDR950,000,000 in respect of the transfer of 950,000 shares in Nataki to Dickinson as to:

805 shares to Mr. Judianto;  
15 shares to Rori Indra;  
15 shares to Trianawati;  
14 shares to Hosea Hadeli;  
14 shares to Lina Kurniawan;

14 shares to Yenni;  
13 shares to Ahsanil Gusnawati;  
13 shares to Elvin Tjandra;  
13 shares to Soleh Mamun;  
13 shares to Basir B. Nasikun;  
12 shares to Ari Surya;  
12 shares to Nurochim;  
11 shares to Syahrul;  
10 shares to Ewik Hendri;  
9 shares to Shinta Sanjaya Ismael; and  
7 shares to Hazriyandi.

- (c) On 16th August, 2002, the authorised share capital of Dickinson was increased from US\$50,000 to US\$10,781,000 by the creation of an additional 10,731,000 shares of US\$1 each in the capital of Dickinson. On the same day, an aggregate of 10,780,000 shares of US\$1 each in the capital of Dickinson were issued to Mr. Judianto and the Investors for cash at par as to:

8,785,700 shares to Mr. Judianto;  
161,700 shares to Rori Indra;  
161,700 shares to Trianawati;  
150,920 shares to Hosea Hadeli;  
150,920 shares to Lina Kurniawan;  
150,920 shares to Yenni;  
140,140 shares to Ahsanil Gusnawati;  
140,140 shares to Elvin Tjandra;  
140,140 shares to Soleh Mamun;  
140,140 shares to Basir B. Nasikun;  
129,360 shares to Ari Surya;  
129,360 shares to Nurochim;  
118,580 shares to Syahrul;  
107,800 shares to Ewik Hendri;  
97,020 shares to Shinta Sanjaya Ismael; and  
75,460 shares to Hazriyandi.

- (d) On 15th January, 2003, one incorporation share of par value US\$1.00 each in the capital of Setimuly, a company incorporated in Mauritius with limited liability, was allotted and issued to the initial subscriber at par, and such share was subsequently transferred to Mr. Judianto on 23rd January, 2003.
- (e) On 27th January, 2003, the incorporation share held by Mr. Judianto was transferred to Dickinson at par. On the same day, 999 new shares of par value of US\$1 each in the capital of Setimuly was allotted and issued to Dickinson in consideration of the transfer of 95,950,000 shares of IDR 1,000 each in the capital of Nataki held by Dickinson to Setimuly.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

## FURTHER INFORMATION ABOUT THE BUSINESS

### Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an agreement dated 3rd June, 2002 between Mr. Judianto and Dickinson whereby Dickinson purchased 950,000 shares of IDR1,000 each in Nataki held by Mr. Judianto (for himself and on behalf of the Investors) at a consideration of IDR950,000,000;
- (b) a joint statement between Mr. Judianto, Mr. Mulya and the Investors dated 5th November, 2002 whereby the parties thereto agreed and acknowledged that in relation to the sale of interest in Nataki pursuant to the agreement mentioned in paragraph (a) above, Mr. Judianto was acting for himself and on behalf of the Investors;
- (c) a supplemental agreement between Mr. Judianto, the Investors and Dickinson dated 12th December, 2002 whereby the parties thereto agreed and acknowledged that the consideration for the sale of interest in Nataki in the amount of IDR950,000,000 as contemplated under the agreement mentioned in paragraph (a) above was satisfied by the issue and allotment of 990 shares of US\$1.00 each in the capital of Dickinson on 8th August, 2002;
- (d) an agreement dated 27th January, 2003 between Dickinson and Setimuly whereby Setimuly acquired the 95,950,000 shares of IDR1,000 each in Nataki held by Dickinson, in consideration of the allotment and issue of 999 shares of US\$1.00 in Setimuly, credited as fully-paid to Dickinson;
- (e) an agreement dated 23rd June, 2003 between the Company and the then shareholders of Dickinson, whereby the Company acquired the entire issued share capital of Dickinson from the then shareholders of Dickinson in consideration of the allotment and issue of 99,999 Shares in aggregate credited as fully paid to Mr. Judianto and the Investors in proportion to their then shareholdings in Dickinson;
- (f) an agreement dated 14th October, 2003 between Nataki, Rudi Suryadi and Tjia Herman Setiadi whereby Nataki agreed to transfer to Rudi Suryadi all of its rights and obligations under the agreements dated 12th July, 2000 and 26th July, 2000 respectively relating to a plot of land located in the Special Capital Region of Jakarta Province, Jakarta Pusat Municipality, Kecamatan Sawah Besar, Kelurahan Mangga Dua Selatan, for a cash consideration of IDR1,200,000,000;

- (g) an agreement dated 14th October, 2003 between Nataki, Mersy Yakub and Willy Setiadi whereby Nataki agreed to transfer to Mersy Yakub all of its rights and obligations under the agreements dated 21st December, 1999 and 26th July, 2000 respectively relating to certain plots of land all located in West Java Province, Serang, Desa Sentul, for a cash consideration of IDR8,240,700,000;
- (h) an agreement dated 14th October, 2003 between Nataki, Yati Kustiati and Tjia Herman Setiadi whereby Nataki agreed to transfer to Yati Kustiati all of its rights and obligations under the agreements dated 21st December, 1999 and 9th July, 2000 respectively relating to a plot of land located in West Java Province, Serang, Desa Sentul, for a cash consideration of IDR286,000,000;
- (i) an agreement dated 14th October, 2003 between Nataki, Josephine Budiwati Handjaja and Sakti Budiman whereby Nataki agreed to transfer to Josephine Budiwati Handjaja all of its rights and obligations under the agreements dated 21st December, 1999 and 9th July, 2000 respectively relating to certain plots of land located in West Java Province, Serang, Desa Sentul, for a cash consideration of IDR7,147,140,000;
- (j) a deed of indemnity dated 24th November, 2003 and given by each of the executive Directors and Mr. Mulya in favour of the Company and its subsidiaries being the deed of indemnity containing indemnities in respect of, inter alia, Hong Kong estate duty and other taxation referred to in the subsection headed “Estate duty and tax indemnities” in this Appendix;
- (k) the Underwriting Agreement dated 24th November, 2003; and
- (l) a sponsor’s agreement dated 24th November, 2003 referred to in the paragraph headed “Sponsor’s agreement” under the section headed “Further information about Directors, senior management and staff”.

## **FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF**

### **Disclosure of interests**

- (a) Save as disclosed herein and in the paragraph headed “Summary of material contracts” in this Appendix, none of the Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus.
- (b) Save as disclosed in the paragraph headed “Summary of material contracts” in this Appendix, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

**Particulars of service contracts**

Each of the executive Directors, namely Mr. Judianto, Mr. Herkiamto and Mr. Zulfian, has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and renewable automatically for successive terms of one year each commencing from the day immediately after the expiry of the then current term of the service contract until terminated by not less than three months' notice in writing served by either party on the other. Each of these executive Directors is entitled to the respective basic salary set out below on a 13-month basis (subject to adjustment at the sole discretion of the Directors). In addition, for each of the completed year of service, the executive Directors are also entitled to a discretionary bonus, provided that the aggregate amount of bonuses payable to all the Directors in respect of such year may not exceed 10% of the audited combined or consolidated profit after taxation and minority interests (and after the payment of such bonus) but before extraordinary items of the Group (if any) for the relevant year (the "Profit") and provided further that the Profit for such year exceeds HK\$10 million. The current basic annual salaries of the executive Directors are as follows:

Name	Amount
Mr. Judianto	IDR48,750,000 (equivalent to approximately HK\$45,000)
Mr. Herkiamto	IDR62,400,000 (equivalent to approximately HK\$57,000)
Mr. Zulfian	IDR49,920,000 (equivalent to approximately HK\$46,000)

**Directors' remuneration**

- (i) Remuneration and benefits in kind of approximately HK\$49,000, HK\$83,000 and HK\$130,000 in aggregate were paid and granted by the Group to the Directors in respect of the financial years ended 31st December, 2001 and 31st December, 2002 and the eight months ended 31st August, 2003 respectively.
- (ii) Under the current arrangements, the Directors will be entitled to receive remuneration which, for the year ending 31st December, 2003, is expected to be approximately HK\$224,000, excluding the discretionary bonuses payable to the Directors (if any).
- (iii) Each of Ms. Novayanti, Ms. Wang Poey Foon Angela and Mr. Gandhi Prawira, being the three independent non-executive Directors, is currently proposed to be paid a director's fee of IDR49,920,000 (equivalent to approximately HK\$46,000), HK\$120,000 and IDR54,600,000 (equivalent to approximately HK\$50,000) per annum respectively. Save for the aforementioned director's fee, the three independent non-executive Directors are not entitled to receive any other remuneration for their respective offices of independent non-executive Directors.

**Disclosure of interests**

- (a) *Interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations*

Immediately following the completion of the Placing and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised, no Director or chief executive of the Company, save

as disclosed below, will have an interest or short position in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to the securities transactions by Directors which are to be notified to the Company and the Stock Exchange, once the Shares are listed:

(i) Long position in Shares:

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate shareholding percentage</b>
Mr. Judianto	Beneficial owner	456,400,000	57.05%

(ii) Short position in Shares:

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate shareholding percentage</b>
Mr. Judianto	Personal	Beneficial owner	36,000,000 (Note 1)	4.5%

(iii) Long position in underlying Shares of equity derivatives of the Company:

<b>Name of Director</b>	<b>Capacity</b>	<b>Description of equity derivatives</b>	<b>Number of underlying Shares</b>
Mr. Herkiamto	Beneficial owner	share option (Note 2)	16,000,000
Mr. Zulfian	Beneficial owner	share option (Note 2)	16,000,000

*Notes:*

1. These Shares are the subject of the share lending agreement entered into between the Lead Manager and Mr. Judianto.
2. The share options were granted under the Pre-IPO Share Option Scheme.

(b) *Substantial shareholder*

Immediately following the completion of the Placing and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised, and so far as is known to the Directors, no person (other than a Director and chief executive of the Company whose interests are disclosed above) will have, or be deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company or has any option in respect of such capital.

### **Personal guarantees**

The Directors have not provided any guarantees in favour of banks for debts and liabilities due by members of the Group.

### **Agency fees or commission**

The Underwriters will receive an underwriting commission. The Sponsor will receive a financial advisory fee and a documentation fee as mentioned in the paragraph headed “Commission and expenses” in the section headed “Underwriting” of this prospectus.

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

### **Sponsor’s agreement**

The Sponsor has entered into a sponsor’s agreement (which is a material contract as referred to in the paragraph headed “Summary of material contracts” in this Appendix) with the Company in compliance with the requirements of the GEM Listing Rules and will charge a sponsor’s fee for its services provided thereunder.

### **Disclaimers**

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of the Company has any interest or short positions in the shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (or any interest or short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to the securities transactions by Directors which are, to be notified to the Company and the Stock Exchange once the Shares are listed;



- (b) save as disclosed in the paragraph headed “Particulars of service contracts” above, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (c) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other information” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) taking no account of Shares which may be taken up under the Placing and the Capitalisation Issue or any options which may be granted under the Share Option Scheme and the Pre-IPO Share option Scheme, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will immediately following completion of the Placing and the Capitalisation Issue be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) none of the experts named in the paragraph headed “Consents of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## SHARE OPTION SCHEMES

### A summary of the principal terms of the Share Option Scheme

#### *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution passed by all the Shareholders on 20th November, 2003:

#### (a) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to subscribe for Shares to any part-time or full-time employee, executive, officer or director (including executive and non-executive) of any members of the Group (“Employees”) or any supplier, customer, joint venture partner, professional adviser or consultant of any members of

the Group who, in the sole opinion of the Board, has made or will make contributions which are or may be beneficial to any members of the Group (collectively, the “Eligible Participants”) as incentives or rewards for their contribution or potential contribution to any members of the Group.

(b) Who may join

The Board may, at its discretion, offer any Eligible Participant options to subscribe for such number of new Shares as the Board may determine at an exercise price to be determined in accordance with paragraph (e) below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

(c) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the Shares in issue as at the Listing Date. Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under the Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of any member of the Group if this will result in the 30% limit being exceeded.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed one (1) per cent of the number of Shares in issue as at the date of grant.

Any further grant of options in excess of this one (1) per cent limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his associates abstaining from voting and/or other requirements prescribed under the GEM Listing Rules from time to time.

(e) Price of Shares

The exercise price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board resolves to grant the options); (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(f) Granting options to connected persons

Any grant of options to a director, chief executive, management shareholder (as defined in the GEM Listing Rules) or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the options).

If the Company proposes to grant options to a Substantial Shareholder or any independent non-executive Director or their respective associates which will result in the number of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option scheme(s) of the Company in the 12-month period up to and including the date of the offer of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue on the date of the offer; and
- (ii) having an aggregate value in excess of HK\$5 million, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of each offer,

such further grant of options will be subject to, in addition to the approval of the independent non-executive directors of the Company, the issue of a circular by the Company to its shareholders and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the GEM Listing Rules from time to time. A connected person (as defined in the GEM Listing Rules) of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

(g) Restrictions on the time of grant of options

A grant of options may not be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price-sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company's results for any year, half-year or quarter-year period; and (ii) the deadline for the Company to publish such results announcement under the GEM Listing Rules and ending on the date of actual publication of the results announcement.

(h) Rights are personal to grantee

An option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so.

(i) Time of exercise of option

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its absolute discretion any such minimum period at the time of grant of any particular option.

(j) Life of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted by resolution of the Shareholders, after which no further options will be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise.

(k) Performance target

The Board has the absolute discretion to require any particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised.

(l) Rights on termination of employment or business relationship

- (i) If the grantee (being an Employee) ceases to be an Eligible Participant for any reason other than his or her death, ill-health, injury, disability or the termination of his or her employment on one or more of the grounds specified in paragraph (p)(v) below, the grantee may exercise the option up to his or her entitlement at the date of cessation of his or her employment (to the extent not already exercised) within the period of two months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the Company or its relevant subsidiary (as the case may be) whether salary is paid in lieu of notice or not;
- (ii) if the grantee (being an individual) ceases to be an Eligible Participant by reason of death, ill-health, injury or disability (in each case evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his or her relationship with the Company or its relevant subsidiary (as the case may be) under paragraph (p)(v) below has occurred, the legal personal representative(s) of the grantee shall be entitled to exercise the option in full (to the extent not already exercised) on or before the earlier of (i) the last day of the 12-month period commencing from the date of such grantee ceasing to be an Eligible Participant; and (ii) the relevant expiry date of the option; and
- (iii) if the grantee (not being an Employee) ceases, in the absolute opinion of the Board, to be an Eligible Participant by reason of termination of his or her business relation with the Company or its relevant subsidiary (as the case may be) and none of the events which would be a ground for termination of his or her relationship with the Company or its relevant subsidiary (as the case may be) under paragraph (p)(v) arises, the grantee may exercise the option (to the extent not already exercised) within the period of one month from the date on which the Board notifies such grantee in writing of the relevant termination.

(m) Rights on winding-up

In the event of an effective resolution being passed by the Shareholders for the voluntary winding-up of the Company or an order of the Court is made for the winding-up of the Company, the grantee of an option (or his or her legal personal representative(s)) may by notice in writing to the Company within 21 days after the date of such resolution or order elect to be treated as if his or her option (to the extent not already exercised) had been exercised immediately before the date of such resolution or order either to its full extent or to the extent specified in the notice and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the exercise price which would otherwise have been payable in respect thereof.

(n) Rights on takeover

If a general offer is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert

with the offeror) and such offer becomes or is declared unconditional during the period within which the relevant option may be exercised, the grantee (or his or her legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

(o) Rights on an arrangement

If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, the grantee (or his or her legal personal representatives) may, thereafter (but before such time as shall be notified by the Company and in any case, before the scheme becomes effective) exercise the option to its full extent or to the extent specified in such notice.

(p) Lapse of the options

An option will lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry date relevant to that option;
- (ii) the expiry of any of the periods referred to in paragraphs (l) and (n) above;
- (iii) the date of commencement of the winding-up of the Company (as determined in accordance with the applicable law) as referred to in paragraph (m) above;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred in paragraph (o);
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty (where applicable) or, in case the grantee is an Employee, on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or its relevant subsidiary (as the case may be). A resolution of the Board or the board of directors of the relevant subsidiary (as the case may be) to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;

- (vi) the date on which the grantee commits a breach of the prohibitions specified in paragraph (h) above or the options are cancelled in accordance with paragraph (t) below; or
- (vii) the date on which the grantee (being an Employee) ceases to be so employed by the Company and/or any of its subsidiaries during the 12-month period following the date on which his relevant option is deemed to be granted and accepted in accordance with the terms of the Share Option Scheme.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the other fully-paid Shares in issue on the date of issue.

(r) Effect of alterations to capital

In the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital whilst any option may become or remains exercisable, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price of each outstanding option as the auditors of the Company or the independent financial adviser shall certify in writing to the Board to be in their opinion fair and reasonable and in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him or her before such alteration and the aggregate exercise price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme),

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall operate to effect adversely the terms of issue of an option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantee of the relevant options. Where the Company cancels options and grants new ones to the same grantee, the grant of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders.

(u) Termination of the Share Option Scheme

The Company by resolution in general meeting or the Board may at any time resolve to terminate the operation of the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Condition of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options granted pursuant thereto; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of waiver of any conditions by the Sponsor on behalf of the Underwriters) and not being terminated in accordance with its terms or otherwise.

(w) Disclosure in annual and half-year reports

The Company will disclose details of the Share Option Scheme in its annual and half-year reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/half-year reports in accordance with the GEM Listing Rules in force from time to time.



**Present status of the Share Option Scheme**

As at the Latest Practicable Date, no options have been granted by the Company under the Share Option Scheme.

Application has been made to the GEM Listing Committee for the approval for the listing of, and permission to deal in, any Shares which may be issued and allotted pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.

**A summary of the principal terms of the Pre-IPO Share Option Scheme**

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain employees of the Group to the growth of the Group and/or the listing of the Shares on GEM. The principal terms of the Pre-IPO Share Option Scheme, conditionally approved by a written resolution of all the Shareholders passed on 20th November, 2003 (which is still subject to certain conditions as referred to in the paragraph headed “Written resolutions of all the Shareholders passed on 25th June, 2003 and 20th November, 2003” above) are the same as the terms of the Share Option Scheme except that:

- (a) the eligible persons for taking up options under the Pre-IPO Share Option Scheme are confined to any full-time or part-time employees, executive, officer or director (executive or non-executive), of the Company or any of its subsidiaries;
- (b) the exercise price for a Share in respect of any option granted under the Pre-IPO Share Option Scheme is HK\$0.01;
- (c) the maximum number of Shares subject to the Pre-IPO Share Option Scheme shall not exceed 56,000,000 representing 7% of the number of issued share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised);
- (d) save for the options which have been granted under the Pre-IPO Share Option Scheme (see below), no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the maximum number of Shares subject to the Pre-IPO Share Option Scheme has been granted and the right to grant options thereunder has been terminated on the day immediately prior to the day on which the Placing takes place; and
- (e) options granted under the Pre-IPO Share Option Scheme can only be exercised by the relevant grantees after the expiry of the 12-month period following the Listing Date.

Application has been made to the GEM Listing Committee for the listing of, and permission to deal on GEM in, the Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

### Outstanding Options under the Pre-IPO Share Option Scheme

As at the Latest Practicable Date, options to subscribe for 56,000,000 Shares in aggregate, representing 7% of the issued share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised) at an exercise price equal to the par value of the Share have been conditionally granted by the Company at a consideration of HK\$1.00 per grant under the Pre-IPO Share Option Scheme.

Particulars of the outstanding options granted are set out below:

Name of grantee	Address of the grantees	Position	Percentage of the options granted over the issued capital of the Company as at the Listing Date assuming the Over-allotment Option is not exercised	Subscription Price per Share (HK\$)	Number of Shares to be issued upon exercise of options
Johanas Herkiamto	Agung Tengah 6 I/4/6A, Sunter Agung, North Jakarta, Indonesia	Director	2%	0.01	16,000,000
Rudi Zulfian	Malaka Utara Blok D 20 / 3, Malaki Sari, East Jakarta, Indonesia	Director	2%	0.01	16,000,000
Tiswan ( <i>Note</i> )	Jl. Kebon Baru I/10, RT 001, RW 008, Kebon Baru, TEBET, Jakarta Selatan, Indonesia	Head of Accounting	1.5%	0.01	12,000,000
Elfisno ( <i>Note</i> )	Jl. Delima V Blok D No. 287, Jatimulya Tambun, Bekasi, Indonesia	Head of Internal Audit	1.5%	0.01	12,000,000

*Note:* Tiswan and Elfisno have assisted Mr. Judianto in greatly expanding and further developing the business of Nataki into its current position. They have therefore been granted options under the Pre-IPO Share Option Scheme in recognition of their past contribution to the growth of the Group.

Under the terms of the grant of the options under the Pre-IPO Share Option Scheme, such outstanding options may not be exercised within the twelve-month period following the Listing Date. After such time, the outstanding options under the Pre-IPO Share Option Scheme may be exercised in accordance with the rules of the Pre-IPO Share Option Scheme.

The Shares held in the public hands immediately upon listing of the Shares on GEM would represent approximately 43.0% of the issued share capital of the Company. Assuming that all of the outstanding options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interest of the public would be reduced from approximately 43.0% to approximately 40.1% of the issued share capital of the Company, taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or options granted under the Share Option Scheme or any Shares which may be issued by the Company pursuant to the general mandate.

Each of the holders of options granted under the Pre-IPO Share Option Scheme has severally undertaken to the Company, the Sponsor and the Stock Exchange that he will not exercise his options granted under the Pre-IPO Share Option Scheme if such exercise would result in the percentage of the securities of the Company held in public hands falling below 25%.

Save as disclosed above, no other options have been granted or agreed to be granted under the Pre-IPO Share Option Scheme or by the Company under the Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date but the provisions of the Pre-IPO Share Option Scheme shall remain in all other respects in full force and effect in respect of any options granted during the life of the Pre-IPO Share Option Scheme which may continue to be exercisable in accordance with their terms of issue.

## **OTHER INFORMATION**

### **Estate duty and tax indemnities**

Each of the executive Directors and Mr. Mulya has entered into a deed of indemnity with and in favour of the Group (being the contract referred to in paragraph (j) of the subsection headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other things:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group, by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any member of the Group; and

- (b) any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Placing becomes unconditional, save:
- (i) to the extent that provision has been made for such taxation in the audited accounts of the member of the Group for an accounting period ended on 31st August, 2003;
  - (ii) the liability for such taxation which would not have arisen but for some act or omission of, or transaction entered into by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the course of normal day to day trading operations after the date that the Placing becomes unconditional; or
  - (iii) to the extent that such taxation arises or is incurred as a consequence of any change in the law having retrospective effect and which comes into force after the date of the deed of indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of anywhere else in the world on the profits of companies for the current or any earlier financial period).

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands or the British Virgin Islands.

### **Litigation**

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

### **Sponsor**

The Sponsor has made an application on behalf of the Company to the GEM Listing Committee for listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein.

### **Preliminary expenses**

The preliminary expenses of the Company are estimated to be approximately US\$5,000 and are payable by the Company.

**Promoter**

The promoter of the Company is Mr. Judianto.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or proposed to be paid, allotted or given, to the promoter in connection with the Placing or the related transactions described in this prospectus.

**Qualifications of experts**

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
CASH	A deemed licensed corporation licensed to perform types 1 and 6 regulated activities under the SFO
PKF	Certified public accountants
American Appraisal China Limited	Chartered surveyors and independent valuers
PT. Hutama Penilai	Professional appraisers and consultants
Appleby Spurling & Kempe	Cayman Islands attorneys-at-law
Dewi Soeharto Maramis & Partners	Indonesian lawyers

**Consents of experts**

Each of CASH, PKF, American Appraisal China Limited, PT. Hutama Penilai, Appleby Spurling & Kempe and Dewi Soeharto Maramis & Partners has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

**Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

**Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
- (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no founders or management or deferred shares of the company or any of its subsidiaries have been issued or agreed to be issued; and
  - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.
- (b) The Directors have confirmed that, save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Group since 31st August, 2003 (being the date to which the audited combined financial statements of the Group were made up).
- (c) None of CASH, PKF, American Appraisal China Limited, PT. Hutama Penilai, Appleby Spurling & Kempe or Dewi Soeharto Maramis & Partners:
- (i) is interested beneficially or non-beneficially in any shares in any member of the Group;
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (d) No security of the Group is presently listed or proposed to be listed on any stock exchange or traded on any stock exchange other than the Stock Exchange.
- (e) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus, a statement of the adjustments made by PKF in arriving at the figures set out in their accountants’ report and giving their reasons therefor and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Sidley Austin Brown & Wood, 49th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (i) the memorandum and articles of association of the Company;
- (ii) the accountants’ report on the Group prepared by PKF, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments;
- (iii) the audited financial statements as have been prepared for Nataki for each of the two years ended 31st December, 2002 and the eight months ended 31st August, 2003;
- (iv) the full valuation report relating to the property interests of the Group prepared by American Appraisal China Limited, of which the text of the letter and summary of valuation is set out in Appendix III to this prospectus;
- (v) the letter of advice prepared by Appleby Spurling & Kempe referred to in the section headed “General” in Appendix IV to this prospectus summarising certain aspects of the Cayman Islands company law;
- (vi) the Companies Law;
- (vii) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
- (viii) the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus;
- (ix) the service contracts referred to in the paragraph headed “Particulars of service contracts” in Appendix V to this prospectus;

- (x) the rules of the Share Option Scheme;
- (xi) the rules of the Pre-IPO Share Option Scheme; and
- (xii) a full list of the persons who have been conditionally granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all the relevant details as required under paragraph 10 of the Third Schedule to the Companies Ordinance, as referred to in the paragraphs headed “A summary of the principal terms of the Pre-IPO Share Option Scheme” and “Outstanding options under the Pre-IPO Share Option Scheme” in Appendix V to this prospectus.