

環新國際有限公司

(Incorporated in the Cayman Islands with limited liability)



Pan Sino International Holding Limited

June 2005

Interim Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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.

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This report, for which the Directors of Pan Sino International Holding Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover for the six months ended 30th June, 2005, amounted to approximately HK\$268.67 million, increase approximately 21.6% compared to the corresponding period in 2004.
- Sales volume for the six months ended 30th June, 2005 increased by approximately 15.1% into 22,040 tonnes compared to the corresponding period in 2004.
- Profit from operations increased by 6.7% compared to the corresponding period in 2004 to approximately HK\$60.80 million for the six months ended 30th June, 2005.
- Earning per share was approximately HK4.89 cents.
- The Directors do not recommend payment of an interim dividend for the six months ended 30th June, 2005.
- Profit attributable to shareholders for the six months ended 30th June, 2005 was approximately HK\$40.73 million representing an increase of approximately 6.2% compared to the corresponding period.

INTERIM RESULTS

For the six months ended 30th June, 2005 (Unaudited)

The board of directors (the "Board") is pleased to announce the unaudited consolidated results of the Group for the six months and three months ended 30th June, 2005 together with comparative unaudited figures for the corresponding periods in 2004 (the "Relevant Periods") as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	161,727	123,837	268,665	220,966
Cost of sales		(125,361)	(95,429)	(207,396)	(169,297)
Gross profit		36,366	28,408	61,269	51,669
Other income		1,854	653	3,369	1,668
Selling & distribution expenses		(592)	(782)	(1,009)	(1,228)
General and administration expenses		(2,526)	(889)	(3,550)	(1,529)
Net exchange gain		421	6,299	723	6,428
Profit before taxation	3	35,523	33,689	60,802	57,008
Taxation	4	(10,691)	(9,950)	(17,841)	(16,722)
Profit after taxation		24,832	23,739	42,961	40,286
Minority interest		(1,337)	(1,128)	(2,231)	(1,949)
Profit attributable to shareholders	5	23,495	22,611	40,730	38,337
Earnings per Share					
– Basic (<i>cents</i>)	6a	2.82	2.83	4.89	4.79
– Diluted (<i>cents</i>)	6b	2.65	2.65	4.59	4.49

CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) As at 30th June, 2005 HK\$'000	(Audited) As at 31st December, 2004 HK\$'000
ASSETS			
Non-current assets			
Deferred tax assets		108	21
		<u>108</u>	<u>21</u>
Current assets			
Inventories		5,138	6,922
Trade receivables	7	49,366	83,310
Advances to suppliers		32,852	14,351
Deposits, Prepayments and other receivables		432	541
Fixed deposit		218,763	180,252
Cash and bank balances		84,878	36,890
		<u>391,429</u>	<u>322,266</u>
Deduct:			
CURRENT LIABILITIES			
Tax payable		2,340	13,284
Accrued expenses		36	365
		<u>2,376</u>	<u>13,649</u>
NET CURRENT ASSETS		<u>389,053</u>	<u>308,617</u>
		<u>389,161</u>	<u>308,638</u>
Representing:			
SHARE CAPITAL		9,600	8,000
RESERVES		366,886	289,895
MINORITY INTERESTS		12,675	10,743
SHAREHOLDERS' FUND		<u>389,161</u>	<u>308,638</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	60,802	57,008
Interest income	(3,369)	(1,668)
Operating profit before working capital changes	57,433	55,340
(Increase)/decrease in inventories	1,784	(15,880)
Decrease in trade debtor	33,944	27,392
Increase in advances to suppliers	(18,501)	(4,202)
Decrease in deposits, prepayments and other receivable	109	4,030
Decrease in accrued expenses	(329)	(993)
Cash from operations	74,440	65,687
Interest received	3,369	(1,668)
Tax paid	(28,785)	(38,642)
Net Cash from operating activities	49,024	25,377
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of assets	-	7
Net cash from investing activities	-	7
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred tax assets	(87)	3
Deposits received from placing of new shares	48,000	-
Dividend	-	(8,470)
Net cash from financing activities	47,913	(8,467)
NET INCREASE IN CASH AND CASH EQUIVALENTS	96,937	16,917
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	217,142	160,837
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(10,438)	(24,405)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	303,641	153,349
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Fixed Deposits	218,763	78,279
Cash and bank balances	84,878	75,070
	303,641	153,349

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	2005 HK\$'000	2004 HK\$'000
At 1st January, 2005	297,895	228,344
Exchange differences on transition of financial statements of overseas subsidiary	(10,139)	(18,571)
Share placing	48,000	–
Dividends	–	(8,000)
Profit attributable to shareholders	40,730	38,337
	<u>376,486</u>	<u>240,110</u>

Notes:

1. Basis of Presentation and Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and are prepared under the historical cost convention.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standard and Hong Kong Financial Reporting standards ("HKFRS") which are effective for accounting period beginning on or after 1st January, 2005. The adoption of these HKFRS has no material impact on the Group's results of operations and financial position.

2. Turnover

The Group is principally engaged in trading of cocoa beans. Turnover represents the invoiced value of goods sold during the six months ended 30th June, 2005.

3. Profit before taxation

	2005 HK\$'000	2004 HK\$'000
Profit before taxation is arrived at after charging:		
Cost of inventories sold	207,396	169,297
Depreciation	–	6
Directors' remuneration	223	149
Other staff costs	282	224
Minimum lease payments in respect of land and buildings	253	254

4. Taxation

Taxation in the consolidated income statement represents:

	(Unaudited) Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
Income tax expense		
Indonesia:		
Current tax	17,932	16,722
Deferred tax	(91)	–
	17,841	16,722
	17,841	16,722

During the six months ended 30th June 2005, all of the Group's profits were derived from PT. Nataki Bamasa ("Nataki") incorporated and operated in the Republic of Indonesia. No provision for Hong Kong profits tax has been made in these financial statements as the Group has no assessable profits for the period. Provision for Indonesian corporate income tax for the current period is based on the following progressive tax rates:

Taxable income rate

IDR	%
On the first 50,000,000	10
On the next 50,000,000	15
Over 100,000,000	30

The tax charge for the six months ended 30th June 2005 can be reconciled to the profit per the income statement as follows:

	(Unaudited) Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
Profit before taxation	60,802	57,008
Taxation at the Indonesian progressive income tax rates	20,581	17,103
Tax effect of expenses that are not deductible in determining taxable profit	38	22
Tax effect of income that is not assessable in determining taxable profit	(2,989)	(403)
Tax effect of cumulative tax loss	302	–
Income tax expense:		
Current tax	17,932	16,722
Deferred tax	(91)	–
	17,841	16,722
	17,841	16,722

5. Profit attributable to shareholders

Profit attributable to shareholders for the six months ended 30 June 2005 is approximately HK\$40,730,000.

6. Earnings per share

- (a) The calculation of the basic earnings per share is based on profit attributable to shareholders for the six months ended 30th June 2005 of HK\$40,730,000 (30th June, 2004: HK\$38,337,000) and on 832,707,182 (30th June 2004: 800,000,000) shares in issue during the period.
- (b) The calculation of the diluted earnings per share is based on profit attributable to shareholders for the six months ended 30th June 2005 of HK\$40,730,000 (30th June, 2004: HK\$38,337,000) and on 886,467,182 (30th June 2004: 854,000,000) shares in issue during the period.

7. Trade receivables

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

	(Unaudited) As at 30th June, 2005 HK\$'000	(Audited) As at 31st December, 2004 HK\$'000
Trade receivables	49,366	83,310

The aging analysis of the trade receivables were as follows:

	(Unaudited) As at 30th June, 2005 HK\$'000	(Audited) As at 31st December, 2004 HK\$'000
0-30 days	42,497	73,686
31-60 days	6,869	9,624
	49,366	83,310

ADVANCE TO ENTITIES

The Directors confirm that no circumstances giving rise to disclosure obligations under Rule 17.15 of the GEM Listing Rules continue to exist as at 30th June, 2005.

MOVEMENT OF RESERVES

	Share Premium	Revenue reserve	Special reserve	Exchange reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2004	86,800	31,754	83,232	10,558	212,344
Profit for six months 2004	–	38,337	–	–	38,337
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	(18,571)	(18,571)
At 30th June, 2004	<u>86,800</u>	<u>70,091</u>	<u>83,232</u>	<u>(8,013)</u>	<u>232,110</u>
At 1st January, 2005	86,800	123,448	83,232	(3,585)	289,895
Profit for six months 2005	–	40,730	–	–	40,730
Share placing	46,400	–	–	–	46,400
Exchange differences on translation of financial statement of overseas subsidiaries	–	–	–	(10,139)	(10,139)
At 30th June, 2005	<u>133,200</u>	<u>164,178</u>	<u>83,232</u>	<u>(13,724)</u>	<u>366,886</u>

INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30th June, 2005 (30th June 2004: Nil).

PLACING OF NEW SHARES

As detailed in the Company's announcement dated 12th April, 2005, the Company entered into 7 subscription agreements with 7 placees for 160,000,000 new shares of the Company at the placing price of HK\$0.30 per share (the "Placing"). The New Shares of the Company were allotted on 25th May, 2005.

The net proceeds from the Placing was approximately HK\$47.8 million which is to be used as the general working capital of the Company for its expansion of the existing cocoa beans trading business.

The 160,000,000 Placing shares represented 20% of the existing issued share capital of the Company prior to the Placing, and approximately 16.67% of the Company's issued share capital as enlarged by the Placing. They were issued and allotted under the general mandate granted to the Directors of the Company at the annual general meeting of the Company held on 18th May, 2004.

BUSINESS REVIEW

The Group is aware of the investments its customers make in building their brands and maintaining a competitive position.

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

For the six months ended 30th June, 2005, the Group increased its sales to approximately 22,040 tonnes to the existing customers and is continuing its effort to expand its market-share after the recruitment of the additional sales and marketing staff in June 2004.

The trend in turnover during the second quarters of 2005 and 2004 was higher as the crop season for cocoa beans in Indonesia is divided into two: (i) March to July; and (ii) September to December.

The Company's sales volume has increased from 19,140 tonnes for the six months ended 30th June, 2004 to 22,040 tonnes for the six months ended 30th June, 2005, representing an increase of approximately 15.15%.

Net profit attributable to shareholders in the second quarter of 2005 increased by approximately 6.24% compared to the corresponding period in 2004.

RELATIONSHIP WITH CUSTOMERS

The Group's primary business is the sourcing and sale of cocoa beans to its overseas customers. These activities are supported by well integrated teams within our organisation.

The Group is committed to maintain good and stable relationships with its existing overseas customers as they are established cocoa product suppliers in Europe who also source cocoa beans from all over the world. Since June of last year, the Group recruited three sales and marketing staff who has since explored and secured more sales opportunities.

BUSINESS PLAN

The Group formulated the business plans to implement its strategies in the time periods as set out in the prospectus, but had to consider the current investment situations and conditions in Indonesia which led to the revisions in the business plans.

The Group was listed in December 2003. The first business plan was to be started at the end of June 2004, but uncertainties in the then economic conditions required the Group to revise its business plans.

Indonesia in the year 2004 held its general and presidential elections. Past experiences of such always created unstable conditions for new investment activities. The Group therefore decided to hold back its business plans to build a new factory and warehouse in Indonesia. The Group needed to obtain several licenses from the Government bodies to carry out the plans and these processes were slowed down as the Government bodies concentrated their efforts in organizing and maintaining the peaceful elections. With the extra effort on the part of the Government, both the general and presidential elections were carried out peacefully and successfully.

RELATIONSHIP WITH FARMERS

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

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

FUTURE PROSPECTS

The business and revenue of the Group is in line with the crop season of the cocoa beans in Indonesia where better growth is usually reported in the second quarter of each year. The main crop has given a positive impact to the Group's sales and revenue. We can see the comparison of the turnover of the Group for the second quarter in 2005 of approximately HK\$161.73 million was increased by approximately 51.23% from the turnover of the first quarter in 2005 of approximately HK\$106.94 million.

The current international price for cocoa beans has reached the highest level in 18 years and is predicted to have an up trend due to the instability and civil war in Cote D'Ivoire, the largest producer country in the world.

The Directors believe that the Group will be able to maintain its competitive edge for 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 purchases.

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

Other important factors in dealing with the farmers are:

- the Group's ability to place large orders enables us to obtain more competitive prices and in return pass these export quality cocoa beans at attractive prices on to the customers;
- the Group's senior management team has experience and well established business relationships in the cocoa industry;
- the Group adopts stringent quality control procedures to ensure that the quality of the cocoa beans sourced meet with customers' requirements;
- the Group maintains close relationships with the farmers sustaining cocoa agriculture in the provision of value-added services such as latest market information on the cocoa industry and informal training on farming and harvesting methods.

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

RETIREMENT BENEFIT SCHEME

The Indonesian subsidiary of the Company, Nataki, is required to contribute to the government's statutory insurance and retirement fund ("Jamsostek") 6.24% of the basic salary of its employees, and 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.

In addition, based on Manpower Law of the Republic of Indonesia No. 13 year 2003 stipulates that Nataki has an obligation to pay a certain amount to the employee if termination happened. In connection with this matter the Group has provide the allowance of such of obligation

RELATED PARTY TRANSACTIONS

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

COMMITMENTS

As at 30th June, 2005, the Group had no material capital commitments to be disclosed.

CONTINGENT LIABILITIES

As at 30th June, 2005, the Group had no material contingent liabilities to be disclosed.

CAPITAL STRUCTURE OF THE GROUP IN DEBT SECURITIES

During the period ended 30th June, 2005, the Group had no debt securities in issue and it was the same for the corresponding period ended 30th June 2004.

SIGNIFICANT INVESTMENT

As at 30 June 2005, the Group had no significant investments held.

CHARGES ON GROUP'S ASSETS

As at 30 June 2005, the Group did not have any charges on any of its assets.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity position has improved during first quarter of 2005 and second quarter of 2005. In current period, the Group financed its operations and investing activities with internally generated cash flows.

As at 30th June, 2005, the Group had total cash and bank deposits of HK\$303.64 million. The Group did not have any bank loans.

GEARING RATIO

The gearing ratio was 0.63% as at 30th June, 2005 (31st December, 2004: 4.58%), representing total liabilities of HK\$2.4 million (31st December, 2004: HK\$13.6 million) divided by total equity of HK\$376.5 million (31st December, 2004: HK\$297.9 million).

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the six months ended 30th June, 2005.

EMPLOYEE INFORMATION

As at 30th June, 2005, the Group had 72 (30th June, 2004: 72) full-time employees.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the period ended 30th June, 2005, the Group experienced only immaterial exchange rates fluctuations as most of the Group's monetary assets and liabilities were denominated and most of the business were conducted in US Dollars and IDR which were relatively stable during the period under review. The Group considered that as the exchange rate risks of the Group is considered to be minimal; the Group did not employ any financial instruments for hedging purposes.

COMPLIANCE WITH REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30th June, 2005, the Company has adopted the standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all the Directors, the Directors have complied with the said required standard of dealings regarding the directors' securities transactions throughout the accounting period covered by this interim report.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2005, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in the Appendix 15 of the GEM Listing Rules except for the following code provisions. The actions taken/to be taken by the Company to comply with the said deviated code provisions are stated below:

Code provisions of the CG Code which the Company has not complied with	Actions taken/to be taken	
A.2.1	<p>The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing</p>	<p>In the progress of (i) establishing the division of responsibilities between the chairman and chief executive officer; and (ii) determining the suitable member from the board of directors to act as the chief executive officer</p>
A.4.2	<p>All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years</p>	<p>The articles of association of the Company will be amended in the Company's next general meeting to include such directors' retirement and election provisions</p>
A.5.4	<p>The board should establish written guidelines on no less exacting terms than the required standard of dealings for relevant employees in respect of their dealings in the securities of the issuer</p>	<p>In the progress of drafting the written guidelines for the relevant employees</p>
B.1.1 – B.1.5	<p>Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties</p>	<p>In the progress of establishment of a remuneration committee and drafting of its terms of reference</p>
C.3.3 & C.3.4	<p>The terms of reference of the audit committee should include at least the duties as set out in CG Code provision C.3.3 and the audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board</p>	<p>In the progress of revising the terms of reference of the audit committee which include at least the duties as set out in CG Code provision C.3.3</p>

MIGRATION TO THE MAIN BOARD

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

The Company understands that there is no assurance that permission will be obtained from the Stock Exchange for the Proposed Withdrawal and the Proposed Introduction. The Company would like all shareholders and potential investors to be aware that this implementation is subjected to conditions set out and thus may or may not become effective. Accordingly, the Proposed Withdrawal and the Proposed Introduction may or may not proceed.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL PROGRESS

	Business objectives for the period from 1st January, 2005 to 30th June, 2005	Actual business progress up to the period from 1st January, 2005 to 30th June, 2005
Expansion of trading volume		
Marketing and promotional activities	attend trade shows, exhibitions and conferences relating to the cocoa industry, especially in US.	security restrictions continue to be a major difficulty in the application of visas for entry into US and some European countries, therefore, the Group has not attended any events during the period under review.
	direct marketing to both overseas and domestic cocoa trading companies.	the marketing team continues its efforts to expand the overseas market; the domestic market is still being held back as the demand and prices commanded from the overseas market is far superior.
Expansion into other cocoa-related business		
1. Construct factory and establish operations	the Group reported delay in this plan due to the election process in Indonesia which was not conducive for investment activities.	the Group is in the process of formulating more concrete plans to implement it barring any unforeseen circumstances.
2. Marketing and promotional activities	direct marketing to cocoa products manufacturing companies	the marketing has obtain a verbal confirmation from existing customers that they will be ready to buy the Group's cocoa product when we are produce the cocoa products.

Business objectives for the period from 1st January, 2005 to 30th June, 2005

Actual business progress up to the period from 1st January, 2005 to 30th June, 2005

Expansion of warehouse capacity

- | | | |
|--|--|--|
| 1. Purchase or construct warehouse in Sulawesi | the Group reported delay in this plan due to the election process in Indonesia which was not conducive for investment activities. | the Group is in the process of formulating more concrete plans to implement it barring any unforeseen circumstances. |
| 2. Purchase or construct warehouse in Serang in Banten | search for a suitable warehouse location for construction of the warehouse

commence the purchase or construction of the warehouse | currently the Group has decided to delay the search of the warehouse location and also delay the purchase or construction of the warehouse due to the establishment of the new government. |

USE OF PROCEEDS

As at 30th June, 2005, the net proceeds from the public listing have been applied as follows:

	Budgeted amount disclosed in the Prospectus <i>HK\$'000</i>	Actual amount used up to 30th June, 2005 <i>HK\$'000</i>
Expansion of trading volume	450	150
Expansion into other cocoa-related business	62,575	225
Expansion of warehouse capacity	24,300	-
	<hr/>	<hr/>
Total	<u>87,325</u>	<u>375</u>

Note: The remaining unused proceeds continue to be placed on interest-bearing deposits with licensed banks in Indonesia.

As at 30th June, 2005, the net proceeds from the public listing have been partially applied in accordance with the business plan.

With the revisions on the business plans, the unused proceeds continue to be placed on interest-bearing deposits with licensed banks in Indonesia.

SHARE OPTIONS

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

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

Since the adoption of the Scheme, no option under the Scheme has been granted or agreed to be granted.

(B) Pre-IPO Share Option Scheme (the “Pre-IPO Scheme”)

Since the adoption of the Pre-IPO Scheme, options to subscribe for 56,000,000 shares in aggregate representing 5.83% of the issued share capital of the Company have been granted to a total of 4 Directors and employees of the Group.

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

Grantees	Vesting period	Exercisable period	Exercise price	Number of share options outstanding as at 01.01.2005	Number of share options granted/ exercised/lapsed/ cancelled during the six months ended 30.06.2005	Number of share options outstanding as at 30.06.2005
Executive Directors						
Mr. Johanas Herkiamto	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	16,000,000	–	16,000,000
Mr. Rudi Zulfan	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	16,000,000	–	16,000,000
Other employees						
Mr. Elfisno	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	12,000,000	–	12,000,000
Mr. Tiswan	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	12,000,000	–	12,000,000
				<u>56,000,000</u>	<u>–</u>	<u>56,000,000</u>

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

Save as disclosed below, as at 30th June, 2005, none of the Directors and Chief Executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Long position in shares of the Company

Name of Director	Nature of interest	Capacity	Number of shares	Percentage of shareholding
Mr. Harmiono Judianto	Personal	Beneficial owner	456,400,000	47.54%

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

Name of Director	Nature of interest	Capacity	Description of equity derivatives	Number of underlying shares	Percentage of the underlying shares over the issued share capital of the Company
Mr. Johanas Herkiyanto	Personal	Beneficial owner	Share option <i>(Note)</i>	16,000,000	1.67%
Mr. Rudi Zulifian	Personal	Beneficial owner	Share option <i>(Note)</i>	16,000,000	1.67%

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above, at no time during the six months ended 30th June 2005 was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

Save as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above, as at 30th June, 2005, no other person (other than a Director or Chief Executive of the Company) has an interest or short position in the shares and underlying shares as recorded in the register as required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the paragraphs headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders and Other Persons' Interests and Short Positions in Shares and Underlying Shares" above, as at 30th June, 2005, no other person was able, as a practical matter, to direct or influence the management of the Company.

COMPETING INTERESTS

None of the Directors, the substantial shareholder or the management shareholders (as defined in the GEM Listing Rules) had no interest in any business that competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The Group had five customers during the six months ended 30th June, 2005 and sales to the largest customer included therein amounted to approximately 32%. During the six months ended 30th June 2005, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers during the six months ended 30th June, 2005.

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

During the six months ended 30th June, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

COMPLIANCE ADVISOR'S INTERESTS

As updated and notified by the Company's compliance advisor, Celestial Capital Limited ("CASH"), as at 30th June 2005, neither CASH nor any of its Directors, employees or associates had any interests in the shares of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company or any member of the Group.

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising the three independent non-executive Directors, namely Mr. Gandhi Prawira, Ms. Novayanti and Ms. Jacqueline Goh Hwee Chow. Mr. Gandhi Prawira is the Chairman of the audit committee.

Up to the date of approval of these financial statements, the audit committee has held 7 meetings and has reviewed the unaudited figures for the interim report and accounts for the six months ended 30th June, 2005 prior to recommending such accounts to the Board for approval.

DIRECTORS

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

On behalf of the Board
Mr. Rudi Zulfian
Director

Jakarta, Indonesia, 10th August, 2005