

**USE OF PROCEEDS FROM THE PLACING IN DECEMBER 2003
AND FROM PRE-MIGRATION PLACING WITH ACTUAL APPLICATION**

The Company raised net proceeds of approximately HK\$94.8 million from its initial public offering in December 2003 and approximately HK\$47.8 million from Pre-Migration Placing in April 2005. Set out below is the comparison of the Group's actual use of proceeds for the period since its listing on GEM in December 2003 and up to the Latest Practicable Date, and its intended use of proceeds as stated in this Listing Document:

Intended uses of proceeds stated in this Listing Document	Intended use of proceeds from Initial Public Offering in December 2003 <i>HK\$'000</i>	Intended use of proceeds from Pre-Migration Placing <i>HK\$'000</i>	Actual Application of the proceeds up to the Latest Practicable Date <i>HK\$'000</i>
• Expand into other cocoa-related business	62,700	47,800	225
• Increase the Group's warehouse capacity	27,600	—	—
• Expand the Group's trading business via marketing activities	600	—	150
• Remaining proceeds appropriated for working capital	<u>3,900</u>	<u>—</u>	<u>—</u>
Net fund raised/used	94,800	47,800	375

As at the Latest Practicable Date, the net proceeds from the initial public offering and Pre-Migration Placing have been partially applied in accordance with the business plan.

In the annual report for the year ended 31st December, 2004, the Group stated that the delay in the implementation of the business plan was due to the parliamentary election and the presidential election in Indonesia, which created certain political uncertainties and make all of the investment activities slow down in 2004. However, the election was carried out peacefully and a new president, Mr. Soesilo Bambang Yudhoyono, was elected for the period of 2004–2009, with Mr. M. Jusuf Kalla as Vice President.

After a prudent consideration about the current political and investment conditions, the Group decided that the business plans would be implemented in the first quarter of year 2006.

In April 2005, the Company issued 160,000,000 new Shares and raised approximately HK\$47.8 million under Pre-Migration Placing. The Group originally intended to use the whole of such proceeds as the general working capital for the expansion of the existing cocoa bean trading business of the Company. In view of the current cash flows from the Company's daily operation, there will be enough money for the expansion of the existing cocoa trading business. The capital requirement for such expansion is far less than the original expectation.

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It was because the Group being unable to acquire new customers after the Pre-Migration Placing and less marketing, promotion and administrative expenses have to be spent. The Board, after due consideration, has decided to reserve the entire amount of the net proceeds from the Pre-Migration Placing for the general working capital of the Company's cocoa processing operations development which the Company considers as a significant investment.

The unused proceeds are now being placed on interest-bearing deposits with licensed banks in Indonesia.

As at 31st October, 2005 the amount and terms of the fixed deposits placed in the licensed bank as below:

Bank	Interest Rate (annualized)	Currency	Amount
(i) Bank of Central Asia	3.5%	US\$	16,112,000
(ii) Bank of Central Asia	11.5%	IDR	218,093,704,000

Both of the US\$16,112,000 and IDR 218,093,704,000 in the Bank of Central Asia are a one month term deposit which will be renewed every month automatically unless notified by the Company.

As at 31st October, 2005 the amount and terms of the Cash and bank balance placed in the licensed bank and the Group's office as below:

Bank/Place	Interest Rate (annualized)	Currency	Amount
(i) Bank of Central Asia	1.0%	IDR	29,283,331,000
(ii) The Group's office	Nil	IDR	10,985,000
(iii) Bank of Central Asia	0.65%	US\$	1,803,000

The reasons to place the fixed deposits and Cash in Indonesian Bank are:

- (a) All of the Company's operations are in Indonesia; it would be much easier for the Company to control and operate if the Company placed the deposits in Indonesian Bank rather than in other markets such as Hong Kong.
- (b) Differences between the bank in Indonesia and the bank in Hong Kong in regards to its terms and interest rate for the above US dollars and IDR deposits are not material.

The fixed deposits and cash and bank balance above are equal to approximately HK\$292.5 million and approximately HK\$36.5 million at 31st October, 2005 respectively.

The rationale of the Directors for keeping so much unused cash is that the Company would implement its business plans in the first quarter of year 2006 which details are set out under the section headed "Future Plans and Prospects". The Company foresees that it will

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require plenty of cash to develop such business plans and need to prepare for sufficient proceeds before their commencement. As such any unforeseeable problems for insufficient funds could be avoided.

The Directors learnt from the market that most company implement their investment projects before raising enough capital and failed to get enough capital to continue and/or complete the whole project, which then put the company into financial crisis. In some extreme cases, resulted in bankruptcy. Therefore based on the conservative business philosophy, the Group would prepare the necessary proceeds before implementing the business plans.

In addition, the Directors strongly intend to finance such business plans by existing internal resources such as the unused proceeds from listing on GEM on 25th November, 2003 and Pre-migration placing in April 2005 as well as cash generated from the Group's daily operation.