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, capital commitment, guarantees or other material contingent liabilities outstanding as at Latest Practicable Date.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31st October, 2005 up to the Latest Practicable Date.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current assets

As at 31st October, 2005, the Group had net current assets of approximately HK$431.1 million. Current assets of the Group comprised fixed deposits and cash and bank balances of approximately HK$329.0 million, inventory of approximately HK$3.2 million, trade debtors of approximately HK$82.4 million, advances to suppliers of approximately HK$27.2 million and deposits, prepayments and other receivable of approximately HK$1.4 million. Current liabilities of the Group comprised Indonesian corporate income tax payable of approximately HK$11.8 million and accruals of approximately HK$0.3 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.

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, the proceeds from the net proceeds from the placing on GEM in December 2003 and the Pre-Migration Placing in April 2005, the Group has sufficient capital to meet its present and next 12 months working capital requirements from the date of this Listing Document.

The gross proceeds from the Pre-Migration in April 2005 is approximately HK$48 million. Net proceeds, approximately HK$47.8 million is regarded as a working capital to be used for the cocoa processing operation development. This business plan will be implemented in the first quarter of year 2006 which details are set out in the section headed "Future Plans and Prospects".

The Directors confirm that the Company does not intend to conduct further fund raising activities in the equity markets within six months after listing on the Main Board.

Working Capital management strategy

Inventory

The Group reviews its inventory level on an ongoing basis. Since the trading process of the Group is generally sales driven, the Group will only purchase cocoa beans from farmers after customers' orders are placed and purchases cocoa beans from farmers in accordance with the pre-determined tradings volume. This has enabled the Group to maintain a minimum inventory level and fast inventory turnover throughout the Track Record Period.

Trade debtors

Provision is to be made against trade receivables to the extent that the amounts are considered to be irrecoverable. The management must take an estimation on the likelihood of recoverability of the trade receivables from its customers. At the end of the accounting periods comprising the Track Record Period, the Directors reviewed each of the outstanding trade receivable balances on a customer-to-customer basis to assess their recoverability. In order to decide whether a provision for doubtful debts should be made, the Directors considered factors such as subsequent settlement information, creditability and past payment history for each of the customers. Due to low incidence of bad debt, no general provision was made based on aging analysis and the Directors consider that the existing policy in making provision for doubtful debts is appropriate.

Cash management

The cash management policies of the Group aim to manage and invest its cash balance prudently and efficiently. Whilst it is the Group's cash management policies to achieve an idle cash level, the Group at the same time strives to maintain an optimal level of liquidity to ensure that the Group is well placed to meet its daily working capital requirements (including settlement of fixed overhead expenses and accounts payable) and to take advantage of growing opportunities for the business. The Group also makes periodic review on prevailing market situation on interest rate, currency movement and banking charges.

As at 31st October, 2005, the fixed deposit and the bank balances of the Group were approximately HK$329.0 million, representing 74.2% total asset of the Group. The Director intended to maintain such a high level of cash as the Company will implement its business plans in the first quarter of year 2006, it would be demanding a significant cash outflows, therefore the Directors believes that building up a high level of cash for the working capital of the business plans is reasonable.

Capital commitments

As at 31st December, 2002, 2003, 2004 and 31st October, 2005, 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 three years ended 31st December, 2004, and the ten months ended 31st October, 2005, the exchange gain/(loss) attributable to the Group's trading operations was approximately HK$(3.5) million, HK$(5.3) million, HK$3.8 million and HK$2.6 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.

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 any exchange gain or loss associated with the unsecured loan since 2003.

Dividend policy

The dividend policy set out in the GEM Prospectus dated 25th November, 2003 stated that the Group recommends the distribution to Shareholders of no less than 30% of the Group's distributable annual earnings as dividends. In fact, the Group had not met such recommendation in the past and only distributed dividends once for the year ended 31st December, 2003 of HK0.01 per Share (total $8 million) which was below recommended 30% of the attributable profit of HK$85 million for the year.

As the Company will implement its business plans in the first quarter of year 2006 which details are set out under the section headed "Future Plans and Prospects" and foresee that it will require plenty of cash to develop such plans, if the Company declared and paid dividends since after listed on GEM, the shortage of cash for the business plan may occur and this shortage should be solved by borrowings from the banks and/or other external parties. After considering the financial conditions of the Company, the Company intend to finance the 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 the cash generates from the Group's daily operation. Therefore, the Company did not pay dividends since listed on GEM and retained cash for its business plans implementation.

In the future, the dividend policy of the Company will be determined and reviewed by the Board from time to time. The future dividends will be subject to the discretion of the Directors and will depend upon the earnings, financial conditions, tax subjected to dividends, capital and cash requirements and availability, business strategies and such other factors as the Directors may deem relevant. Declaration of dividends will be subject to the discretion of the Board and must be approved by the Shareholders.

The Profits of the Group are derived entirely from the business 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. Before 1st January, 2005, 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 Setimuly to the Mauritius Government). Since 1st January, 2005, the double tax agreement between Indonesia and Mauritius has been officially terminated. Accordingly, pursuant to prevailing tax legislation, dividend distributions by Nataki to its shareholders, Setimuly (being an entity incorporated in Mauritius), are currently subject to a withholding tax rate of 20% on the gross amount of the dividend paid. 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.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

According to rules 13.13 and 13.15 of the Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Group's total market capitalization.

As at 31st October, 2005, there were 960,000,000 shares of the Company in issue. Based on the average closing price of the Company's shares of HK$0.272 per share as stated in the Stock Exchange's daily quotation sheets for the trading days from 24th October to 28th October, 2005 (both days inclusive), being the five business days immediately preceding the date, the total market capitalisation of the Company was approximately HK$261.1 million.

As at 31st October, 2005, the following trade receivable from two customers of the Group (the "Trade Receivable") in the United Kingdom and Netherlands has exceeded 8% of the Company's total market capitalization as at 31st October, 2005:

Customer	**Amount due to the Group** *(HK$)*	**% of Total Market Capitalization** *(%)*
ICBT Company Limited ("ICBT")	22,411,000	8.58%
Unicom (International) B.V. ("Unicom")	26,249,000	10.05%

ICBT and Unicom and its ultimate beneficial owner are independent of, and are not connected with, the Company or any of its connected persons (as defined in the Listing Rules).

The Trade Receivable was resulted from sales of cocoa beans to the customer by the Group in its ordinary course of business and on normal commercial terms. It is unsecured and interest free, and the customer has been paying to the Group for its purchases approximately within one month following the shipment of goods. The credit terms we have granted ICBT has been within 30 days after the shipment of the goods regardless of the size of their order. This is the same as the credit terms granted by the Group to its other international customers.

The Directors confirm that the Group will comply with the continuing disclosure obligations arising from its trading transactions pursuant to Rules 13.13 and 13.15 of the Listing Rules following the Introduction.

Save as disclosed herein, the Directors have confirmed that, as at 31st October, 2005, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

CRITICAL ACCOUNTING POLICIES

Accounting estimates are an integral part of the financial statements prepared by the Company and are based upon the Directors' then-current judgments. A summary of the principal accounting policies used in preparation of the Company's financial statement is set forth in note 2, "Significant Accounting Policies" of the audited consolidated financial statements which are included in the accountants' report set forth in Appendix I to Listing Document. Critical accounting policies are those that are both most important to the portrayal of the Company's financial conditions and results of operations and require the Directors' most difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Certain estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from the Directors' current judgments. The Directors believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

Trade debtors and allowances for doubtful accounts

The Group's provision policy for bad and doubtful debt is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. During the Track Record Period, the Group had not made any allowances for doubtful debts.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises of purchase cost and is determined on a FIFO basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. During the Track Record Period, due to the nature of the Group's business as a cocoa beans trader, we do not have a general provisioning policy on inventory based on ageing given the nature of our inventories. We make provision on specific items we identify as obsolete or when our estimate of net realizable value is below the cost of inventory. The Group has not had any material write downs in the value of its inventory to reflect decreases in net realisable value below cost.

Impairment

The Group reviews the carrying amounts of its tangible assets at each balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

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

TRADING RECORD

The following is a summary of the Group's consolidated audited results for the Track Record Period which has been extracted from the Accountants' Report set out in Appendix I to Listing Document. The consolidated 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 Listing Document.

		Year ended 31st December,			Ten months ended 31st October,	
		2002	**2003**	**2004**	**2005**	**2004**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*
Turnover		300,947	610,165	619,103	573,744	485,602
Cost of sales		(236,580)	(467,166)	(481,467)	(438,957)	(376,728)
Gross profit		64,367	142,999	137,636	134,787	108,874
Other income		644	2,268	3,420	7,185	2,580
Gain on disposal of fixed assets		—	12,200	—	29	—
Selling and distribution expenses		(1,073)	(2,243)	(2,478)	(2,179)	(1,993)
General and administrative expenses		(1,212)	(2,571)	(4,102)	(6,865)	(3,201)
Net exchange gain/(loss)	1	(1,972)	(5,475)	3,765	2,589	3,183
Profit from operations		60,754	147,178	138,241	135,546	109,443
Finance costs		(6,474)	(1,921)	—	—	—
Profit before taxation		54,280	145,257	138,241	135,546	109,443
Taxation	2	(16,561)	(55,483)	(41,629)	(39,805)	(33,109)
Profit attributable to Shareholders		37,719	89,774	96,612	95,741	76,334

		Year ended 31st December,			Ten months ended 31st October,	
		2002	2003	2004	2005	2004
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(Unaudited)
Attributable to:						
Shareholders of the Company		37,719	85,275	91,694	90,813	72,447
Minority interests	3	—	4,499	4,918	4,928	3,887
		37,719	89,774	96,612	95,741	76,334
Dividends		—	8,000	—	—	—
Earnings per Share						
Basic, HK cents	4	6.7	14.6	11.5	10.3	9.1
Diluted, HK cents	5	6.1	13.4	10.7	9.7	8.5

Notes:

1. The net exchange loss of approximately HK$2.0 million for the year ended 31st December, 2002 resulted mainly from the trading operations of the Group and a foreign currency deposit. The net exchange gain/(loss) of approximately HK$(5.5) million, HK$3.8 million and HK$2.6 million for the two years ended 31st December, 2003, 2004 and the ten months ended 31st October, 2005 respectively resulted mainly from the trading operations of the Group.

2. During the Track Record Period, all of the Group's profits were derived from Nataki. 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 consolidated income statements for the two years ended 31st December, 2002 represents the tax charge transferred from deferred taxation. For the years ended 31st December, 2003, 2004, and the ten months ended 31st October, 2005, taxation in consolidated income statements represents a provision for Indonesian corporate income tax of approximately HK$38.3 million, HK$41.6 million and HK$39.9 million respectively and a net tax charge/(credit) transferred from deferred taxation of approximately HK$17.2 million, HK$5,000 and HK$(137,000) respectively. Further details of the taxation during the Track Record Period are set out in note 8 to the Accountants' Report in Appendix I to Listing Document.

3. Minority interests in the consolidated 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 Listing Document, 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.

4. The calculation of basic earnings per share for the ten months ended 31st October, 2005 is based on the profit attributable to shareholders of the Company and the weighted average number of 884,210,526 shares in issued during the ten months ended 31st October, 2005. The calculation of basic earnings per share for the year

ended 31st December, 2004 and the ten months ended 31st October, 2004 is based on the profit attributable to shareholders of the Company and 800,000,000 shares in issue during the year ended 31st December, 2004 and the ten months ended 31st October, 2004.

The calculation of basic earnings per share for the year ended 31st December, 2003 is based on the profit attributable to shareholders of the Company and the weighted average number of 582,356,164 shares (comprising 560,000,000 shares, being 1 share issued on the incorporation of the Company on 16th October, 2002, 99,999 shares as the consideration for the acquisition of the entire issued share capital of Dickinson on 23rd June, 2003 and adjusting for the capitalisation issue of 559,900,000 shares as referred to in the prospectus of the Company dated 25th November, 2003 and 22,356,164 shares, being the weighted average number of 240,000,000 shares issued to the placees on 28th November, 2003) in issue during the year ended 31st December, 2003.

The calculation of basic earnings per share for the year ended 31st December, 2002 is based on the profit attributable to shareholders of the Company and the assumption that a total of 560,000,000 shares had been in issue during the year ended 31st December, 2002.

5. Diluted earnings per share for the ten months ended 31st October, 2005 is based on the profit attributable to shareholders of the Company and the weighted average number of 937,970,526 shares in issue during the period. The number of shares used in the calculation comprised 884,210,526 shares referred to in note 4 above and 53,760,000 shares assumed to have been issued at no consideration on the deemed exercise of the options under the Pre-IPO Share Option Scheme based on the fair value per share of HK0.25.

Diluted earnings per share for the ten months ended 31st October, 2004 is based on the profit attributable to shareholders of the Company and the weighted average number of 854,250,000 shares in issue during the period. The number of shares used in the calculation comprised 800,000,000 shares referred to in note 4 above and 54,250,000 shares assumed to have been issued at no consideration on the deemed exercise of the options under the Pre-IPO Share Option Scheme based on the fair value per share of HK$0.32.

Diluted earnings per share for the year ended 31st December, 2004 is based on the profit attributable to shareholders of the Company and the weighted average number of 854,193,548 shares in issue during the year. The number of shares used in the calculation comprised 800,000,000 shares referred to in note 4 above and 54,193,548 shares assumed to have been issued at no consideration on the deemed exercise of the options under the Pre-IPO Share Option Scheme based on the fair value per share of HK$0.31.

Diluted earnings per share for the year ended 31st December, 2003 is based on the profit attributable to shareholders of the Company and the weighted average number of 636,709,105 shares in issue during the year. The number of shares used in the calculation comprised 582,356,164 shares referred to in note 4 above and 54,352,941 shares assumed to have been issued at no consideration on the deemed exercise of the options under the Pre-IPO Share Option Scheme based on the fair value per share of HK$0.34.

Diluted earnings per share for the year ended 31st December, 2002 is based on the profit attributable to shareholders of the Company and the assumption that 614,755,556 shares have been in issue during the year. The number of shares used in the calculation comprised 560,000,000 shares referred to in note 4 above and 54,755,556 shares assumed 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 VI to Listing Document, 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 Company's prospectus dated 25th November, 2003 (the "Prospectus").

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

Investors should read the following discussion and analysis in conjunction with the consolidated financial information of the Group as at and for the three financial years ended 31st December, 2004 and the ten months ended 31st October, 2005, all of which are set forth in the Accountants' Report included as Appendix I to Listing Document (the "Relevant

Financial Information"). Except for the Relevant Financial Information, the remainder of the Group's financial information presented in this section has been extracted or derived from the unaudited management accounts for ten months ended 31st October, 2004 or other records of the Group. Investors should read the whole of the Accountants' Report and not rely merely on the information contained in this section.

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 relationship 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 beans price increased during 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 beans producing country. During this year, Unicom, ICBT, Orebi and Westermann accounted for approximately 37.4%, 32.8%, 21.1% and 8.7% 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 IDR10,320 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 of the Company

Due to the increase in the trading volume of cocoa beans, the rise in cocoa beans prices, and the reduction in exchange loss, the profit attributable to Shareholders of the Company 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.

Financial year ended 31st December, 2003

Turnover

For the year ended 31st December, 2003, the Group's turnover amounted to approximately HK$610.2 million, which exceeds the turnover for the entire 12 months ended 31st December, 2002 by approximately HK$309.3 million. During the year ended 31st December, 2003, the Group sold a total of 16,460 tonnes, 12,680 tonnes, 10,460 tonnes and 6,190 tonnes of cocoa beans to Unicom, ICBT, Westermann and Orebi, respectively, accounting for approximately 36.0%, 27.6%, 23.0% and 13.4% of the Group's total sales respectively, the aggregate sales volume was equal to 45,790 tonne, representing 1.91 times of the total sales volume in 2002. The dramatical increase in sales volume is because of the inclusion of full year trading with Westermann in 2003. In 2002, the Group only commenced its trading with the customer in October 2002. Besides, the good quality of cocoa beans of the Group has established excellent reputation and built up confidence with those customers, for that reason, the three customers Unicom, ICBT and Westermann which had entered into a Sales Agreements with the Group in October 2002 had purchased dramatically exceeded their committed quantity in 2003 that further boost the sales volume accordingly increase. Although cocoa beans 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$13,325 per tonne during the year, 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 year ended 31st December, 2003 was approximately HK$143.0 million, which exceeded 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 year was approximately 23.4%.

Other income

Other income principally comprised bank interest income during the year.

Gain on disposal of fixed assets

The amount of HK$12.2 million represents gain from the land use rights and the land and buildings sold to four Independent Third Parties in October 2003. The proceeds from the disposal of the assets are intended to be used to develop the cocoa processing business.

Selling and distribution expenses

During the year ended 31st December, 2003, the Group's selling and distribution expenses had increased by HK$1.1 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 year ended 31st December, 2003, the Group's general and administrative expenses increased by HK$1.4 million to approximately HK$2.6 million, mainly as a result of increase in salary expenses, rental expenses and bank charges. Salary expenses increased during the year mainly due to (i) an increase in the number of management staff as the Group further strengthened its management team in preparation for the listing on GEM 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 listing on GEM. Bank charges increased during the year mainly due to the increase in sales volume.

Net exchange loss

During the year ended 31st December, 2003, IDR appreciated against the US dollar from US$1 to IDR8,908 as at 1st January, 2003 to US$1 to IDR8,465 as at 31st December, 2003. The Group's net exchange loss during the year was approximately HK$5.5 million and was mainly resulted from the Group's trading operations. During the year, 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 year to approximately HK$1.9 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 approximately HK$18.2 million was fully repaid in October 2003.

Profit attributable to Shareholders of the Company

Due to the increase in sales volume of cocoa beans, the profit attributable to Shareholders of the Company during the year ended 31st December, 2003 amounted to approximately HK$85.3 million, which exceeds the profit attributable to Shareholders of approximately HK$37.7 million for the year ended 31st December, 2002.

Financial year ended 31st December, 2004

Turnover

The Group's turnover for the year ended 31st December, 2004 was approximately HK$619.1 million, which showed a marginal growth of 1.5% of that for the year ended 31st December, 2003. Such increase in turnover for the year was due to the increase in the sales volume from 45,790 tonnes to 54,440 tonnes in total but the fall in the average selling price of the Group's cocoa beans from HK$13,325 per tonne in 2003 to HK$11,372 per tonne in 2004, which was in line with the decrease in the price quoted on NYCSCE. During this year, the Group sold a total of 15,780 tonnes, 14,120 tonnes, 12,260 tonnes, 7,460 tonnes and 4,820 tonnes of cocoa beans to Unicom, ICBT, Westerman, Orebi and Theobroma respectively. Those figures reflect 29.1%, 26.5%, 21.6%, 13.5% and 9.3% of the Group's turnover volume respectively.

Gross profit

The Group's gross profit during the year ended 31st December, 2004 was approximately HK$137.6 million, decreased by approximately 3.8% compared to approximately HK$143.0 million in the previous year. And the gross profit margin has decreased from 23.4% for year ended 31st December, 2003 to 22.2% for year ended 31st December, 2004. The main reason is that the overall market price of cocoa beans has been decreased in 2004 according to the NYCSCE. In order to maintain competitiveness of the Company, we have to offer a competitive price to the customers. Therefore, the selling price has been decreased from HK$13,325 per tonne in 2003 to HK$11,372 per tonne in 2004. As the Company sources cocoa supplies from the local farmers which price was drop in line with the selling price to the customers. As a result, the Company only suffers a slight drop in gross profit margin.

Other income

During the year ended 31st December, 2004, other income principally comprised bank interest in the amount of approximately HK$3.4 million compared to HK$2.3 million in the year ended 31st December, 2003.

The interest income in the amount of HK$3.4 million arose from the unused proceed that is still placed on interest-bearing deposits with licence banks in Indonesia because the Group has delayed its business plans due to the election process in Indonesia, which created political uncertainty and caused all investment activities to slow down. The unused proceed deposits with licence banks was from the placing on GEM in December 2003.

Selling and distribution expenses

During the year ended 31st December, 2004, the Group's selling and distribution expenses were approximately HK$2.5 million, compared to approximately HK$2.2 million in the previous year. The slight increase was mainly due to the increase in transportation charges for delivery of cocoa beans from the warehouse to the port as a result of the increase in sales volume and the increase in salary expenses.

General and administrative expenses

During the year ended 31st December, 2004, the Group's general and administrative expenses amounted to approximately HK$4.1 million, compared to approximately HK$2.6 million in the previous year.

The increase was mainly due to the increase in expenses for research, salary, rental and bank charges. The increase in the research expenses was due to the market and plant research services undertaken in relation to the construction of processing factory and the establishment of cocoa beans processing operations. Salary expenses increased during the year mainly due to 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. Bank charges increased during the year due to the increase in the number of transactions in relation to the increase of sales volume.

Net exchange gain

During the year ended 31st December, 2004, IDR depreciated against the US dollar from US$1 to IDR8,441 as at 1st January, 2004 to US$1 to IDR9,290 as at 31st December, 2004. The Group's net exchange gain during the year was approximately HK$3.8 million, compared to net exchange loss amounted to HK$5.5 million in the previous year. The net exchange gain was mainly resulted from the Group's export trading operations which received payments in US dollars.

Finance costs

The Group did not have any finance costs during the year ended 31st December, 2004, compared to approximately HK$1.9 million in the previous year. This is due to the fact that the unsecured loan was fully repaid in 2003. There was no outstanding loan during the year.

Profit attributable to Shareholders of the Company

Due to the net foreign exchange gain and the reduction in income tax provision, the profit attributable to Shareholders of the Company during the year ended 31st December, 2004 amounted to approximately HK$91.7 million, which registered a growth rate of 7.5% to that of the year ended 31st December, 2003.

Ten months ended 31st October, 2005

Turnover

Turnover of the Group increased by approximately HK$88.1 million, or 18.2%, from HK$485.6 million for ten months ended 31st October, 2004 to HK$573.7 million in this period. Such increase in turnover was caused by the increase in sales volume from 42,840 tonnes to 50,200 tonnes. During the period, the Group sold a total of 14,875 tonnes, 11,860 tonnes, 10,465 tonnes, 5,780 tonnes and 7,220 tonnes of cocoa beans to Unicom, ICBT, Westermann, Orebi and Theobroma respectively. Those figures reflect 30.0%, 23.4%, 20.5%, 11.6% and 14.5% of the Group's turnover volume for the respective customers.

Gross profit

The Group's gross profit during the period was approximately HK$134.8 million, represented an increase of approximately HK$25.9 million or 23.8% as compared with ten months ended 31st October, 2004. The increase is mainly due to the increase in the sales volume and the gross profit margin in the relevant period. The increase in sales volume was because the existing customers has built up confidence on our products after long trading relationships with the Company and good cocoa beans quality, and so they are willing to enlarge their purchase volume. Besides, the Group maintains good relationship with the local farmers that allow us to source cocoa beans at a relatively low costs, as a result, the Group's gross profit margin for the ten months ended 31st October, 2005 increased to 23.5% from approximately 22.4% for the corresponding period in 2004.

Other income

During the ten months ended 31st October, 2005, other income mainly represented by the bank interest amounting to, approximately HK$6.9 million, as compared with HK$2.6 million for the corresponding period in 2004. The significant increase is due to the increase of fixed deposits by about HK$48 million after the Pre-Migration Placing and the increase of the fixed deposit interest rate during the period.

The interest income generated from funds, reserved for business plans, placed as interest-bearing deposits with license banks in Indonesia.

Selling and distribution expenses

The Group's selling and distribution expense for the ten months ended 31st October, 2005 was HK$2.2 million. No significant changes as compared to the selling and distribution expenses for the corresponding period in 2004.

General and administrative expense

During the ten months ended 31st October, 2005, the general and administration expense is approximately HK$6.9 million. The expense has been increased by about HK$3.7 million or 114.5%, as compared with ten months ended 31st October, 2004. The growth is mainly caused by the inclusion of the professional fees amounting to approximately HK$2.6 million for arranging the Introduction of the company on the Main Board in 2005 and the operating expenses such as bank charges arised from foreign exchange translation service and salaries cost were increased approximately HK$1 million.

Net exchange gain

During the ten months ended 31st October, 2005, IDR depreciated against the US dollar from 8,962 to 9,742. The Group net exchange gain for ten months ended 31st October, 2005 was approximately HK$2.6 million, compared to HK$3.2 million in the corresponding period in 2004. The net exchange gain was mainly resulted from the Group's export trading operations which received payments in US dollars.

Finance cost

The Group did not have any finance cost during the both period end.

Profit attributable to Shareholders of the Company

Due to higher turnover and other income gained in ten months ended 31st October, 2005, the profit attributable to Shareholders of the Company has marked a growth of about 25.4% increase from approximately HK$72.4 million in corresponding period in 2004 to HK$90.8 million in the current period.

RATIO ANALYSIS

	Year ended 31st December,			**Ten months ended 31st October,**	
	2002	**2003**	**2004**	**2005**	**2004**
Key financial ratios					
Gross profit margin (%)(1)	21.4	23.4	22.2	23.5	22.4
Net profit margin (%)(2)	12.5	14.0	14.8	15.8	14.9
Return on total assets (%)(3)	35.5	31.0	28.5	20.5	23.8
Return on equity (%)(4)	83.6	37.3	30.8	N/A	N/A
Current ratio (times)(5)	1.5	6.9	23.6	36.7	27.3
Quick ratio (times)(6)	1.0	6.5	23.1	36.5	26.5
Inventory turnover (days)(7)	31.1	9.8	4.1	1.7	5.7
Debtors' turnover (days)(8)	45.6	46.5	49.1	43.7	54.4
Gearing ratio (%)(9)	54.6	N/A	N/A	N/A	N/A
Net debt to net worth ratio (%)(10)	93.2	N/A	N/A	N/A	N/A
Interest coverage (times)(11)	9.4	76.6	N/A	N/A	N/A

Notes:

1. $\dfrac{\text{Gross profit}}{\text{Sales}} \times 100\%$

2. $\dfrac{\text{Net profit after taxes}}{\text{Sales}} \times 100\%$

3. $\dfrac{\text{Net profit attributable to shareholders of the Company}}{\text{Total assets}} \times 100\%$

4. $\dfrac{\text{Net profit attributable to shareholders of the Company}}{\text{Total shareholders' equity (excluding Minority Interest)}} \times 100\%$

5. $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

6. $\dfrac{\text{Current assets — Stock}}{\text{Current liabilities}}$

7. $\dfrac{\text{Inventory}}{\text{Sales}} \times$ 365 days (or the period generating the sales)

8. $\dfrac{\text{Debtor}}{\text{Sales}} \times$ 365 days (or the period generating the sales)

9. $\dfrac{\text{Total debt}}{\text{Total assets}} \times 100\%$

10. $\dfrac{\text{Net debt}}{\text{Total assets} - \text{Total liabilities}} \times 100\%$

11. $\dfrac{\text{Profit before interest and tax}}{\text{Interest}}$

Profitability ratios

Gross profit margin and net profit margin

Year ended 31st December, 2003 compared to year ended 31st December, 2002

The gross profit margin of the Group improved from approximately 21.4% for the year ended 31st December, 2002 to approximately 23.4% for the year ended 31st December, 2003. This improvement was attributed to the increase in the average selling price of the cocoa beans. The Group effectively earned a wider margin between the quoted price to the farmers and the customers.

The Group's net profit margin increased from approximately 12.5% to approximately 14.0% during the same period as a result of the improved gross profit margin and additional gain generated by the Group's disposal of fixed assets during the year.

Year ended 31st December, 2004 compared to year ended 31st December, 2003

The international commodities market concerned about the impact of civil unrest in Cote d' Ivoire that would tighten the supply of cocoa beans had faded out. The average selling price of the cocoa beans dropped significantly from the peak in 2003, which in turn narrowed the margin between the quoted price to the farmers and the customers. As a result, the gross profit margin of the Group decreased from approximately 23.4% for the year ended 31st December, 2003 to approximately 22.2% for the year ended 31st December, 2004.

As the Group was selling high quality cocoa beans, the customers are loyal to our products and are willing to pay a price with premium, also the Group is able to get favorable purchase price from the farmers therefore the Group did not have to absorb the entire negative effect from the narrowed margin between the quoted price to the farmers and the customers. The gross profit margin slightly decreased 1.2% as compared with the year ended 31st December, 2004 compared to year ended 31st December, 2003 and was still able to maintain at the level over 20%.

The net profit margin of the Group slightly increased from approximately 14.0% for the year ended 31st December, 2003 to approximately 14.8% for the year ended 31st December, 2004 mainly due to less tax provision as well as the absence of interest expense as the unsecured loan was fully repaid in October 2003. Higher tax charge for the year ended 31st December, 2003 was due to the realisation of deferred tax assets of HK$12.6 million arising from the disposal of land use rights and land and buildings. The reason for the recognition and subsequent reversal of deferred tax assets is the elimination of difference between accounting and tax calculation of Indonesian tax. Impairment loss is non deductible item in Indonesian tax, as a result, a difference will be created between accounting and tax calculation. Hence, deferred tax assets are recognized to eliminate the difference. And subsequently when the land use rights and land and buildings are sold, the assets will be realized to net off the effect. Further details of movements of deferred taxation during the Track Record Period are set out in note 8 (b) to the Accountants' Report.

Ten months ended 31st October, 2005 compared to ten months ended 31st October, 2004

The gross profit margin of the Group slightly increased from 22.4% for the period ended 31st October, 2004 to 23.5% for the ten months ended 31st October, 2005. The cocoa price has been stabilized after the fear of tightened supply because of Cote d'Ivoire civil unrest. As a result, the Group can maintain the gross profit margin at around 23.0%.

The net profit margin slightly increased from approximately 14.9% to approximately 15.8% during the period as a result of additional interest income gained, amounting to approximately HK$4.4 million, from increasing fixed deposits balance for the ten months ended 31st October, 2005.

The net profit margin is following an upward trend during the track record period. It has increased from 12.5% for the year ended 31st December, 2002 to 15.8% for the ten months ended 31st October, 2005. The main reasons for the increase is due to the gain of disposal of fixed assets amounting to HK$12.2 million in 2003, the absence of interest expense in 2004 after the full repayment of bank loan and the additional bank interest gained from larger bank deposits for the ten months ended 31st October, 2005.

The net profit margin for year ended 31st December, 2004 is 14.8%. When comparing with the margin of 15.8% for the ten months ended 31st October, 2005, there is around 1.0% increase in the net profit margin. The major reasons are the higher interest income earned from the addition approximately HK$152.8 million placed in the fixed deposit.

Return on total assets

Year ended 31st December, 2003 compared to year ended 31st December, 2002

The return on total assets decreased from approximately 35.5% for the year ended 31st December, 2002 to approximately 31.0% for the year ended 31st December, 2003. The Group had a significant increase in total assets, which were mainly fixed deposits, cash and bank balance.

As at 31st December, 2003, the fixed deposits, cash and bank balance increased by HK$96.7 million and HK$50.0 million to HK$105 million and HK$55.3 million respectively. The increases were mainly due to the unused net proceeds from the placing on the GEM in December 2003.

Year ended 31st December, 2004 compared to year ended 31st December, 2003

The return on total assets decreased from approximately 31.0% for the year ended 31st December, 2003 to approximately 28.5% for the year ended 31st December, 2004. The decrease was mainly due to the further increase in total assets of unused capital in fixed deposits, which was the fund prepared by the Group for the expansion of cocoa processing operations and to increase its warehouse capacity.

Ten months ended 31st October, 2005 compared to ten months ended 31st October, 2004

The return on total assets decreased from approximately 23.8% to approximately 20.5% in this period. This is due to the Group had further significant increase in unused capital in the fixed deposits balance.

Return on total equity

Year ended 31st December, 2003 compared to year ended 31st December, 2002

The return on total equity decreased from approximately 83.6% for the year ended 31st December, 2002 to approximately 37.3% for the year ended 31st December, 2003. The decrease was mainly due to the significant increase in total equity to approximately HK$235.4 million during the year 2003, which mainly came from those share premiums raised upon placing and profit of the year.

Year ended 31st December, 2004 compared to year ended 31st December, 2003

The return on total equity decreased from approximately 37.3% for the year ended 31st December, 2003 to approximately 30.8% for the year ended 31st December, 2004. The drop was mainly attributed to the increase in total equity. As the Group's management was decided to keep the profit for the year with absence of final dividend, which therefore allowed to save an additional fund in the Group for future development.

Contrary to the trend of the net profit margin, the return on total equity decreased during the Track Record Period. That was mainly due to the higher increment rates for the shareholders' equity as compared to the respective net profit attributed to the shareholders.

Liquidity ratios

Current Ratio and Quick Ratio

Year ended 31st December, 2003 compared to year ended 31st December, 2002

The current ratio and quick ratio increased from approximately 1.5 and 1.0 times for the year ended 31st December, 2002 to approximately 6.9 and 6.5 times for the year ended 31st December, 2003. This improvement was attributed to the significant increase in fixed deposit amounts, cash and bank balance which mainly from the unused proceeds raised from GEM Listing in December 2003 and the Group's profit during the year. In addition, the improvement also attributed to the fully repaid of unsecured loan in October 2003.

Both ratios improved significantly during the year, which reflected efforts made by the Group in strengthening their financial performance and position.

Year ended 31st December, 2004 compared to year ended 31st December, 2003

The current ratio and quick ratio further increased from approximately 6.9 and 6.5 times for the year ended 31st December, 2003 to approximately 23.6 and 23.1 times for the year ended 31st December, 2004. This improvement was mainly due to a further increase in fixed deposits which from the Group's profit during the year. In addition, the impairment also attributed to a lower tax payable during the year.

It was clearly shown from the current and quick ratio that the Group further improved their financial position which in turn provided room to finance externally if required in the future.

Ten months ended 31st October, 2005 compared to ten months ended 31st October, 2004

The current ratio and quick ratio have increased dramatically from 27.3 and 26.5 times for the ten months ended 31st October, 2004 to 36.7 and 36.5 times for the ten months ended 31st October, 2005. This is mainly caused by the increase in fixed deposits and cash and bank balances by a total of HK$140.6 million for the ten months ended 31st October, 2005.

Inventory turnover

Year ended 31st December, 2003 compared to year ended 31st December, 2002

The inventory turnover decreased from approximately 31.1 days for the year ended 31st December, 2002 to approximately 9.8 days for the year ended 31st December, 2003. The drop was mainly due to an increase in trading volume of cocoa beans and a decrease in cocoa beans inventories during the year 2003. According to the Directors, the Group had adopted the low inventories policy in January 2003. The policy required to maintain the inventories at the lowest level before customers' orders were placed.

Year ended 31st December, 2004 compared to year ended 31st December, 2003

The inventory turnover decreased from approximately 9.8 days for the year ended 31st December, 2003 to approximately 4.1 days for the year ended 31st December, 2004. The decline was mainly attributed to the success of the low inventories policy, from which the Group was able to maintain the cocoa beans inventories at a low level.

Ten months ended 31st October, 2005 compared to ten months ended 31st October, 2004

Inventory turnover has been improved from 5.7 days to 1.7 days. The improvement is mainly attributed to the success of the low-level inventory keeping policy imposed by the Group in recent years. The policy requires the Group to maintain only a lowest level of inventories before customers orders and placed.

Debtors' turnover

Year ended 31st December, 2003 compared to year ended 31st December, 2002

The debtors' turnover increased marginally from approximately 45.6 days for the year ended 31st December, 2002 to approximately 46.5 days for the year ended 31st December, 2003. The growth of trade debtors was closely related to the increase in trading volume and the Group had no predicament in debt collection during the year.

Year ended 31st December, 2004 compared to year ended 31st December, 2003

The debtors' turnover increased from approximately 46.5 days for the year ended 31st December, 2003 to approximately 49.1 days for the year ended 31st December, 2004. The Group was still in line with the average credit terms of 30 to 60 days granted to its customers, which indicated the Group's effort in tightening the credit control.

Ten months ended 31st October, 2005 compared to ten months ended 31st October, 2004

Debtors turnover has been decreased from 54.4 days for ten months ended 31st October, 2004 to 43.7 days for ten months ended 31st October, 2005. This is a result from the Group's tightened credit control policy. The Group will face a very close attention to debtors for debt collection once the invoices have reached the payment date in order to avoid any unnecessary extend of credit period. With average credit terms within 30 to 60 days, the Group turnover is still in line with its standard.

Capital adequacy ratios

Gearing Ratio

For the year ended 31st December, 2002

The gearing ratio is approximately 54.6% for the year ended 31st December, 2002. The borrowing is an unsecured loan borrowed in 1999. The loan had been fully repaid by internal resources in October 2003.

For the year ended 31st December, 2003

The year ended 31st December, 2003, the Group did not have any debt and any payables that incurred not in the ordinary course of business.

For the year ended 31st December, 2004

The year ended 31st December, 2004, the Group did not have any debt and any payables that incurred not in the ordinary course of business.

Ten months ended 31st October, 2005

The ten months ended 31st October, 2005, the Group did not have any debt and any payables that incurred not in the ordinary course of business.

Net debt to net worth ratio

For the year ended 31st December, 2002

The net debt to net worth ratio decreased to approximately 93.2% for the year ended 31st December, 2002.This significant improvement was mainly due to a portion of unsecured loan was repaid and the reserves was increased significantly as compared to that of the year ended 31st December, 2001.

For the year ended 31st December, 2003

The year ended 31st December, 2003, the Group did not have any debt.

For the year ended 31st December, 2004

The year ended 31st December, 2004, the Group did not have any debt.

For the ten months ended 31st October, 2005

The ten months ended 31st October, 2005, the Group did not have any debt.

Interest coverage

Year ended 31st December, 2003 compared to year ended 31st December, 2002

Owing to the significant improvement in the operating result of the Group, the earnings before interests and tax was increased by 142% in 2003. Furthermore, a portion of unsecured loan was repaid and less interest expense was paid during the year, the interest coverage increased from approximately 9.4 times for the year ended 31st December, 2002 to approximately 76.6 times for the year ended 31st December, 2003.

Year ended 31st December, 2004 compared to year ended 31st December, 2003

For the year ended 31st December, 2004, the Group did not incur any interest due to the absence of any debt.

For the ten months ended 31st October, 2005

The ten months ended 31st October, 2005, the Group did not have any debt.

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:

Taxable income	**Rate**
IDR	*%*
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 year ended 31st December, 2003 in the amount of approximately IDR46 billion (equivalent to approximately HK$38 million). Taxation in the consolidated income statements for the Track Record Period also includes a net tax charge/(credit) transferred from deferred tax asset of approximately HK$16 million, HK$17 million, HK$5,000 and HK$(137,000) respectively. Further details of taxation during the Track Record Period are set out in note 8 to the Accountants' Report in Appendix I to Listing Document.

Before 1st January, 2005 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 Setimuly to the Mauritius Government). Since 1st January, 2005, the double tax agreement between Indonesia and Mauritius has been officially terminated. Accordingly, pursuant to prevailing tax legislation, dividend distributions by Nataki to its shareholders, Setimuly (being an entity incorporated in Mauritius), are currently subject to a withholding tax rate of 20% on the gross amount of the dividend paid. 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. The withholding tax payment for the year ended 31st December, 2003 is according to the audited report prepared by Lam See Sek Sum & Co. No withholding tax is paid for year ended 31st December, 2002, 2004 and the ten months ended 31st October, 2005 since no dividend is paid from Nataki to Setimuly. The Directors confirm that the tax in Setimuly is properly reported and paid.

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. The tax underpayment assessment may cover administration sanction with penalty interest in the amount of 2% per month (with maximum of 24 months) if based on the audit, the tax is unpaid or underpaid. The tax authority may also issue additional tax underpayment assessment to Nataki if it had found new data or evidence which causing additional tax obligation. The additional tax underpayment assessment may also cover administration sanction with penalty interest in the amount of 100% of the additional tax obligation. However, an assessment can be issued after expiry of 10 years if the taxpayer has committed a criminal act, in which case the tax authority may issue the additional tax underpayment assessment plus penalty interest of 48% of the unpaid or underpaid tax. The Directors confirm that Nataki has properly reported and paid the corporation income tax for each of the three years ended 31st December, 2004 and ten months period ended 31st October, 2005 to the tax authority. The income tax was calculated in accordance with the audited results of the Group and the relevant legislation. The Directors confirm that Nataki is not expected to be subject to any audit by the tax authority. Notwithstanding that, it is not practicable for the tax authority to issue a clearance letter to confirm the tax position of Nataki. In addition, the Directors confirm that all taxes of the Group and its subsidiaries have been properly reported and paid to the relevant authorities, also 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 VI to Listing Document.

The increase in taxation from HK$16.6 million in 2002 to HK$55.5 million in 2003 was mainly due to the tax provision of HK$38 million from the increase in profit before taxation by HK$91.0 million. Higher tax charge for the year ended 31st December, 2003 was due to the realisation of deferred tax assets of HK$12.6 million arising from the disposal of land use rights and land and building. The reason for the recognition and subsequent reversal of deferred tax assets is the elimination of difference between accounting and tax calculation of Indonesian tax. Impairment loss is non deductible item in Indonesian tax, as a result, a difference will be created between accounting and tax calculation. Hence, deferred tax assets are recognized to eliminate the difference. And subsequently when the land use rights and land and buildings are sold, the assets will be realized to net off the effect. Further details of movements of deferred taxation during the Track Record Period are set out in note 8 (b) to the Accountants' Report.

Deferred tax assets arising from tax loss and impairment losses on land use rights and land and buildings were recognized to the extent that it was probable that taxable profits would be available against which deductible temporary differences could be utilized. The tax charge transferred from deferred tax assets in 2002 and 2003 were mainly due to the tax effect of the utilization of tax loss and the tax effect of reversal of temporary difference arising on impairment losses on land use rights and land and buildings. Further details of movements of deferred tax during the Track Record Period are set out in note 8 (b) to the Accountants' Report.

PROPERTY INTERESTS

Due to the recovery of the property market after the Asian economic crises, the Group sold its land use rights and land and buildings at a consideration of approximately HK$14,238,000 and HK$1,090,000 respectively to four Independent Third Parties in October 2003 and the proceeds from the disposal were intended to be used to develop the cocoa processing business. The above selling prices were based on open market price.

Prior to the disposal, the land use rights represented 40 plots of land held under freehold by three Indonesian citizens who had entered into binding agreements to relinquish title to the land with the Group. The Directors confirm that these three Indonesian citizens are Independent Third Party and have no relationships with the Group. Due to certain reasons, Nataki cannot purchase the land directly such as i) land and building tax has not been paid ii) the required license has not been obtained at that moment. In order to secure the interest of Nataki for using the land, Nataki entered into those binding agreements, whereby Nataki has the right/authority to manage or utilized and the land disposal.

Prior to the disposal, the land and building representing a plot of land and a 4-storey office building, were held under a medium term lease by an Indonesia citizen who had entered into a binding agreement for sale and purchase with the Group.

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 has extended the lease agreement for a term commencing from 30th November, 2004 and expiring on 29th November, 2007 for a semi annual rent (including service charges) of approximately US$38,000 (equivalent to approximately HK$296,400).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 IDR15 million (equivalent to approximately HK$11,526), will expire in December 2010. The warehouse is crucial to the Group's operation.

In order to cope with the anticipated increase in the volume of the cocoa beans trading business and the demand of cocoa beans from the new cocoa processing operations, the Group has decided to acquire or construct a high standard warehouse in Sulawesi, Indonesia for it own use, which details set out in the paragraph headed "Expansion of warehouse capacity" in the section headed "Future Plan and Prospects" to this Listing Document.

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 IV to Listing Document.

DIVIDENDS

Past Dividends

Dividend of one Hong Kong cent per share, or HK$8 million in total, proposed in December 2003 has been paid by the Company in June 2004.

DISTRIBUTABLE RESERVE

As at 31st October, 2005, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK$200,648,000.

NET TANGIBLE ASSETS

The following statement of net tangible assets of the Group is based on the audited consolidated net assets of the Group as at 31st October, 2005 as set out in the Accountants' Report in Appendix I to Listing Document as follows:

	HK$'million
Audited consolidated net assets of the Group as at 31st October, 2005 as set out in Appendix I to Listing Document *(Note 1)*	416.2
Net tangible asset value per Share *(Note 2)*	HK43.4 cents

Notes:

1. As at 31st October, 2005, the audited consolidated net tangible assets of the Group included deferred tax assets of approximately HK$150,000 as the realisation of future economic benefits of the deferred tax assets will be in form of reductions in future tax liabilities. Therefore, it is considered as tangible assets.

2. The net tangible asset value per Share is arrived on the basis of a total of 960,000,000 Shares issued but takes 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/or which may be granted under the Share Option Scheme and the Proposed Share Option Scheme; and (ii) any Shares which may be allotted and issued by the Company pursuant to the General Mandate.

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 the Latest Practicable Date.