

BUSINESS OBJECTIVES

It is the Group's objective to become a leading player in the Indonesian cocoa industry. Given that the Group's sales have continued to increase since its establishment in December 1999 and the Group had entered into the Sales Agreements in October 2002 which have been renewed in October 2005, the Directors believe that the Group will continue to be one of the largest exporters of cocoa beans in Indonesia. To achieve the goal of becoming a leading exporter in the Indonesian cocoa industry, the Group will continue to expand its sales to existing customers and also source for new customers in the overseas markets. Building on its experience in the cocoa beans trading business, the Group intends to diversify eventually into other cocoa-related business, such as cocoa processing operations.

STRATEGIES

Expansion of trading volume

Achieving a larger share of the existing customers' business

From the year ended 31st December, 2002 to year ended 31st December, 2004, the Group experienced over two hundred percent turnover growth from the existing customers. However, the Directors believe that the sales to the existing customers merely accounted for a small portion of their respective total purchases of cocoa beans and will have room to achieve a larger share of the existing customers' business in the future. It is because each of these customers purchases cocoa beans from a number of other major cocoa beans producing countries. Given that: (i) the Group has been able to meet these customers' requirements and has not experienced any customers' complaints or return of goods during the Track Record Period; and (ii) three of the customers have committed to purchase an aggregate annual minimum amount of 34,000 tonnes of cocoa beans from the Group under the renewed Sales Agreements which were signed in October 2005, the Directors consider that the Group is well-positioned to strengthen its relationships with these customers and to achieve a larger share of their business.

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

This business objective was also set out in the GEM Prospectus dated 25th November, 2003. The Directors believe that from the financial results of the Group in the past few years, its objective has been realized and it will remain as one of the business objectives of the Group.

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Focus on overseas market

This business objective was also set out in the GEM Prospectus dated 25th November, 2003 which stated that the Group intended to diversify its customer base into both overseas and domestic markets. However, Indonesia's cocoa industry is primarily geared for export. Historically, 70% of Indonesia's cocoa beans are exported. The reason is due to larger demands and consumption in the overseas market which makes sales to overseas market more viable and profitable as compared to the domestic market. Presently, the Company would continue to focus on the overseas markets only and forgo the development of sales in the domestic market.

In the year 2004, the Group's sales and marketing team/executive Directors had attended a few trade shows, exhibitions and conferences held in Europe and successfully obtained a new European client — Theobroma. However, in the past years, the Group encountered much difficulty in their application of visa for entry into US and some European countries. Therefore, far less trade shows, exhibitions and conferences have been attended than the Directors expected when the Company was listed on GEM in year 2003. The Group will continue to look for opportunities in the near future to attend trade shows, exhibitions or conferences relating to the cocoa industry. The sales and marketing team will also continue to search for new customers from the overseas markets.

The sales in the domestic market was not put in place because the demand in the domestic market was comparatively lower than that of the overseas markets. The targeted potential customers in the domestic market such as other cocoa bean traders and processing companies only purchase our product in very small quantities and at a very low price. The Directors found that development of sales to buyers in the domestic market became unprofitable and also believed that this situation would continue in the next few years. It was decided that it was not worthy to spend extra efforts and resources to develop and penetrate the domestic market at the present time.

Due to the aforesaid reasons, i.e. i) less trade shows, exhibitions and conferences have been attended by the Group; and ii) the sale in the domestic market was put on hold, the business objective of the sales and marketing team's expansion from 22 to 25 staff was not fully achieved. Nevertheless, in the future, the Group would hire additional staff for the team if necessary and in accordance to its business objectives as they are being put in place.

Expansion into cocoa processing operations

This business objective was also set out in the GEM Prospectus dated 25th November, 2003 which stated that the Group intended to diversify into other cocoa-related business and set up cocoa processing operations in Sulawesi in Indonesia and be completed by 31st December, 2004. It has not yet been achieved by the Group. It was mainly due to the 2004 legislative election and presidential election in Indonesia and the anticipation of massive waves of riots and protests against the government after the election campaign. Based on past experience, certain political uncertainties, riots and protests slow down all of the investment activities processes in Indonesia.

The Directors were aware of the 2004 election when the Company was preparing the GEM listing. It was anticipated that certain political uncertainties would arise during the election period. However, the general public believed that prior president, Megawati Sukarnoputri had a good chance of winning in this first ever direct presidential election.

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Therefore, the Directors had included expansion into cocoa processing operation as part of its business objectives. As the election date approached, the candidate Mr. Soesilo Bambang Yudhoyono generated much higher support and he eventually won the election campaign and his political party dominated a substantial number of seats in the parliament.

After the election process, the Board re-assessed the political environment and possible activity of the country led by the new party and president. The Directors believed that the degree of political and social uncertainties would be much higher than expected in year 2003. It was because the business community believed that the newly formed government may make and amend some laws which will lead to a major departure from existing policies and adversely affect the fiscal and economic conditions of Indonesia. There was also a higher possibility of social disorder created by the supporters of the losing parties who might challenge the election results.

The Directors considered that the cocoa processing operation would be a very substantial investment of the Group and involved a large amount of capital. As the Group had the responsibility to protect its Shareholder's capital and avoid taking unnecessary risks in carrying out the investment, the Company did not implement cocoa processing business under an unstable and conflicting views about Indonesia's political and economical environment in the past two years.

Although the cocoa processing business has been delayed in the past, after prudent consideration, the Directors believe that this business plan is still viable. It is because i) the political uncertainties in Indonesia have mostly been settled; ii) the economy and investment activities have resumed to a normal condition; and iii) the Group foresees strong economic growth in South America and the Asia Pacific countries, which will boost the growth of chocolate consumption in the regions and in turn, the demand for cocoa butter and cocoa powder. The Directors expect that such high demands would continue over the next ten years and beyond. Based on the aforesaid reasons, the Company still believes that the cocoa processing business could benefit the Shareholders on a long term basis and should continue to be one of the business objectives of the Group. The details are set out below:

Capitalising on the Group's experience and business relationships in the cocoa industry, the Directors consider that diversifying into cocoa processing operations would be a natural extension of its existing operations. The Directors consider that the vertical integration of cocoa beans trading and cocoa processing operations will allow the Group to further establish itself as one of the leading players in the Indonesian cocoa industry. The Group will expand into cocoa processing operations by construction of cocoa processing factory and, should the appropriate opportunity arise, through strategic merger or acquisition, alliance or other forms of cooperation with partners who are complimentary to the Group's expansion strategy. However, no such partner has yet been identified and the Group has not entered into any negotiations in this aspect.

Cocoa processing operations cover the activities of processing the cocoa beans to derive cocoa butter, cocoa cake and cocoa powder. Cocoa powder is an essential ingredient used as flavor in biscuits, ice-cream, dairy drinks and cakes. It is also used in the manufacture of coatings for confections or frozen desserts. Cocoa butter is the most expensive ingredient in chocolate manufacturing. Besides the traditional uses in the manufacture of chocolate and confections, cocoa butter is also used in the manufacture of pharmaceutical products, soap and cosmetics.

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This value-added cocoa processing operation will enable the Group to produce specific semi-finished cocoa products for chocolate manufacturing. The Group can also expand its business into the trading of processed cocoa ingredients apart from cocoa butter, cocoa cake and cocoa powder to include cocoa liquor.

Conduct market research and feasibility studies

As part of the implementation plan for expansion into cocoa processing operations, the Group has conducted market research and feasibility studies, including research and studies on the equipments required, suppliers of the required equipments and the markets for cocoa butter and cocoa powder in the year 2004. After the completion of the studies, the Group has obtained two quotations from the equipment suppliers. The Directors have decided to purchase equipments for a cocoa processing plant with total capacity of 20,160 tonnes per year of cocoa butter and cocoa power. The equipments for this plant will have a fully automatic control system. Since the two quotations in relation to prices, terms, functioning and the quality of the equipments and final output are very close, the Directors would further negotiate the price and terms with those two equipment suppliers. The purchase offer is expected to be made by February 2006. The agreement with the successful supplier is expected to be signed in March 2006.

Construct factory and establish operations

The Company would set up cocoa processing operations in Makassar, Sulawesi in Indonesia which is near to the source of cocoa beans. By (i) leveraging on the Group's position as one of the major exporters of cocoa beans in Indonesia and the strong industry experience and business relationships of Mr. Judianto, Mr. Herkiamto and Mr. Zulfian; and (ii) recruiting a team of operation staff and consultants with the necessary experience in cocoa processing operations, the Directors believe that the Group is well-positioned to expand its own cocoa processing operations.

In year 2005, the Directors visited a few potential sites in Makassar and one of which has been identified by the Group as suitable for setting up cocoa processing factory. The location is near to the warehouse and the source of cocoa beans and its size is approximately 5 hectares. The Directors are currently negotiating the terms and price with the land owner. The land use rights agreement would be signed in the first quarter of year 2006.

Acquisition of the equipment and assembling of the cocoa processing operations should commence during the first quarter of year 2006 and to be completed in the first quarter of year 2007. The Group would set up one production line with an expected annual processing capacity of an aggregate of approximately 20,160 tonnes of cocoa butter and cocoa powder per year by the end of year 2007. The necessary equipment includes, amongst other things, a cleaning plant, a winnower, an alkalizing system, a roasting machine, grinders, and a cocoa butter press. Such cocoa processing machinery will require approximately 15,000 to 20,000 sq.m. of factory area.

Marketing and promotional activities

As part of the market research, well-established buyers of semi-processed cocoa products such as cocoa butter and cocoa powder in Europe and US have been identified and contacted. Their requirements as to the potential quantity and quality of the products required had been obtained. However, the sales and marketing team found that such well-established

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buyers are only willing to purchase small amounts of our semi-processed cocoa products. Therefore, the Company decided to switch its marketing focus to the existing customers and believe that they can absorb all of our production capacity every year.

In the first half of year 2005, the sales and marketing team has approached the existing customers, namely Unicom, ICBT, Orebi, Westermann and Theobroma to market our semi-processed cocoa products and obtained verbal confirmations from them that they would purchase our semi-processed cocoa products. The Company will keep marketing the semi-processed cocoa products to the existing clients and obtain their feedback and requirements of our products.

Also, the Group will keep approaching independent organizations such as INCA, FCC and ICCO to obtain information relating to the buyers of such products including their buying patterns and requirements. Based on this information, the Group could identify additional suitable potential customers for its semi-processed cocoa products in the future.

Expansion of warehouse capacity

In order to cope with the anticipated increase in the volume of its trading business, the demand of cocoa beans from the new cocoa processing operations and to ensure that its cocoa beans are stored in a warehouse with proper hygienic and ventilation conditions, the Group will construct an additional facility with advanced features for the storage of cocoa beans. The Group would increase its warehouse capacity by constructing a warehouse in Sulawesi, Indonesia to complement its existing rented warehouse to cater for the export market and cocoa processing operations.

The warehouse would be constructed in Sulawesi, Indonesia to enhance the efficiency for the transportation of cocoa beans from the farmers to the new warehouse in preparation for shipment to overseas customers from the port in Sulawesi. The warehouse will be equipped with better facilities than the existing warehouse leased by the Group, including a furnished office, a laboratory, a weight scale for trucks, improved lighting and ventilation, better hygienic conditions and prevention against flooding. The Directors regard cocoa trading and processing as a long-term business, therefore it is more appropriate for the Group to have its own warehouse which will provide proper storage conditions for its cocoa beans.

It is expected that the area of the new warehouse in Sulawesi will be at least equal to or larger than the area of the Group's existing warehouse (which has a floor area of approximately 4,608 sq.m.). The appropriate land for warehouse construction has been identified and the Directors are currently negotiating the terms and price with the land owner and the warehouse contractor. The land purchase and construction agreements will be signed in the first quarter of year 2006. The warehouse construction would start in the first quarter of year 2006 and be completed in the last quarter of year 2006.

This business objective was also set out in the GEM Prospectus dated 25th November, 2003 which stated that the Group would increase its warehouse capacity by i) purchasing and constructing a warehouse in Sulawesi to replace its existing rented warehouse to cater for the export market and cocoa processing operations and ii) purchasing and constructing a warehouse in Serang, Banten to cater for the domestic trading business. This was not achieved by the Group in the past. It was because i) the warehouse in Sulawesi is considered a part of the cocoa processing business and therefore, the expected completion time should

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match with the Group's expansion into cocoa processing operation and ii) as mentioned in the above paragraph, the sales in the domestic market was put on hold, therefore, the purchase or construction of the warehouse in Serang is no longer necessary.

Bases and assumptions

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

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

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

If in the event that the above business objectives set out in this section would be further delayed, changed and/or not fully realised by the Group, the relevant information, details of the revised business objectives will be notified to the Shareholders by disclosure in the quarterly, interim and the annual financial reports. Further announcements would be made if the Directors find that it is appropriate.