梁學濂會計師事務所

PKF

Accountants &
business advisers

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

27th January, 2006

The Directors
Pan Sino International Holding Limited
First Asia Finance Group Limited

Dear Sirs,

We set out below our report on the financial information relating to Pan Sino International Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st December, 2004 and the ten months ended 31st October, 2005 (the "Relevant Period") for inclusion in the document of the Company dated 27th January, 2006 in connection with the proposed listing of the entire issued share capital of the Company on the main board (the "Main Board") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of introduction.

The Company was incorporated in the Cayman Islands on 16th October, 2002 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation scheme ("Reorganisation") to rationalise the structure of the Group in the preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 23rd June, 2003. The shares of the Company were listed on GEM on 2nd December, 2003.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out below, all of which are private companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong).

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

We acted as auditors of the Company for each of the two years ended 31st December, 2004 and the ten months ended 31st October, 2005. No audited financial statements have been prepared for Dickinson since its date of incorporation as there is no statutory requirement for this entity to prepare audited financial statements. We have, however, reviewed all relevant transactions of this company since its date of incorporation to 31st October, 2005 for the purpose of this report.

The statutory financial statements of Nataki and Setimuly were audited during the Relevant Period by the respective statutory auditors as indicated below.

Name of company	Financial period	Auditors
Nataki	Years ended 31st December, 2002, 2003, 2004 and ten months ended 31st October, 2005	PKF Registered Public Accountants in Republic of Indonesia
Setimuly	Period from 15th January, 2003 to 31st December, 2003 and year ended 31st December, 2004	Lamusse Sek Sum & Co. Registered Public Accountants in Mauritius
	Ten months ended 31st October, 2005	Qaiyoom Dustagheer Registered Public Accountants in Mauritius

For the purpose of this report, we have carried out independent audits of the financial statements of Nataki and Setimuly for the Relevant Period in accordance with Auditing Standards and Guidelines issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

The consolidated balance sheets of the Group as at 31st December, 2002, 2003, 2004 and 31st October, 2005 and the related consolidated income statements, cash flow statements and statements of changes in equity of the Group for the Relevant Period (the "Financial Information") set out in this report have been based on the audited consolidated financial statements of the Group. Following the adoption of Hong Kong Accounting Standard 1 "Presentation of Financial Statements" which became effective for accounting period beginning on or after 1st January, 2005, and are presented on the basis set out in note 1 below, no other adjustment was made except that the presentation of minority interests has been revised.

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

In our opinion, on the basis of presentation set out in note 1 below, the Financial Information gives, for the purpose of this report, a true and fair view of the consolidated state of affairs of the Group as at 31st December, 2002, 2003, 2004 and 31st October, 2005 and of the Company as at 31st December, 2003, 2004 and 31st October, 2005 and of the consolidated results and cash flows of the Group for the Relevant Period.

The comparative consolidated financial information of the Group for the ten months ended 31st October, 2004 has been extracted from the Group's consolidated financial information for the same period which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the consolidated financial information for the ten months ended 31st October, 2004 in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. Our review consisted principally of making enquiries of management and applying analytical procedures to the consolidated financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provide a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the consolidated financial information for the ten months ended 31st October, 2004. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the consolidated financial information for the ten months ended 31st October, 2004.

A. FINANCIAL INFORMATION

Consolidated income statements

		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	3	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	4	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)	5	(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	6	54,280	145,257	138,241	135,546	109,443
Taxation	8(a)	(16,561)	(55,483)	(41,629)	(39,805)	(33,109)
Profit attributable to shareholders		37,719	89,774	96,612	95,741	76,334
Attributable to:						
Shareholders of the Company		37,719	85,275	91,694	90,813	72,447
Minority interests		—	4,499	4,918	4,928	3,887
		37,719	89,774	96,612	95,741	76,334
Dividends	9	—	8,000	—	—	—
Earnings per share						
Basic, HK cents	10(a)	6.7	14.6	11.5	10.3	9.1
Diluted, HK cents	10(b)	6.1	13.4	10.7	9.7	8.5

Consolidated balance sheets

	Note	At 31st December, 2002 HK$'000	At 31st December, 2003 HK$'000	At 31st December, 2004 HK$'000	At 31st October, 2005 HK$'000
NON-CURRENT ASSETS					
Fixed assets	11	3,180	7	—	—
Deferred tax assets	8(b)	16,551	29	21	150
		19,731	36	21	150
CURRENT ASSETS					
Inventories	13	25,678	16,335	6,922	3,189
Trade debtors	14	37,570	77,722	83,310	82,444
Advances to suppliers	15	6,665	15,838	14,351	27,224
Deposits, prepayments and other receivable		2,872	4,267	541	1,357
Fixed deposits		8,794	105,524	180,252	292,485
Cash and bank balances		4,984	55,313	36,890	36,482
		86,563	274,999	322,266	443,181
DEDUCT:					
CURRENT LIABILITIES					
Unsecured loan	19	58,063	—	—	—
Tax payable		—	38,642	13,284	11,773
Accrued expenses		715	1,009	365	293
		58,778	39,651	13,649	12,066
NET CURRENT ASSETS		27,785	235,348	308,617	431,115
TOTAL ASSETS LESS CURRENT LIABILITIES		47,516	235,384	308,638	431,265
NON-CURRENT LIABILITY					
Provision for post employment benefit		—	—	—	501
NET ASSETS		47,516	235,384	308,638	430,764
REPRESENTING:					
SHARE CAPITAL	16	82,201	8,000	8,000	9,600
RESERVES	18(a)	(37,061)	212,344	289,895	406,573
PROPOSED FINAL DIVIDEND		—	8,000	—	—
		45,140	228,344	297,895	416,173
MINORITY INTERESTS		2,376	7,040	10,743	14,591
SHAREHOLDERS' FUNDS		47,516	235,384	308,638	430,764

Balance sheets

	Note	At 31st December, 2003 HK$'000	At 31st December, 2004 HK$'000	At 31st October, 2005 HK$'000
NON-CURRENT ASSETS				
Interests in subsidiaries	12	75,386	66,870	71,481
CURRENT ASSETS				
Other receivable		3,858	105	358
Fixed deposits		77,629	77,723	124,899
Cash and bank balances		18,381	20,672	13,768
		99,868	98,500	139,025
DEDUCT:				
CURRENT LIABILITIES				
Accrued expenses		968	116	258
NET CURRENT ASSETS		98,900	98,384	138,767
NET ASSETS		174,286	165,254	210,248
REPRESENTING:				
SHARE CAPITAL	16	8,000	8,000	9,600
RESERVES	18(b)	158,286	157,254	200,648
PROPOSED FINAL DIVIDEND		8,000	—	—
SHAREHOLDERS' FUNDS		174,286	165,254	210,248

Note: The balance sheet of the Company as at 31st December, 2002 has not been prepared as the Company was incorporated on 16th October, 2002 and no audit for the period ended 31st December, 2002 was performed.

Consolidated cash flow statements

	Year ended 31st December, 2002 HK$'000	2003 HK$'000	2004 HK$'000	Ten months ended 31st October, 2005 HK$'000	2004 HK$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	54,280	145,257	138,241	135,546	109,443
Interest expenses	6,474	1,921	—	—	—
Interest income	(644)	(2,268)	(3,420)	(6,949)	(2,580)
Depreciation	202	177	6	—	6
Provision for post employment benefit	—	—	—	522	—
Gain on disposal of fixed assets	—	(12,200)	—	(29)	—
Exchange gain on settlement of interest payable	(1,488)	—	—	—	—
Operating profit before working capital changes	58,824	132,887	134,827	129,090	106,869
(Increase)/decrease in inventories	(17,146)	9,343	9,413	3,733	7,208
(Increase)/decrease in trade debtors	(19,133)	(40,152)	(5,588)	866	(9,210)
(Increase)/decrease in advances to suppliers	(170)	(9,173)	1,487	(12,873)	(3,665)
(Increase)/decrease in deposits, prepayments and other receivable	(2,825)	(1,305)	3,726	(816)	3,977
Increase/(decrease) in accrued expenses	14	294	(644)	(72)	(911)
Exchange adjustments	7,422	5,114	(12,600)	(12,985)	(8,397)
Cash from operations	26,986	97,008	130,621	106,943	95,871
Interest received	597	2,178	3,420	6,949	2,580
Interest paid	(16,144)	(1,921)	—	—	—
Tax paid	—	—	(63,610)	(40,378)	(58,115)
Net cash from operating activities	11,439	97,265	70,431	73,514	40,336
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of fixed assets	—	15,328	—	29	—
Net cash from investing activities	—	15,328	—	29	—
CASH FLOWS FROM FINANCING ACTIVITIES					
Issue of new shares	82,193	94,799	—	48,000	—
Contribution from a minority shareholder	4,326	—	—	—	—
Decrease in unsecured loan	(86,380)	(61,039)	—	—	—
Dividend paid	—	—	(8,470)	—	(8,470)
Net cash from/(used in) financing activities	139	33,760	(8,470)	48,000	(8,470)

Consolidated cash flow statements (Continued)

	Year ended 31st December,			Ten months ended 31st October,	
	2002	2003	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,578	146,353	61,961	121,543	31,866
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	1,891	13,778	160,837	217,142	160,837
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	309	706	(5,656)	(9,718)	(4,338)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	13,778	160,837	217,142	328,967	188,365
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Fixed deposits	8,794	105,524	180,252	292,485	139,669
Cash and bank balances	4,984	55,313	36,890	36,482	48,696
	13,778	160,837	217,142	328,967	188,365

Consolidated statements of changes in equity

	Share capital *HK'000*	Share premium *HK'000*	Revenue reserve *HK'000*	Reserve fund *HK'000*	Special reserve *HK'000*	Exchange reserve *HK'000*	Proposed final dividend *HK'000*	Minority interests *HK'000*	Total *HK'000*
At 1.1.2002	1,040	—	(84,740)	—	—	15,984	—	—	(67,716)
Profit for the year	—	—	37,719	—	—	—	—	—	37,719
— Issue of shares	81,161	—	—	—	—	—	—	—	81,161
— Contribution from a minority shareholder	—	—	—	—	—	—	—	4,326	4,326
Minority's share of losses previously unabsorbed	—	—	1,500	—	—	—	—	(1,500)	—
Special reserve arising on the Reorganisation	—	—	—	—	1,032	—	—	—	1,032
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	—	(8,556)	—	(450)	(9,006)
At 31.12.2002 and 1.1.2003	82,201	—	(45,521)	—	1,032	7,428	—	2,376	47,516
Profit for the year	—	—	85,275	—	—	—	—	4,499	89,774
Proposed final dividend	—	—	(8,000)	—	—	—	8,000	—	—
Special reserve arising on the Reorganisation	(82,200)	—	—	—	82,200	—	—	—	—
Premium arising on the Placing — *Note 16(d)*	2,400	105,600	—	—	—	—	—	—	108,000
Capitalisation Issue — *Note 16(e)*	5,599	(5,599)	—	—	—	—	—	—	—
Expenses for Placing	—	(13,201)	—	—	—	—	—	—	(13,201)
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	—	3,130	—	165	3,295
At 31.12.2003 and 1.1.2004	8,000	86,800	31,754	—	83,232	10,558	8,000	7,040	235,384
Profit for the year	—	—	91,694	—	—	—	—	4,918	96,612
Dividend paid	—	—	—	—	—	—	(8,000)	(470)	(8,470)
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	—	(14,143)	—	(745)	(14,888)
At 31.12.2004 and 1.1.2005	8,000	86,800	123,448	—	83,232	(3,585)	—	10,743	308,638
Profit for the period	—	—	90,813	—	—	—	—	4,928	95,741
Appropriation of reserve fund — *Note 18a(iv)*	—	—	(16,178)	16,178	—	—	—	—	—
Premium arising on the Pre-migration Placing — *Note 16(f)*	1,600	46,400	—	—	—	—	—	—	48,000
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	—	(20,535)	—	(1,080)	(21,615)
At 31.10.2005	9,600	133,200	198,083	16,178	83,232	(24,120)	—	14,591	430,764
At 1.1.2004	8,000	86,800	31,754	—	83,232	10,558	8,000	7,040	235,384
Profit for the period	—	—	72,447	—	—	—	—	3,887	76,334
Dividend paid	—	—	—	—	—	—	(8,000)	(470)	(8,470)
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	—	(9,643)	—	(508)	(10,151)
At 31.10.2004 (unaudited)	8,000	86,800	104,201	—	83,232	915	—	9,949	293,097

Notes:

1. Basis of presentation of Financial Information

The consolidated income statements and consolidated cash flow statements of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Relevant Period or since their respective dates of incorporation where this is a shorter period. The consolidated balance sheets of the Group as at 31st December, 2002, 2003, 2004 and 31st October, 2005 have been prepared to present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at those dates.

2. Significant accounting policies

The Financial Information have been prepared in accordance with the accounting policies set out below and comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange as applicable to accountants' report for inclusion in Listing Documents. These accounting policies conform with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong.

(a) *Basis of preparation*

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

(b) *Fixed assets and depreciation*

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

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

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

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

(c) *Impairment of assets*

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

(d) *Inventories*

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

(e) *Provisions and contingent liabilities*

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

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

(f) *Revenue recognition*

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

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

(g) *Operating leases*

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

(h) *Employee benefits*

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

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

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

(i) *Foreign currency translations*

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date; non-monetary assets and liabilities denominated in other currencies are translated at historical rates. Exchange gains or losses are dealt with in the income statements of the individual companies.

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

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

During the Relevant Period, substantially all the Group's transactions were denominated in Indonesian Rupiah. The rates of exchange in effect on 31st December, 2002, 31st December, 2003, 31st December, 2004 and 31st October, 2005 and 31st October, 2004 were HK$1 to IDR1,146, HK$1 to IDR1,090, HK$1 to IDR1,195 and HK$1 to IDR1,301 and HK$1 to IDR1,169 respectively. The average exchange rates for the three years ended 31st December, 2004 and ten months ended 31st October, 2005 and 31st October, 2004 were HK$1 to IDR1,187, HK$1 to IDR1,101, HK$1 to IDR1,154 and HK$1 to IDR1,249 and HK$1 to IDR1,149 respectively.

(j) *Taxation*

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

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

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

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

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

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

(k) *Minority interests*

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

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

(l) *Related parties*

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

(m) *Cash equivalents*

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

(n) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items may comprise financial and corporate assets, interest-bearing loans, corporate and financing expenses and minority expenses.

(o) *Financial instruments*

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade debtors, advances to suppliers, and deposits, prepayments and other receivable

Trade debtors, advances to suppliers, and deposits, prepayments and other receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Bank and other borrowings

Interest-bearing bank and other loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on accrual basis to the income statement using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Accrued expenses

Accrued expenses are stated at their nominal value.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Turnover

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

4. Other income

	Year ended 31st December,			Ten months ended 31st October,	
	2002	**2003**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Bank interest income	644	2,268	3,420	6,949	2,580
Others	—	—	—	236	—
	644	2,268	3,420	7,185	2,580

5. Net exchange gain/(loss)

	Year ended 31st December,			Ten months ended 31st October,	
	2002	**2003**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Exchange gain/(loss) arising from:					
Settlement of interest payable on unsecured loan denominated in US$	1,488	—	—	—	—
Uplift of fixed deposits denominated in US$ and Yen	(12)	—	—	—	—
Retranslation of prepayments denominated in US$	—	(177)	—	—	—
Trading operations	(3,448)	(5,298)	3,809	2,589	3,449
Other non-trading operations	—	—	(44)	—	(266)
	(1,972)	(5,475)	3,765	2,589	3,183

6. Profit before taxation

	Year ended 31st December, 2002 HK$'000	2003 HK$'000	2004 HK$'000	Ten months ended 31st October, 2005 HK$'000	2004 HK$'000 (unaudited)
Profit before taxation is arrived at after charging:					
Cost of inventories sold	236,580	467,166	481,467	438,957	376,728
Auditors' remuneration	31	269	208	100	—
Depreciation	202	177	6	—	6
Directors' remuneration — *Note 7*	83	227	456	498	315
Other staff costs	482	1,069	1,142	1,197	933
Post employment benefit	—	—	—	445	—
Interest on other loan wholly repayable within five years	6,474	1,921	—	—	—
Minimum lease payments in respect of land and buildings	89	376	500	410	416

7. Remuneration of directors and employees

(a) The emoluments of every Director of the Company during the Relevant Period are as follows:

Year ended 31st December, 2002

	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Post employment benefit HK$'000	Total HK$'000
Executive Directors					
Mr. Harmiono Judianto	—	10	—	—	10
Mr. Johanas Herkiamto	—	41	—	—	41
Mr. Rudi Zulfian	—	32	—	—	32
	—	83	—	—	83

Year ended 31st December, 2003

	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Post employment benefit HK$'000	Total HK$'000
Executive Directors					
Mr. Harmiono Judianto	—	51	—	—	51
Mr. Johanas Herkiamto	—	67	—	—	67
Mr. Rudi Zulfian	—	52	—	—	52
Independent non-executive Directors					
Ms. Novayanti	—	53	—	—	53
Mr. Gandhi Prawira	—	—	—	—	—
Ms. Wang Poey Foon, Angela *(Note i)*	—	4	—	—	4
	—	227	—	—	227

Year ended 31st December, 2004

	Fees	Basic salaries, allowances and benefits in kind	Pension scheme contributions	Post employment benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Harmiono Judianto	—	61	—	—	61
Mr. Johanas Herkiamto	—	71	—	—	71
Mr. Rudi Zulfian	—	59	—	—	59
Independent non-executive Directors					
Ms. Novayanti	—	51	—	—	51
Mr. Gandhi Prawira	—	51	—	—	51
Ms. Wang Poey Foon, Angela *(Note i)*	—	163	—	—	163
Ms. Goh Hwee Chow, Jacqueline	—	—	—	—	—
	—	456	—	—	456

Ten months ended 31st October 2005

	Fees	Basic salaries, allowances and benefits in kind	Pension scheme contributions	Post employment benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Harmiono Judianto	—	63	—	19	82
Mr. Johanas Herkiamto	—	79	—	20	99
Mr. Rudi Zulfian	—	63	—	19	82
Independent non-executive Directors					
Ms. Novayanti	—	57	—	9	66
Mr. Gandhi Prawira	—	51	—	10	61
Ms. Goh Hwee Chow, Jacqueline	—	108	—	—	108
	—	421	—	77	498

Ten months ended 31st October 2004 (unaudited)

	Fees	Basic salaries, allowances and benefits in kind	Pension scheme contributions	Post employment benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Harmiono Judianto	—	48	—	—	48
Mr. Johanas Herkiamto	—	63	—	—	63
Mr. Rudi Zulfian	—	50	—	—	50
Independent non-executive Directors					
Ms. Novayanti	—	43	—	—	43
Mr. Gandhi Prawira	—	43	—	—	43
Ms. Wang Poey Foon, Angela *(Note i)*	—	68	—	—	68
	—	315	—	—	315

Note:

(i) From 14th May, 2003, Ms. Wong Poey Foon, Angela had been an independent non-executive director of the Company until her resignation on 30th December, 2004. She was re-appointed the same post on 6th January, 2006.

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

	Year ended 31st December,			Ten months ended 31st October,	
	2002	2003	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Basic salaries, allowances and benefits in kind	56	53	—	114	—
Pension scheme contributions	—	—	—	—	—
Post employment benefit	—	—	—	—	—
	56	53	—	114	—

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

	Year ended 31st December,			Ten months ended 31st October,	
	2002	2003	2004	2005	2004 *(unaudited)*
HK$Nil – HK$1,000,000	3	1	—	1	—

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

8. Taxation

(a) Taxation in the combined income statements represents:

	Year ended 31st December,			Ten months ended 31st October,	
	2002	**2003**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Income tax expense					
Indonesia:					
Current tax	—	38,276	41,624	39,942	33,104
Deferred tax — *Note 8(b)*	16,561	17,207	5	(137)	5
	16,561	55,483	41,629	39,805	33,109

During the Relevant Period, all of the Group's profits were derived from Nataki incorporated and operated in Republic of Indonesia. No provision for Hong Kong profits tax has been made in these financial statements as the Group has no assessable profits for the Relevant Period.

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

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

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

	Year ended 31st December,			Ten months ended 31st October,	
	2002	**2003**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Profit before taxation	54,280	145,257	138,241	135,546	109,443
Taxation at the Indonesian progressive income tax rates	16,269	43,577	41,457	40,649	32,818
Tax effect of expenses that is not deductible in determining taxable profit	14	34	521	1,298	352
Tax effect of income that is not assessable in determining taxable profit	(193)	(719)	(1,062)	(2,142)	(774)
Tax effect of reversal of temporary difference arising on impairment losses on land use rights and land and buildings *(Note i)*	446	12,583	—	—	—
Taxes on profit distribution by a subsidiary	—	—	713	—	713
Others	25	8	—	—	—
Income tax expense	16,561	55,483	41,629	39,805	33,109

Note:

(i) During the year ended 31st December, 2000, the Group recorded deferred tax assets pertaining to the impairment losses on land use rights and land and buildings. The tax effect of the reversal of the temporary difference of HK$12,583,000 as recorded in 2003 resulted from the disposal of the above properties of the Group in October 2003, details of which have been disclosed in note 11(c) of this section.

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

	Accelerated/ (decelerated) depreciation allowances *HK$'000*	Impairment losses on land use rights and land and buildings *HK$'000*	Tax losses *HK$'000*	Post employment benefit *HK$'000*	Total *HK$'000*
At 1.1.2002	11	(10,783)	(18,197)	—	(28,969)
Exchange adjustments	2	(1,747)	(2,398)	—	(4,143)
Charge/(credit) to income statement for the year	(11)	446	16,126	—	16,561
At 31.12.2002 and 1.1.2003	2	(12,084)	(4,469)	—	(16,551)
Exchange adjustments	(2)	(499)	(184)	—	(685)
Charge/(credit) to income statement for the year	(29)	12,583	4,653	—	17,207
At 31.12.2003 and 1.1.2004	(29)	—	—	—	(29)
Exchange adjustments	3	—	—	—	3
Charge to income statement for the year	5	—	—	—	5
At 31.12.2004 and 1.1.2005	(21)	—	–	—	(21)
Exchange adjustments	1	—	—	7	8
Charge/(credit) to income statement for the period	20	—	—	(157)	(137)
At 31.10.2005	—	—	—	(150)	(150)
At 1.1.2004	(29)	—	—	—	(29)
Exchange adjustments	1	—	—	—	1
Charge to income statement for the period	5	—	—	—	5
At 31.10.2004 (unaudited)	(23)	—	—	—	(23)

As at 31st December, 2002, no temporary difference arising in connection with interest in subsidiaries was recognised as the subsidiaries had no distributable reserves.

As at 31st December, 2003, 2004 and 31st October, 2005, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$31,035,000, HK$124,474,000 and HK$202,730,000 respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

9. Dividends

	Year ended 31st December,			Ten months ended 31st October,	
	2002	**2003**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Proposed final dividend	—	8,000	—	—	—

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.

10. Earnings per share

(a) 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 issue 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.

(b) 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 10(a) 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 HK$0.25.

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 10(a) 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 10(a) 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 10(a) 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 10(a) 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").

11. Fixed assets

	Land use rights HK$'000	Land and buildings HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1.1.2002	40,654	1,559	26	326	42,565
Exchange adjustments	6,648	255	5	54	6,962
At 31.12.2002 and 1.1.2003	47,302	1,814	31	380	49,527
Exchange adjustments	2,248	87	1	19	2,355
Disposal	(49,550)	(1,901)	—		(51,451)
At 31.12.2003 and 1.1.2004	—	—	32	399	431
Exchange adjustments	—	—	(2)	(35)	(37)
At 31.12.2004 and 1.1.2005	—	—	30	364	394
Exchange adjustments	—	—	(3)	(16)	(19)
Disposal	—	—	—	(348)	(348)
At 31.10.2005	—	—	27	—	27
Aggregate depreciation					
At 1.1.2002	2,114	68	16	190	2,388
Exchange adjustments	350	12	3	34	399
Charge for the year	91	32	6	73	202
At 31.12.2002 and 1.1.2003	2,555	112	25	297	2,989
Exchange adjustments	122	6	1	16	145
Charge for the year	66	26	6	79	177
Written back on disposal	(2,743)	(144)	—	—	(2,887)
At 31.12.2003 and 1.1.2004	—	—	32	392	424
Exchange adjustments	—	—	(2)	(34)	(36)
Charge for the year	—	—	—	6	6
At 31.12.2004 and 1.1.2005	—	—	30	364	394
Exchange adjustments	—	—	(3)	(16)	(19)
Written back on disposal	—	—	—	(348)	(348)
At 31.10.2005	—	—	27	—	27
Impairment losses:					
At 1.1.2002	36,297	967	—	—	37,264
Exchange adjustments	5,936	158	—	—	6,094
At 31.12.2002 and 1.1.2003	42,233	1,125	—	—	43,358
Exchange adjustments	2,006	53	—	—	2,059
Written back on disposal	(44,239)	(1,178)	—	—	(45,417)
At 31.12.2003 and 31.12.2004 and 31.10.2005	—	—	—	—	—
Net book value:					
At 31.12.2002	2,514	577	6	83	3,180
At 31.12.2003	—	—	—	7	7
At 31.12.2004	—	—	—	—	—
At 31.10.2005	—	—	—	—	—

Notes:

(a) The land use rights represent 40 plots of land under freehold in Indonesia. The land and buildings represent a plot of land and a 4-storey office building under a medium term lease in Indonesia.

(b) As at 31st December, 2002, the directors carried out an impairment review of the carrying values of the land use rights and land and buildings with reference to the open market values as at that date. There was no material impairment loss identified.

(c) In October 2003, Nataki sold the land use rights and the land and buildings at a consideration of approximately HK$14,238,000 and HK$1,090,000 respectively to four independent third parties.

12. Interests in subsidiaries

	At 31st December, 2003	At 31st December, 2004	At 31st October, 2005
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares	71,481	71,481	71,481
Amount due from/(to) a subsidiary — *Note 12(b)*	3,905	(4,611)	—
	75,386	66,870	71,481

The carrying value of the Company's investments in the subsidiaries is determined by the Directors on the basis of the underlying assets of the subsidiaries at the time they were acquired by the Company pursuant to the Reorganisation which took place on 23rd June, 2003.

(a) Details of the subsidiaries as at 31st December, 2003, 2004 and 31st October, 2005 are as follows:

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

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

13. Inventories

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

14. Trade debtors

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

The following is an aging analysis of trade debtors:

	At 31st December, 2002	At 31st December, 2003	At 31st December, 2004	At 31st October, 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	20,249	59,991	73,686	82,444
31 – 60 days	17,321	17,731	9,624	—
	37,570	77,722	83,310	82,444

15. Advances to suppliers

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

16. Share capital

For the purposes of the preparation of these financial statements, the share capital shown in the consolidated balance sheet at 31st December, 2002 represented the nominal value of the issued share capital of Dickinson which was acquired by the Company on 23rd June, 2003 pursuant to the Reorganisation.

	Note	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At the date of incorporation	(a)	10,000,000	100
Increase in authorised capital	(b)	1,490,000,000	14,900
At 31.12.2003 and 31.12.2004 and 31.10.2005		1,500,000,000	15,000
Issued and fully paid:			
Issue of shares to subscriber	(a)	1	—
Issue of shares in accordance with the Reorganisation	(c)	99,999	1
Placing of shares	(d)	240,000,000	2,400
Capitalisation issue	(e)	559,900,000	5,599
At 31.12.2003 and 31.12.2004		800,000,000	8,000
Pre-Migration Placing of shares	(f)	160,000,000	1,600
At 31.10.2005		960,000,000	9,600

Notes :

(a) The Company was incorporated on 16th October, 2002 with an authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each. One share was allotted and issued at par on that date.

(b) On 23rd June, 2003, the authorised share capital of the Company was increased from HK$100,000 to HK$15,000,000 by the creation of an additional 1,490,000,000 shares of HK$0.01 each.

(c) On 23rd June, 2003, pursuant to the Reorganisation, 99,999 shares of HK$0.01 each were allotted and issued, credited as fully paid at par, as consideration for the acquisition by the Company of the entire issued share capital of Dickinson.

(d) On 28th November, 2003, 240,000,000 new shares of HK$0.01 each were issued by way of placing at a premium of HK$0.44 per share for cash (the "Placing"). The excess of the issue price over the par value of the shares issued upon the Placing amounted to HK$105,600,000 was credited to the share premium account of the Company.

(e) On 28th November, 2003, immediately after the Placing, 559,900,000 shares of HK$0.01 each were allotted and issued at par, credited as fully paid, to the shareholders in proportion to their respective shareholdings on the register of the members of the Company at the close of business on 27th June, 2003 by way of the capitalisation of the share premium available.

(f) On 25th May, 2005, 160,000,000 new shares of HK$0.01 each were issued by way of placing at a premium of HK$0.29 per share for cash (the "Pre-Migration Placing"). The excess of the issue price over the par value of the shares issued upon the Pre-Migration Placing amounted to HK$46,400,000 was credited to the share premium account of the Company.

17. Share options

The Company operates two share option schemes, namely the Share Option Scheme (the "Scheme") and Pre-IPO Share Option Scheme (the "Pre-IPO Scheme"), adopted on 20th November, 2003.

The Board of Directors (the "Board") may, at its discretion, offer to any employee of the Group, including Directors of any company in the Group, and other eligible persons, options to subscribe for shares of the Company. A sum of HK$1.00 is payable by the grantee on acceptance of the option offer.

The exercise price for a share in respect of any particular options granted under the Scheme (which shall be payable upon exercise of the option) shall be determined by the Board at its discretion, save that such price shall not be less than the highest of:

(a) the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of the offer, which must be a business day;

(b) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and

(c) the nominal value of a share.

As at 31st December, 2003, 2004 and 31st October, 2005, no option under the Scheme has been granted or agreed to be granted.

During the year ended 31st December, 2003, the Company granted a total of 56,000,000 share options under the Pre-IPO Scheme to 4 Directors and employees of the Group at a consideration of HK$1.00 per grant.

Share options granted under the Pre-IPO Scheme are not expensed as the options were fully vested before the effective date of the HKFRS 2 "Share-based Payments" and not subject to requirements of HKFRS 2.

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

Grantees	Exercisable period	Exercise price	Number of share options outstanding as at 20th November, 2003	Number of share options granted/ exercised/ lapsed/ cancelled during the period	Number of share options outstanding as at 31st October, 2005
Executive Directors	2nd December, 2004 to 19th November, 2013	HK$0.01	32,000,000	—	32,000,000
Senior management	2nd December, 2004 to 19th November, 2013	HK$0.01	24,000,000	—	24,000,000
			56,000,000		56,000,000

18. Reserves

(a) *The Group*

	Share premium HK$'000	Revenue reserve HK$'000	Reserve fund HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
At 1.1.2002	—	(84,740)	—	—	15,984	(68,756)
Profit for the year	—	37,719	—	—	—	37,719
Minority's share of losses previously unabsorbed	—	1,500	—	—	—	1,500
Special reserve arising on the Reorganisation	—	—	—	1,032	—	1,032
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	(8,556)	(8,556)
At 31.12.2002 and 1.1.2003	—	(45,521)	—	1,032	7,428	(37,061)
Profit for the year	—	85,275	—	—	—	85,275
Proposed final dividend	—	(8,000)	—	—	—	(8,000)
Special reserve arising on the Reorganisation	—	—	—	82,200	—	82,200
Premium arising on the Placing — *Note 16(d)*	105,600	—	—	—	—	105,600
Capitalisation issue — *Note 16(e)*	(5,599)	—	—	—	—	(5,599)
Expenses for Placing	(13,201)	—	—	—	—	(13,201)
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	3,130	3,130
At 31.12.2003 and 1.1.2004	86,800	31,754	—	83,232	10,558	212,344
Profit for the year	—	91,694	—	—	—	91,694
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	(14,143)	(14,143)
At 31.12.2004 and 1.1.2005	86,800	123,448	—	83,232	(3,585)	289,895
Profit for the period	—	90,813	—	—	—	90,813
Appropriation of reserve fund (iv)	—	(16,178)	16,178	—	—	—
Premium arising on the Pre-Migration Placing — *Note 16(f)*	46,400	—	—	—	—	46,400
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	(20,535)	(20,535)
At 31.10.2005	133,200	198,083	16,178	83,232	(24,120)	406,573

(i) All the minority's share of losses previously unabsorbed had been fully recovered during the year ended 31st December, 2002.

(ii) The special reserve arising in the year ended 31st December, 2002 represents the difference between the nominal value of the shares of Nataki acquired by Dickinson pursuant to the Reorganisation over the nominal value of the shares issued by Dickinson in exchange therefor.

(iii) The special reserve arising in the year ended 31st December, 2003 represents the difference between the nominal value of the shares of Dickinson acquired by the Company pursuant to the Reorganisation over the nominal value of the shares issued by the Company in exchange therefor.

(iv) Under articles 61 and 62 of the Indonesian Company Law, Nataki is required to appropriate a certain amount of its available net profit to a reserve fund. However, with due regard to the Indonesian accounting practice, the appropriation is conducted after offsetting the accumulated losses brought down from previous years. The appropriation to the reserve fund is required until it aggregates to at least 20% of Nataki's total paid-up capital. The amount of profit to be appropriated to the reserve fund for each year shall be determined by the shareholders in the general meeting of shareholders. The reserve fund is non-distributable and can only be used to make good future years' losses. Nataki has complied with the requirement to set aside certain portion of its profit for reserve fund in accordance with the Indonesian Company Law after executing the resolution of shareholders of Nataki dated 17th June, 2005 for approval to set aside an amount equal to 20% of Nataki's paid up capital or equal to IDR20,200,000,000 as general reserve in accordance with the Indonesian Company Law. The appropriation of the reserve fund was incorporated in the financial statements of Nataki for the period ended 31st October, 2005. The Indonesian legal consultant of the Company, Dewi Soeharto Maramis & Partners, an independent qualified legal adviser in Indonesia, is of the opinion that the appropriation has complied with the requirements in connection with the reserve fund under the Indonesian Company Law.

(b) *The Company*

	Share premium	**Revenue reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Surplus arising on the Reorganisation	71,480	—	71,480
Premium arising on the Placing — *Note 16(d)*	105,600	—	105,600
Capitalisation issue — *Note 16(e)*	(5,599)	—	(5,599)
Expenses for the Placing	(13,201)	—	(13,201)
Profit for the year	—	8,006	8,006
Proposed final dividend	—	(8,000)	(8,000)
At 31.12.2003 and 1.1.2004	158,280	6	158,286
Loss for the year	—	(1,032)	(1,032)
At 31.12.2004 and 1.1.2005	158,280	(1,026)	157,254
Loss for the period	—	(3,006)	(3,006)
Premium arising on the Pre-Migration Placing — *Note 16(f)*	46,400	—	46,400
At 31.10.2005	204,680	(4,032)	200,648

(i) The share premium of the Company includes (1) shares issued at premium and (2) the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the Reorganisation. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) As at 31st December, 2003, 2004 and 31st October, 2005, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK$158,286,000, HK$157,254,000 and HK$200,648,000 respectively subject to the restrictions as stated above.

19. Unsecured loan

	At 31st December,			At 31st October,
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount repayable:				
Within one year	58,063	—	—	—
After one year but within five years	—	—	—	—
	58,063	—	—	—

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

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

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

The unsecured loan was fully repaid by Nataki in October, 2003.

20. Commitments

As at 31st December, 2002, 2003, 2004 and 31st October, 2005, the Group had no material capital commitments to be disclosed.

21. Contingent liabilities

As at 31st December, 2002, 2003, 2004 and 31st October, 2005, the Group had no material contingent liabilities to be disclosed.

22. Operating lease arrangements

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

	At 31st December,			At 31st October,
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	52	432	489	412
After one year but within five years	104	98	860	466
After five years	—	48	36	25
	156	578	1,385	903

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

23. Related party transactions

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

24. Retirement benefit scheme

The Indonesian subsidiary of the Company, Nataki, is required to contribute to the government's statutory insurance and retirement fund ("Jamsostek") 6.24% of basic salary of its employees, and have no further obligations for the actual pension payments or post-retirement benefits beyond the monthly contributions. The Jamsostek fund is responsible for the entire insurance claim related to accident incurred by the employees during work and to the entire pension obligations of the retired employees. However, Nataki did not join the Jamsostek fund since its incorporation until August 2002. The contributions payable by the Group which have not been accounted for amounted to approximately HK$21,000, HK$40,000, HK$52,000 and HK$48,000 for each of the three years ended 31st December, 2004 and ten months ended 31st October, 2005 respectively. The total unpaid and unaccrued contributions under the Jamsostek fund amounted to approximately HK$185,000 as at 31st October, 2005. There were no forfeited contributions available during the Relevant Period.

In addition, based on Manpower Law of the Republic of Indonesia No. 13 year 2003 which stipulates that Nataki has an obligation to pay a certain amount to the employee upon termination of employment. In connection with this matter, the Group provide the allowance of such of obligation amounting to approximately HK$522,000 which was recorded as allowance for post employment benefit for the ten months ended 31st October, 2005. The Group does not provide the allowance in the previous period because the amount of the obligation was immaterial.

25. Segment information

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

(a) *Business segments:*

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

(b) *Geographical segments:*

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

	France *HK$'000*	Netherlands *HK$'000*	United Kingdom *HK$'000*	Republic of Indonesia *HK$'000*	Total *HK$'000*
Year ended 31st December, 2002					
Turnover	63,168	139,011	98,768	—	300,947
Segment assets	—	26,480	11,090	68,724	106,294
Capital expenditure	—	—	—	—	—
Year ended 31st December, 2003					
Turnover	81,580	360,103	168,482	—	610,165
Segment assets	20,027	33,609	24,086	197,313	275,035
Capital expenditure	—	—	—	—	—
Year ended 31st December, 2004					
Turnover	83,599	371,565	163,939	—	619,103
Segment assets	9,888	44,601	28,821	238,977	322,287
Capital expenditure	—	—	—	—	—
Ten months ended 31st October, 2005					
Turnover	66,505	372,376	134,863	—	573,744
Segment assets	6,396	53,637	22,411	360,887	443,331
Capital expenditure	—	—	—	—	—

26. Financial risk management

(a) *Financial risk factors*

The Group's activities expose it to a variety of financial risks, including the effects of: changes in foreign currency exchange rates risk, interest rates risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

(i) *Foreign exchange risk*

The Group mainly operates in the Republic of Indonesia with most of the transactions settled in Indonesian Rupiah and United States dollars which did not have significant exposure to foreign exchange risk during the Relevant Period.

The Group does not enter into derivative foreign exchange contracts to hedge its foreign currency risk.

(ii) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its unsecured loans, details of which have been disclosed in Note 19 of this section. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) *Credit risk*

The carrying amount of trade debtors included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group performs credit evaluations of its customers.

(iv) *Liquidity risk*

The Group ensures that it maintains sufficient cash, which is available to meet its liquidity requirements.

(b) ***Fair value estimate***

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade debtors, advances to suppliers, and deposits, prepayments and other receivable, and financial liabilities including unsecured loan and accrued expenses approximate their fair values due to their short maturities.

The face values less any estimated credit adjustments for principal assets and liabilities with a maturity of less than one year, if any, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

B. DIRECTORS' REMUNERATION

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

Under the arrangement presently in force, the aggregate amount of the directors' fees and emoluments paid or payable for the year ending 31st December, 2005 is estimated to be approximately HK$585,000 excluding the discretionary bonuses payable under directors' service contracts, the terms of which are set out in the subsection headed "Particulars of service contracts" in Appendix VI to Listing Document.

C. SUBSEQUENT EVENTS

There were no significant subsequent events which have occured since 31st October, 2005.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31st October, 2005.

Yours faithfully,
PKF
Certified Public Accountants
Hong Kong