



# Pan Sino

International Holding Limited

環新國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Annual  
Report  
2004

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability.

Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM listed issuers.

# CONTENTS

Corporate Information	1
Chairman's Statement	2
Management Discussion and Analysis	3
Biographical Information of Directors and Senior Management	7
Business Objectives Review	10
Directors' Report	12
Auditors' Report	22
Consolidated Income Statement	23
Consolidated Balance Sheet	24
Balance Sheet	25
Consolidated Cash Flow Statement	26
Consolidated Statement of Changes in Equity	27
Notes to the Financial Statements	28
Financial Summary	50

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. Harmiono Judianto (*Chairman*)  
Mr. Johanas Herkiamto (*Vice Chairman*)  
Mr. Rudi Zulfian  
Ms. Novayanti\*  
Mr. Gandhi Prawira\*  
Ms. Jacqueline GOH Hwee Chow\*

\* *Independent non-executive Directors*

## AUDIT COMMITTEE

Mr. Gandhi Prawira  
Ms. Novayanti  
Ms. Jacqueline GOH Hwee Chow

## COMPLIANCE OFFICER

Mr. Johanas Herkiamto

## AUTHORISED REPRESENTATIVES

Mr. Johanas Herkiamto  
Mr. Rudi Zulfian

## QUALIFIED ACCOUNTANT

Mr. Casey Mee Huat Lin, ACCA

## COMPANY SECRETARY

Mr. Casey Mee Huat Lin, ACCA

## AUDITORS

PKF  
*Certified Public Accountants*

## SPONSOR

Celestial Capital Limited

## PRINCIPAL BANKER

PT. Bank Central Asia, Tbk  
Indonesia

## SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.  
Butterfield House  
68 Fort Street  
P.O. Box 705  
George Town  
Grand Cayman  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited  
G/F, Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

## REGISTERED OFFICE

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681GT  
George Town  
Grand Cayman  
British West Indies

## PRINCIPAL PLACE OF BUSINESS IN INDONESIA

Jl. P. Jayakarta 117 Blok B/35  
Jakarta Pusat (10730)  
Indonesia

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## STOCK CODE

8260

# CHAIRMAN'S STATEMENT

With the close of the year 2004, I take much pride in presenting the Annual Report 2004 of Pan Sino International Holding Limited.

Through the quarterly and interim reports we submitted in the course of the past year, we have provided you, our shareholders the periodic peak of our progress. This Annual Report 2004 will provide the year's review as a whole.

We intend to remain visionary, viable and independent. Our core business lines are producing income streams, which add significant potential to our future earnings.

The Sales Agreement entered into in October 2002 with three established importers in Europe continued and we saw an increase in the amount of orders placed. We secured a new customer and completed our first business transaction successfully in September 2004. We are confident of their continued support and the renewal of the Sales Agreement.

With economic and political uncertainties, the Group had to revise its business plans. The general election and thereafter the presidential election created an instable condition for new investment activities. Fortunately, the Presidential Election held on 5th September, 2004, saw a peaceful and successful appointment of a new President for our country.

We have strengthened our position and continue to see many new opportunities for growth. I believe that our listing on the GEM Board in Hong Kong has opened up further exciting growth opportunities for the Company and our staff.

Currently we have 72 knowledgeable and customer oriented employees, who are executing our strategic plans. As a result, we are confident in our ability to continue building our earnings momentum. We strive for continued improvement, delivering superior long-term value to shareholders and providing one of the best places for employees to work.

In the next few years, we intend to continue and to accelerate the implementation of our strategy, focusing on the three main sources of our success, i.e. geographical coverage, technological innovation and productivity gains. We are ideally positioned to take advantage of opportunities in our fast-changing market.

This growth and continued success cannot be realized without the commitment and support of my fellow directors, management and staff, I extend my thanks and appreciation to them.

**Harmiono Judianto**

*Chairman*

Hong Kong, 21st March, 2005

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Source of Cocoa Beans

Currently Indonesia is the third largest cocoa beans producing countries in the world after Cote D'Ivoire and Ghana, and with the land of approximately 1.05 million hectares of cocoa plantation which mostly own by small farmers, Indonesia has a great chance to be the biggest cocoa producing country in the world.

The Group has established itself as a major exporter of cocoa beans in terms of trading volume in Indonesia. On the basis that Group's sales continue to increase, the Group entered into Sales Agreements in October 2002. The Group is now being one of the largest exporters of cocoa beans in Indonesia and with the Group's ability to provide farmers with a 50% advance payment for the purchase of cocoa beans, the Directors believe that the Group will continue to rise in the foreseeable future. This is very important in dealing with the farmers as they will sell the better quality cocoa beans from their harvests at a more competitive price to purchasers that can provide a meaningful advance payment.

World cocoa beans price have traded in a relatively narrow range compared to last year and New York price drifted lower from April to July, as estimates of surplus production in the 2003/2004 season rose on the back of better harvest in West Africa. The early start to the mini-dry season in West Africa prompted concerns about the 2004/2005 main crops and lead to rally in September 2004.

However, the mini-dry season also finished early, with heavy rains falling in the cocoa zone in West Africa towards the end of August 2004. This reduced the fears of a significant crop failure, and effect for the decreased of cocoa price.

Cocoa beans prices quoted on The Coffee, Sugar and Cocoa Exchange of New York, has been decreased in average of approximately US\$1,504 per tonne compare to US\$1,746 in average for the previous year.

### Relationship with Customers

The Group has maintained good and stable relationships with its overseas customers since commencement of business with them. In addition to this, the Group has not experienced any customer complaints or returned sales during the year ended 31st December, 2004. The Directors believe that the ability to provide quality and reliable service to these customers are very important since they are established cocoa product suppliers in Europe who source cocoa beans from all over the world.

### Sales and Marketing

As at 31st December, 2004, the Group had a sales and marketing team comprising 20 staff. This team maintains close contact with its customers, from whom they collect the latest market information and provide it to the farmers through the other departments of the Group. The Directors believe this assists the Group in sourcing from farmers the products that satisfy customers' requirements.

The Group has focused on the export market since January 2001, as overseas customers generally place larger orders.

## MANAGEMENT DISCUSSION AND ANALYSIS

Currently the Group sells its products to five established importers based in Europe who resell the products to other cocoa beans trading companies and cocoa processing and/or manufacturing companies in the United States of America.

The Group entered into the Sales Agreements with Unicom, ICBT and Westermann in October 2002. Each agreed to purchase from the Group a minimum amount of cocoa beans every year. The Sales Agreements were entered into for the purpose of formalizing the relationship between the Group and its customers and to ensure a continuous flow of business from the customers. The annual minimum purchase amount was determined based on the sales projection of the three customers over a period of three years.

In year 2004, the Group has succeeded to add one new customer namely Theobroma, a cocoa trading company base in Netherlands.

### BUSINESS PROSPECT

The international cocoa beans trading industry is competitive with numerous suppliers both domestic and overseas. Cocoa beans traders in Indonesia face competition from other traders within their own country and from other major cocoa beans exporting countries such as Cote d'Ivoire and Ghana.

To ensure a continuous flow of business from its customers, currently the Management is in discussion with the customers regarding the possibility of continuation of the Sales Agreements that was signed in October 2002 with 3 of the customers namely, Unicom, ICBT and Westermann and look for the possibility of signing renewed Sales Agreements with all of these customers. However, the Directors believe that the Group will be able to maintain its competitive edge for the following reasons:

- the Group is one of the few purchasers in Indonesia which provide farmers with a 50% advance payment for purchases. This is very important in dealing with the farmers as they will sell better quality cocoa beans from their harvests at more competitive prices;
- the Groups' ability to place large orders with farmers, enables us to obtain more competitive prices from the farmers. By purchasing quality cocoa beans at a competitive price, the Group can offer its export customers, all of whom are established cocoa product suppliers in Europe, export-quality cocoa beans at attractive prices. The Directors believe that this is especially important to overseas customers as they source cocoa beans from all over the world;
- the Group's senior management team has experience and well established business relationships in the cocoa industry;

- the Group adopts stringent quality control procedures to ensure that the quality of the cocoa beans sourced from the farmers meet with customers' requirements;
- the Group maintains close relationships with the farmers by providing value-added services such as latest market information on the cocoa industry and informal training on farming and harvesting methods;
- Indonesia is currently the third largest producers of cocoa beans in the world and have a chance to be the biggest cocoa beans producing country in the world.

### FINANCIAL REVIEW

#### Financial Resources and Liquidity

As at 31st December, 2004, the shareholder's funds of the Group amounted to approximately HK\$297.9 million (2003: HK\$228.3 million). Current assets amounted to approximately HK\$322.3 million (2003: HK\$275 million) of which approximately HK\$217.1 million (2003: HK\$160.8 million) were cash and bank deposits. Current liabilities amounted to approximately HK\$13.7 million (2003: HK\$39.6 million), mainly in tax payable and accrued expenses. The net assets value per share was HK\$0.37 (2003: HK\$0.29) as at 31st December, 2004.

#### Turnover

Turnover was approximately HK\$619.1 million in the current year (2003: HK\$610.2 million) which represent an increment of 1.46% compared to the previous year.

#### Cost of Sales

During the year ended 31st December, 2004, the Group's cost of sales was approximately HK\$481.5 million, compared to HK\$467.2 million in the previous year. The increase was due to the increase in sales volume of the Group.

#### Gross Profit

The Group's gross profit during the year ended 31st December, 2004 was approximately HK\$137.6 million, decreased of approximately 3.8% compared to approximately HK\$143 million in the previous year. The decreased was mainly due to the decreased in sales price of cocoa beans.

#### Profit Attributable to Shareholders

Due to the increase in sales volume of cocoa beans, the Group's profit attributable to shareholders during the year ended 31st December, 2004 amounted to approximately HK\$91.7 million, which exceeds the profit attributable to shareholders of approximately HK\$85.3 million for the year ended 31st December, 2003.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Gearing Ratio

The Group did not have any bank borrowing or bank overdrafts as at 31st December, 2004 (2003: Zero).

With 0% gearing ratio the Group will be able to reduce its financial risks and provides the opportunity to raise more debt financing in the future. Its also means that the Group could generate excess return regardless of the PE level.

### Employees

As at 31st December, 2004, the total number of employees of the Group was 72. For the year ended 31st December, 2004, the staff costs including directors of the Group amounted to approximately HK\$1,598,000 or amounted to 0.26% of the turnover of the Group and an increased of approximately HK\$302,000 or approximately 23.3% as compared to that of the year ended 31st December, 2003.

Ms. Goh Hwee Chow, Jacqueline has been appointed as an Independent Non-Executive Director of the Company on 30th December, 2004.

### Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31st December, 2004, the Group had no material acquisition and disposal of subsidiaries and affiliated companies.

### Significant Investment

There was no significant investment during the year.

### Material Investment or Capital Assets

As at 31st December, 2004, the Group had no material investment.

### Capital Structure of the Group in Debt Securities

During the year ended 31st December, 2004, the Group had no debt securities in issue.

# BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Harmiono Judianto** (*Chairman*), aged 38, joined the Group in December 1999. He had worked as a marketing manager since 1992 in two cocoa beans trading companies, namely P.T. Anditana Mandiri and later in P.T. Gading Trading Ltd, prior to acquiring the controlling interest in Nataki. Both of these cocoa beans trading companies focused on the export markets. As a result, Mr. Judianto built up his contacts with these overseas customers. Mr. Judianto controls all the key aspects of the Group's operation and is responsible for the overall strategy planning and business developments. He holds a Bachelor degree in Accounting from the Wijaya Kusuma University, Indonesia.

**Mr. Johanas Herkiamto** (*Vice Chairman*), aged 32, joined the Group as president director of Nataki in December 1999 and is responsible for corporate policy formulation, strategic business planning, finance, investor relations, business developments and the daily management of the Group. Mr. Herkiamto holds a Bachelor degree in Business Administration from Texas A&M University in the US. Mr. Herkiamto has over eight years of experience in the cocoa industry. Mr. Herkiamto worked for P.T. Davomas Abadi Tbk since 1995 where he built contacts with local cocoa beans companies and farmers, and overseas customers of semi-processed cocoa products. In order to avoid potential conflicts of interest, Mr. Herkiamto has resigned as president director of Davomas.

**Mr. Rudi Zulfian**, aged 36, joined the Group as director of Nataki in December 1999 and is responsible for overseeing the daily operations and financial matters. Prior to joining the Group, Mr. Zulfian from 1995 worked as a finance manager in P.T. Harapan Bersama Trading, a food trading company that dealt with trading of cocoa beans. Mr. Zulfian is a registered accountant and a broker dealer in Indonesia. Mr. Zulfian holds a Bachelor degree in Accounting from the Andalas University, Indonesia.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Novayanti**, aged 31, was appointed as an independent non-executive Director in April 2003. She holds a Bachelor degree in management from the Indonesian Christian University in Indonesia. Ms. Novayanti has been working in manufacturing-related industries since 1997. She worked for P.T. Tata Niaga, a plastic molding company, from 1997 to 1999 as the assistant manager for exports, P.T. Lancar Usaha Maju, a chemicals company, from 1999 to 2001 as the assistant director responsible for exports, and P.T. Palawitama Bina, a heavy equipment supplier, as a technical adviser to management on strategic trading plans and other related matters since 2001.

**Mr. Gandhi Prawira**, aged 40, was appointed as an independent non-executive Director in October 2003. He holds a Bachelor degree in Economic (Accounting) from Airlangga University, Indonesia. Mr. Prawira has over 13 years of experience in the finance and accounting fields. He worked for P.T. Nidesco Jaya, a cocoa company, from 1990 to 1995 as the accounting manager, P.T. Bintang Makmur, a construction company, from 1995 to 2001 as the finance and accounting manager, and P.T. Aneka Bumi Kencana, a management consultant company, as the assistant vice president, finance, from 2001.

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

**Ms Goh Hwee Chow, Jacqueline**, aged 52, was appointed as an independent non-executive Director in December 2004. She holds a Degree of Bachelor of Accountancy from the University of Singapore and has been admitted to the status of Certified Practising Accountant of The Australian Society of Certified Practising Accountants since 1984. Ms Goh has over 30 years of experience in accounting/auditing/financial management. Since 1992, Ms Goh has been working in Pacific Resources Inc., an Indonesian company which is engaged in management consultancy. Currently, Ms Goh is the Vice President Financial Controller of Pacific Resources Inc.

### SENIOR MANAGEMENT

**Mr. Elfisno**, aged 42, is the Group's head accountant responsible for the accounting, finance and administration functions. He has 17 years experience in the finance and accounting fields. He was employed by Nataki in September 2002. He graduated in 1984 from Jayabaya University, Indonesia with a Bachelor degree in Accounting.

**Mr. Tiswan**, aged 44, is the Group's head of internal audit responsible for the internal audit function. He was employed by Nataki in September 2002. Prior to joining the Group, Mr. Tiswan worked in various public accounting firms and has over 18 years experience in the accounting and auditing fields. He obtained a Bachelor degree in Economics (Accounting) from the Indonesia Economic Science College Jakarta in Indonesia.

**Mr. Adi Sucipto**, aged 33, is the head of quality control for the Group. He has over 8 years experience in quality control of food products. Prior to joining the Group in January 1999, he worked as the assistant to the head of quality control from 1995 in P.T. Rodeco Intana Jaya, a commodity trading company.

**Mr. Junaidi**, aged 33, is the Group's head of sales and marketing. He has over eight years experience in sales and marketing of food and related products. Prior to joining the Group in January 1999, he worked for P.T. Putra Sinar Mandiri, an agricultural product supplier, from 1995 to 1997 in the marketing department, and P.T. Eka Pancatama Makmur, a cocoa product trading company, from 1997 to 1998 as a marketing associate. He holds a Bachelor degree in Economics (Management) from Merdeka Malang University in Indonesia.

**Mr. Edy Slamet**, aged 36, is the purchasing manager for the Group. He has over 11 years experience in commodity trading. Prior to joining the Group in January 1999, he worked for P.T. Bumi Antarnusa, a commodity trading company, from 1992 to 1995 in the marketing department, P.T. Graha Artic Sejati, a cocoa trading company from 1996 to 1998. He holds a Bachelor degree in Financial Management from Malangkucecwara Malang Economic College in Indonesia.

**Mr. Abidin**, aged 35, is the warehousing manager for the Group. He has over 10 years experience in logistics and warehousing. Prior to joining the Group in January 1999, he was the logistics supervisor for P.T. Bahana Laguma Sejahtera, a cocoa-related trading company, from 1993 to 1998.

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Casey Mee Huat Lin**, ACCA, aged 50, is the company secretary and qualified accountant. He is responsible for the overall financial management of the Group. He joined the Group in January 2003 and has more than 15 years experience in the financial services industry. He holds a Bachelor degree in Accounting from the National University of Singapore and is a member of the Association of Chartered Certified Accountants of Singapore. Mr. Lin worked as an accounting audit partner in Tan & Associates, an accounting firm in Singapore from August 1981 to May 2000, and as a senior financial advisor in Citi Pacific Group, a financial institution in Singapore from June 2000 to December, 2002.

# BUSINESS OBJECTIVES REVIEW

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL PROGRESS

	Business objectives for the period from 1st July, 2004 to 31st December, 2004.	Actual business progress up to the period from 1st July, 2004 to 31st December, 2004.
Expansion of trading volume		
Marketing and promotional activities.	Expand sales and marketing team from 22 to 25 staff.	As the business plan was not fully achieved, the Group decided not to expand sales and marketing team.
	Attend trade shows, exhibitions and conferences relating to the cocoa industry, especially in US.	With higher security restrictions, we encountered difficulties in application of visa for entry into US, therefore, we attended those events held in Europe and realised that the European countries organised more of such events.
	Direct marketing to both overseas and domestic cocoa trading companies.	The marketing team has succeed to add one new customer from overseas, but plans for the domestic market is currently on hold.
<b>Expansion into other cocoa-related business</b>		
1. Conduct market research and feasibility studies.	Complete construction of cocoa processing factory.	The Group has done the market research and feasibility studies.
2. Construct factory and establish operations.	Complete assembling of cocoa processing factory.	The Group has done its research on the equipments and the suppliers for the cocoa beans industry.
	Commence production	Currently the Group has decided to delay the construction of factory and further establish cocoa-processing operations due to the election process in Indonesia, which caused all investment activities to slow down.
3. Marketing and promotional activities	Direct marketing to cocoa products manufacturing companies	The company still trade in cocoa beans to other trading companies, because the demands from current customers are still higher.

## BUSINESS OBJECTIVES REVIEW

	Business objectives as stated in the Prospectus dated 25th November, 2003	Actual business progress up to 31st June, 2004
Expansion of warehouse capacity		
1. Purchase or construct warehouse in Sulawesi.	Search for a suitable warehouse or location for constructing a warehouse.  Commence the purchase or construction of the warehouse.	Currently the Group has decided to delay the construction of factory and further establish the operations due to the election process in Indonesia, which caused all investment activities to slow down.

	<b>Budgeted amount disclosed in the Prospectus up to 31st December, 2004</b>	<b>Actual amount used up to 31st December, 2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Expansion of Trading volume	300	150
Expansion into other other cocoa-related business	62,450	100
Expansion of warehouse capacity	17,700	0
<b>Total</b>	<b>80,450</b>	<b>375</b>

Note: The remaining unused proceeds are currently being placed on interest-bearing deposits with licensed banks in Indonesia.

As at 31st December, 2004, the net proceeds from the public listing have been partially applied in accordance with the business plan.

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

# DIRECTORS' REPORT

The Directors are pleased to present to the shareholders their annual report together with the audited financial statements for the year ended 31st December, 2004.

## PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the subsidiaries are set out in note 13 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 23.

The Directors do not recommend the payment of any dividend for the year ended 31st December, 2004.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 13th May, 2005 to Wednesday, 18th May, 2005, (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the forthcoming 2005 annual general meeting of the Company to be held on Wednesday, 18th May, 2005, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12th May, 2005.

## FINANCIAL SUMMARY

The summary of the results of the Group for the four years ended 31st December, 2004 and the assets and liabilities of the Group as at 31st December, 2001, 2002, 2003 and 2004 are set out on page 50.

## FIXED ASSETS

Details of movements in fixed assets of the Group during the year are set out in note 12 to the financial statements.

## SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

### RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 19 to the financial statements.

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who held office during the year were:

#### Executive Directors:

Mr. Harmiono Judianto  
Mr. Johanas Herkiamto  
Mr. Rudi Zulfian

#### Independent non-executive Directors:

Mr. Gandhi Prawira  
Ms. Novayanti  
Ms. Goh Hwee Chow, Jacqueline – appointed on 30th December, 2004  
Ms. Wang Poey Foon, Angela – resigned on 30th December, 2004

In accordance with Articles 108 and 112 of the Company's Articles of Association, Mr. Rudi Zulfian and Ms. Goh Hwee Chow, Jacqueline will shall retire from office and, being eligible, offers themselves for re-election at the forthcoming annual general meeting of the Company.

Each of the three Executive Directors has entered into a service contract for an initial term of 3 years commencing from 2nd December, 2003 (the "Listing Date") and renewable automatically for successive terms of 1 year each commencing from the date immediately after the expiry of the then current term of the service contract until terminated by not less than 3 months' notice in writing served by either party on the other.

The independent non-executive Directors have not entered into service contracts with the Company.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.



## DIRECTORS' REPORT

### SHARE OPTIONS

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

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

The purpose of the Scheme is to enable the Company to grant options to subscribe for shares of the Company to any part-time or full-time employee, executive, officer or director (including executive and non-executive) of any members of the Group or any supplier, customer, joint venture partner, professional adviser or consultant of any members of the Group (collectively the "Eligible Participants") as incentives or rewards for their contribution or potential contribution to any members of the Group.

The Board of Directors (the "Board") may, at its discretion, offer to any Eligible Participants options to subscribe for such number of new shares as the Board may determine at an exercise price. The acceptance of the option, duly signed by the relevant Eligible Participant, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for grant must be received by the Company not later than 30 days after the date of offer of the option.

Except where the shareholders' approval is obtained (with the relevant Eligible Participant and his associates abstain from voting) the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of offer shall not exceed 1% of the number of shares of the Company in issue as at the date of offer.

If the Board determines to offer to grant options to a substantial shareholder (as defined in the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules")) or an independent non-executive Director of the Company (or any of his associates) and that grant would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Scheme and any other share option scheme(s) of the Company in the 12-month period up to and including the date of offer:

- (a) representing in aggregate over 0.1% of the number of shares of the Company in issue on the date of offer; and
- (b) having an aggregate value, based on the official closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer, in excess of HK\$5 million,

**SHARE OPTIONS (CONTINUED)****(A) Share Option Scheme (the "Scheme") (continued)**

such grant shall be subject to, in addition to the approval of the independent non-executive Directors of the Company, the approval of the shareholders of the Company in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) shall abstain from voting and/or such other requirements prescribed under the GEM Listing Rules. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular sent to the Company's shareholders.

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its absolute discretion any such minimum period at the time of offer of any particular option.

Subject to earlier termination set out in the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing on 20th November 2003, after which no further options will be offered but the provisions of the Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise.

The Board has the absolute discretion to require any particular Eligible Participant grantee to achieve certain performance targets specified at the time of offer before any option granted under the Scheme can be exercised.

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 quotations sheet of the Stock Exchange on the date of 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, 2004, no option under the Scheme has been granted or agreed to be granted.

As at the date of this Annual Report, the maximum number of shares in respect of which options may be granted under the Scheme is 80,000,000 shares, which represent 10% of the total issued share capital of the Company as at the date of this Annual Report.

## DIRECTORS' REPORT

### SHARE OPTIONS (CONTINUED)

#### (B) Pre-IPO Share Option Scheme (the "Pre-IPO Scheme")

The purpose of the Pre-IPO Scheme is to recognise the contribution of certain employees of the Group to the growth of the Group and/or the listing of the shares on the GEM. The principal terms of the Pre-IPO Scheme are the same as the terms of the Scheme except that:

- (a) the eligible persons for taking up options under the Pre-IPO Scheme are confined to any full-time or part-time employees, executive, officer or director (executive or non-executive), of the Company or any of its subsidiaries;
- (b) the exercise price for a share in respect of any option granted under the Pre-IPO Scheme is HK\$0.01 as determined by the Board at its absolute discretion at the date of grant of the relevant options;
- (c) the maximum number of shares subject to the Pre-IPO Scheme shall not exceed 56,000,000 representing 7% of the number of issued share capital of the Company on the Listing Date;
- (d) save for the options which have been granted under the Pre-IPO Scheme (see below), no further options have been or will be offered or granted under the Pre-IPO Scheme after the Listing Date but the provisions of the Pre-IPO Scheme shall remain in all other respects in full force and effect in respect of any options granted during the life of the Pre-IPO Scheme which may continue to be exercisable in accordance with their terms of issue; and
- (e) options granted under the Pre-IPO Scheme can only be exercised by the relevant grantees after the expiry of the 12-month period following the Listing Date.

As at 31st December, 2004, options to subscribe for 56,000,000 shares in aggregate representing 7% of the issued share capital of the Company have been granted to a total of 4 Directors and employees of the Group.

**SHARE OPTIONS (CONTINUED)**

(B) Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") (continued)

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

<i>Grantees</i>	<i>Vesting period</i>	<i>Exercisable period</i>	<i>Exercise price</i>	<i>Number of share options outstanding as at 1.1.2004</i>	<i>Number of share options granted/ exercised/ lapsed/ cancelled during the year</i>	<i>Number of share options outstanding as at 31.12.2004</i>
<b>Executive Directors</b>						
Mr. Johanas Herkiamto	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	16,000,000	–	16,000,000
Mr. Rudi Zulfian	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	16,000,000	–	16,000,000
<b>Other employees</b>						
Mr. Elfisno	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	12,000,000	–	12,000,000
Mr. Tiswan	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	12,000,000	–	12,000,000
				56,000,000	–	56,000,000

## DIRECTORS' REPORT

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

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

#### Long position in shares of the Company

<i>Name of director</i>	<i>Nature of interest</i>	<i>Capacity</i>	<i>Number of shares</i>	<i>Percentage of shareholding</i>
Mr. Harmiono Judianto	Personal	Beneficial owner	456,400,000	57.05%

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

<i>Name of director</i>	<i>Nature of interest</i>	<i>Capacity</i>	<i>Description of equity derivatives</i>	<i>Number of underlying shares</i>	<i>Percentage of the underlying shares over the issued share capital of the Company</i>
Mr. Johanas Herkiamto	Personal	Beneficial owner	Share option (Note)	16,000,000	2%
Mr. Rudi Zulfian	Personal	Beneficial owner	Share option (Note)	16,000,000	2%

Note: The share options were granted under the Pre-IPO Scheme.

The details of the above share options as required under the GEM Listing Rules have been disclosed in the above paragraph headed "Pre-IPO Share Option Scheme".

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the share option scheme disclosures in note 18 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's Directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

Save as disclosed above, no other person (other than a Director or Chief Executive of the Company) has an interest or short position in the shares and underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **MANAGEMENT SHAREHOLDERS' INTERESTS**

Save as disclosed under the paragraphs headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" and "Substantial shareholders and other persons' interests and short positions in shares and underlying shares" above, as at 31st December, 2004, no other person was able, as a practical matter, to direct or influence the management of the Company.

### **COMPETING INTERESTS**

None of the Directors, the substantial shareholder or the management shareholders (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group.

### **MAJOR CUSTOMERS AND SUPPLIERS**

The Group had five customers during the year and sales to the largest customer included therein amounted to approximately 29%. During the year, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

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

## DIRECTORS' REPORT

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### PRE-EMPTIVE RIGHTS

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

### SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Celestial Capital Limited ("CASH"), as at 31st December, 2004, neither CASH nor any of its Directors, employees or associates had any interests in the shares of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company or any member of the Group.

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

### AUDIT COMMITTEE

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

Up to the date of approval of these financial statements, the audit committee has held 5 meetings and has reviewed the annual report and accounts for the year ended 31st December, 2004 prior to recommending such accounts to the Board for approval.

### COMPLIANCE

In the opinion of the Directors, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning Board Practices and Procedures throughout the financial year ended 31st December, 2004.

### AUDITORS

A resolution to re-appoint the retiring auditors, Messrs. PKF, is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Mr. Harmiono Judianto**

*Chairman*

Hong Kong, 21st March, 2005



# AUDITORS' REPORT

梁學濂會計師事務所



## AUDITORS' REPORT TO THE SHAREHOLDERS OF PAN SINO INTERNATIONAL HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

22

Pan Sino International Holding Limited Annual Report 2004

We have audited the financial statements on pages 23 to 49 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PKF**

*Certified Public Accountants*

Hong Kong, 21st March, 2005

# CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	3	619,103	610,165
Cost of sales		(481,467)	(467,166)
Gross profit		137,636	142,999
Other income	4	3,420	2,268
Gain on disposal of fixed assets		–	12,200
Selling and distribution expenses		(2,478)	(2,243)
General and administrative expenses		(4,102)	(2,571)
Net exchange gain/(loss)	5	3,765	(5,475)
Profit from operations		138,241	147,178
Finance costs		–	(1,921)
Profit before taxation	6	138,241	145,257
Taxation	8(a)	(41,629)	(55,483)
Profit after taxation		96,612	89,774
Minority interests		(4,918)	(4,499)
Profit attributable to shareholders	9	91,694	85,275
Dividends	10	–	8,000
Earnings per share			
Basic, HK cents	11 (a)	11.5	14.6
Diluted, HK cents	11 (b)	10.7	13.4

# CONSOLIDATED BALANCE SHEET

As at 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	12	–	7
Deferred tax assets	8(b)	21	29
		<b>21</b>	36
<b>CURRENT ASSETS</b>			
Inventories	14	6,922	16,335
Trade debtors	15	83,310	77,722
Advances to suppliers	16	14,351	15,838
Deposits, prepayments and other receivable		541	4,267
Fixed deposits		180,252	105,524
Cash and bank balances		36,890	55,313
		<b>322,266</b>	274,999
<b>DEDUCT:-</b>			
<b>CURRENT LIABILITIES</b>			
Tax payable		13,284	38,642
Accrued expenses		365	1,009
		<b>13,649</b>	39,651
<b>NET CURRENT ASSETS</b>		<b>308,617</b>	235,348
		<b>308,638</b>	235,384
<b>REPRESENTING:-</b>			
<b>SHARE CAPITAL</b>	17	<b>8,000</b>	8,000
<b>RESERVES</b>	19(a)	<b>289,895</b>	212,344
<b>PROPOSED FINAL DIVIDEND</b>	10	–	8,000
<b>SHAREHOLDERS' FUNDS</b>		<b>297,895</b>	228,344
<b>MINORITY INTERESTS</b>		<b>10,743</b>	7,040
		<b>308,638</b>	235,384

Approved and authorised for issue by the Board of Directors  
on 21st March, 2005

**Mr. Harmiono Judianto**  
Director

**Mr. Johanas Herkiamto**  
Director

# BALANCE SHEET

As at 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	13	66,870	75,386
<b>CURRENT ASSETS</b>			
Other receivable		105	3,858
Fixed deposits		77,723	77,629
Cash and bank balances		20,672	18,381
		98,500	99,868
<b>DEDUCT:-</b>			
<b>CURRENT LIABILITIES</b>			
Accrued expenses		116	968
<b>NET CURRENT ASSETS</b>			
		98,384	98,900
		165,254	174,286
<b>REPRESENTING:-</b>			
<b>SHARE CAPITAL</b>			
	17	8,000	8,000
<b>RESERVES</b>			
	19(b)	157,254	158,286
<b>PROPOSED FINAL DIVIDEND</b>			
	10	-	8,000
<b>SHAREHOLDERS' FUNDS</b>			
		165,254	174,286

Approved and authorised for issue by the Board of Directors  
on 21st March, 2005

**Mr. Harmiono Judianto**  
Director

**Mr. Johanas Herkiamto**  
Director

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2004

	2004 HK\$'000	2003 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	138,241	145,257
Interest expenses	–	1,921
Interest income	(3,420)	(2,268)
Depreciation	6	177
Gain on disposal of fixed assets	–	(12,200)
Operating profit before working capital changes	134,827	132,887
Decrease in inventories	9,413	9,343
Increase in trade debtors	(5,588)	(40,152)
Decrease/(increase) in advances to suppliers	1,487	(9,173)
Decrease/(increase) in deposits, prepayments and other receivable	3,726	(1,305)
(Decrease)/increase in accrued expenses	(644)	294
Exchange adjustments	(12,600)	5,114
Cash from operations	130,621	97,008
Interest received	3,420	2,178
Interest paid	–	(1,921)
Tax paid	(63,610)	–
Net cash from operating activities	70,431	97,265
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of fixed assets	–	15,328
Net cash from investing activities	–	15,328
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of new shares	–	94,799
Decrease in unsecured loan	–	(61,039)
Dividend paid	(8,470)	–
Net cash (used in)/from financing activities	(8,470)	33,760
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>61,961</b>	<b>146,353</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>	<b>160,837</b>	<b>13,778</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(5,656)</b>	<b>706</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>217,142</b>	<b>160,837</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Fixed deposits	180,252	105,524
Cash and bank balances	36,890	55,313
	<b>217,142</b>	<b>160,837</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st December, 2004

	<i>Note</i>	<b>2004</b> <b>HK\$'000</b>	<i>2003</i> <i>HK\$'000</i>
At 1st January		<b>228,344</b>	45,140
Exchange differences on translation of financial statements of overseas subsidiaries	19(a)	<b>(14,143)</b>	3,130
Net (losses)/gains not recognised in the consolidated income statement		<b>(14,143)</b>	3,130
Profit attributable to shareholders	19(a)	<b>91,694</b>	85,275
Dividend paid		<b>(8,000)</b>	–
Share placing		–	108,000
Expenses for share placing	19(a)	–	(13,201)
At 31st December		<b>297,895</b>	228,344

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

## 1. GROUP REORGANISATION

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 to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, 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.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

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

### (b) Basis of consolidation

The Reorganisation has been accounted for using merger accounting by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year. Apart from the Reorganisation, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intra-group transactions and balances have been eliminated on consolidation.

For the Year ended 31st December, 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (c) 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:

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.

### (d) 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.

### (e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises of 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.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) **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.

(g) **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.

(h) **Operating leases**

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

(i) **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.

When the Company grants employees options to acquire its shares, the option exercise price will be determined by the Directors at the date of grant and no employee benefit cost or obligation is recognised at that time. When the options are exercised, the equity is increased by the amount of proceeds received.

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.

For the Year ended 31st December, 2004

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### (j) Foreign currency translation

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; nonmonetary 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 P.T. Nataki Bamasa ("Nataki") are prepared in Indonesian Rupiah and both the reporting and functional currency adopted by Nataki is Indonesian Rupiah.

#### (k) 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### (k) Taxation (continued)

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 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.

#### (l) 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.

#### (m) 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.

For the Year ended 31st December, 2004

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(n) **Cash equivalents**

Cash equivalents are short-term, highly liquid investments which are readily convertible to 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.

(o) **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.

(p) **Recently issued accounting standards**

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 3. TURNOVER

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

### 4. OTHER INCOME

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Bank interest income	<b>3,420</b>	2,268

### 5. NET EXCHANGE GAIN/(LOSS)

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Exchange gain/(loss) arising from:		
Retranslation of prepayments denominated in US\$	–	(177)
Trading operations	<b>3,809</b>	(5,298)
Other non-trading operations	<b>(44)</b>	–
	<b>3,765</b>	(5,475)

### 6. PROFIT BEFORE TAXATION

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Profit before taxation is arrived at after charging:		
Cost of inventories sold	<b>481,467</b>	467,166
Auditors' remuneration	<b>208</b>	269
Depreciation	<b>6</b>	177
Directors' remuneration – Note 7	<b>456</b>	227
Other staff costs	<b>1,142</b>	1,069
Interest on other loan wholly repayable within five years	–	1,921
Minimum lease payments in respect of land and buildings	<b>500</b>	376

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 7. REMUNERATION OF DIRECTORS AND EMPLOYEES

(a) The emoluments received by the Company's Directors during the year are as follows:

	<b>2004</b> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
Fees	–	–
Basic salaries, allowances and benefits in kind		
– Executive Directors	<b>191</b>	170
– Independent non-executive Directors	<b>265</b>	57
Pension scheme contributions	–	–
	<b>456</b>	227

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

	<b>2004</b>	<i>2003</i>
HK\$Nil – HK\$1,000,000	<b>6</b>	6

Three Executive Directors received individual emoluments of approximately HK\$61,000, HK\$71,000 and HK\$59,000 respectively for the year ended 31st December, 2004 (HK\$67,000, HK\$51,000 and HK\$52,000 respectively for the year ended 31st December, 2003). Three (2003: Three) independent non-executive Directors received individual emoluments of approximately HK\$51,000, HK\$51,000 and HK\$163,000 respectively for the year ended 31st December, 2004 (HK\$53,000, HK\$Nil and HK\$4,000 respectively for the year ended 31st December, 2003).

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 7. REMUNERATION OF DIRECTORS AND EMPLOYEES (CONTINUED)

- (b) The remuneration of employees who were not Directors during the year and who were amongst the five highest paid individuals of the Group is as follows:

	<b>2004</b> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
Basic salaries, allowances and benefits in kind	–	53
Pension scheme contributions	–	–
	–	53

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

	<b>2004</b>	<i>2003</i>
HK\$Nil – HK\$1,000,000	–	1

- (c) During the year, 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 8. TAXATION

(a) Taxation in the consolidated income statement represents:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Overseas taxation		
Current tax	<b>41,624</b>	38,276
Deferred tax – Note 8(b)	<b>5</b>	17,207
	<b>41,629</b>	55,483

During the year, all of the Group's profits were derived from Nataki incorporated and operated in the Republic of Indonesia. No provision for Hong Kong profits tax has been made in these financial statements as the Group has no assessable profits for the year. Provision for Indonesian corporate income tax for the current year is based on the following progressive tax rates:

<b>Taxable income</b>	<b>Rate</b>
<b>IDR</b>	<b>%</b>
On the first 50,000,000	10
On the next 50,000,000	15
Over 100,000,000	30



## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 8. TAXATION (CONTINUED)

- (a) Taxation in the consolidated income statement represents: (continued)

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

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<b>138,241</b>	145,257
Taxation at the Indonesian progressive income tax rates	<b>41,457</b>	43,577
Tax effect of expenses that are not deductible in determining taxable profit	<b>521</b>	34
Tax effect of income that are not assessable in determining taxable profit	<b>(1,062)</b>	(719)
Tax effect of reversal of temporary difference arising on impairment losses on land use rights and land and buildings	–	12,583
Taxes on profit distribution by a subsidiary	<b>713</b>	–
Others	–	8
Income tax expense	<b>41,629</b>	55,483

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 8. TAXATION (CONTINUED)

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

	<i>Accelerated/ (decelerated) depreciation allowances</i>	<i>Impairment losses on land use rights and land and buildings</i>	<i>Tax losses</i>	<i>Total</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 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
<b>At 31.12.2004</b>	<b>(21)</b>	<b>–</b>	<b>–</b>	<b>(21)</b>

As at 31st December, 2004, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK\$124,474,000 (2003: HK\$31,035,000). 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders includes a loss of approximately HK\$1,032,000 (2003: Profit of HK\$8,006,000) which has been dealt with in the financial statements of the Company.

### 10. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Proposed final dividend of HK\$Nil (2003: HK\$0.01) per share	–	8,000

The Directors do not recommend the payment of any dividend for the year ended 31st December, 2004.

### 11. EARNINGS PER SHARE

- (a) The calculation of basic earnings per share for the year ended 31st December, 2004 is based on the Group's profit attributable to shareholders and 800,000,000 shares in issue during the year ended 31st December, 2004.

The calculation of basic earnings per share for the year ended 31st December, 2003 is based on the Group's profit attributable to shareholders 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 Group Limited ("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 places on 28th November, 2003) in issue during the year ended 31st December, 2003.

- (b) Diluted earnings per share for the year ended 31st December, 2004 is based on the Group's profit attributable to shareholder 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 11(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 Group's profit attributable to shareholders 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 11(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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 12. FIXED ASSETS

	<i>Office equipment HK\$'000</i>	<i>Motor vehicles HK\$'000</i>	<i>Total HK\$'000</i>
Cost:			
At 1.1.2004	32	399	431
Exchange adjustments	(2)	(35)	(37)
<b>At 31.12.2004</b>	<b>30</b>	<b>364</b>	<b>394</b>
Aggregate depreciation:			
At 1.1.2004	32	392	424
Exchange adjustments	(2)	(34)	(36)
Charge for the year	–	6	6
<b>At 31.12.2004</b>	<b>30</b>	<b>364</b>	<b>394</b>
Net book value:			
<b>At 31.12.2004</b>	–	–	–
At 31.12.2003	–	7	7

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 13. INTERESTS IN SUBSIDIARIES

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted shares	<b>71,481</b>	71,481
Amount due (to)/from a subsidiary – Note 13(b)	<b>(4,611)</b>	3,905
	<b>66,870</b>	75,386

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.

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

<b>Name of company</b>	<b>Place of incorporation and operation</b>	<b>Attributable equity interest</b>		<b>Issued and paid up capital</b>	<b>Principal activities</b>
		<b>Direct</b>	<b>Indirect</b>		
		%	%		
Dickinson	British Virgin Islands	100	–	USD10,781,000	Investment holding
Setimuly International Group Limited	Mauritius	–	100	USD1,000	Investment holding
Nataki	Republic of Indonesia	–	95	IDR101,000,000,000	Trading of cocoa beans

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 14. INVENTORIES

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

### 15. TRADE DEBTORS

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

The following is an aging analysis of trade debtors:

	<b>2004</b> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
0 – 30 days	<b>73,686</b>	59,991
31 – 60 days	<b>9,624</b>	17,731
	<b>83,310</b>	77,722

### 16. ADVANCES TO SUPPLIERS

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

### 17. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
<b>At 1.1.2004 and 31.12.2004</b>	<b>1,500,000,000</b>	<b>15,000</b>
Issued and fully paid:		
<b>At 1.1.2004 and 31.12.2004</b>	<b>800,000,000</b>	<b>8,000</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 18. 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 quotations sheet of The Stock Exchange of Hong Kong Limited (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, 2004, 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.

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

<i>Grantees</i>	<i>Exercisable period</i>	<i>Exercise price</i>	<i>Number of share options outstanding as at 1.1.2004</i>	<i>Number of share options granted/ exercised/ lapsed/cancelled during the year</i>	<i>Number of share options outstanding as at 31.12.2004</i>
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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 19. RESERVES

(a) The Group

	<i>Share premium</i> <i>HK\$'000</i>	<i>Revenue reserve</i> <i>HK\$'000</i>	<i>Special reserve</i> <i>HK\$'000</i>	<i>Exchange reserve</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
At 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 placing of shares	105,600	–	–	–	105,600
Capitalisation issue	(5,599)	–	–	–	(5,599)
Expenses for placing of shares	(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)
<b>At 31.12.2004</b>	<b>86,800</b>	<b>123,448</b>	<b>83,232</b>	<b>(3,585)</b>	<b>289,895</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 19. RESERVES (CONTINUED)

#### (a) The Group (continued)

- (i) 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 therefore.
- (ii) 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 therefore.
- (iii) 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. No profit has been appropriated to the reserve fund during the year as no general meeting of shareholders has yet been held by Nataki for the determination of the appropriation.

#### (b) The Company

	<i>Share premium</i>	<i>Revenue reserve</i>	<i>Total</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Surplus arising on the Reorganisation	71,480	–	71,480
Premium arising on placing of shares	105,600	–	105,600
Capitalisation issue	(5,599)	–	(5,599)
Expenses for placing of shares	(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)
<b>At 31.12.2004</b>	<b>158,280</b>	<b>(1,026)</b>	<b>157,254</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 19. RESERVES (CONTINUED)

#### (b) The Company (continued)

- (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, 2004, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$157,254,000 (2003: HK\$158,286,000) subject to the restrictions as stated above.

### 20. COMMITMENTS

As at 31st December, 2004, the Group had no material capital commitments to be disclosed.

### 21. CONTINGENT LIABILITIES

As at 31st December, 2004, 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:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	<b>489</b>	432
After one year but within five years	<b>860</b>	98
After five years	<b>36</b>	48
	<b>1,385</b>	578

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st December, 2004

### 23. RELATED PARTY TRANSACTIONS

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

### 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 the basic salary of its employees, and have no further obligations for the actual pension payments or post-retirement benefits beyond the monthly contributions. The Jamsostek fund is responsible for the entire insurance claim related to accident incurred by the employees during work and to the entire pension obligations of the retired employees. 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\$40,000 and HK\$52,000 for each of the two years ended 31st December, 2003 and 2004 respectively. The total unpaid and unaccrued contributions under the Jamsostek fund amounted to approximately HK\$149,000 as at 31st December, 2004. There were no forfeited contributions available during the year.

For the Year ended 31st December, 2004

## 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.

	<i>France</i> <i>HK\$'000</i>	<i>Netherlands</i> <i>HK\$'000</i>	<i>United Kingdom</i> <i>HK\$'000</i>	<i>Republic of Indonesia</i> <i>HK\$'000</i>	<i>Consolidated</i> <i>HK\$'000</i>
<b>Year ended</b>					
<b>31st December, 2004</b>					
Turnover	83,599	371,565	163,939	–	619,103
Segment assets	9,888	44,601	28,821	238,977	322,287
Capital expenditure	–	–	–	–	–
<b>Year ended</b>					
<b>31st December, 2003</b>					
Turnover	81,580	360,103	168,482	–	610,165
Segment assets	20,027	33,609	24,086	197,313	275,035
Capital expenditure	–	–	–	–	–

# FINANCIAL SUMMARY

## RESULTS

	<i>Year ended 31st December,</i>			
	<b>2004</b>	2003	2002	2001
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000
Turnover	<b>619,103</b>	610,165	300,947	145,153
Profit attributable to shareholders	<b>91,694</b>	85,275	37,719	8,270

Note : The results of the Group for each of the two years ended 31st December, 2001 and 2002 are extracted from the prospectus of the Company dated 25th November, 2003.

## ASSETS AND LIABILITIES

	<i>At 31st December,</i>			
	<b>2004</b>	2003	2002	2001
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>	<b>21</b>	36	19,731	31,882
<b>CURRENT ASSETS</b>	<b>322,266</b>	274,999	86,563	35,355
<b>CURRENT LIABILITIES</b>	<b>(13,649)</b>	(39,651)	(58,778)	(85,051)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>308,617</b>	235,348	27,785	(49,696)
<b>MINORITY INTERESTS</b>	<b>(10,743)</b>	(7,040)	(2,376)	–
<b>NON-CURRENT LIABILITIES</b>	<b>–</b>	–	–	(49,902)
<b>NET ASSETS/(LIABILITIES)</b>	<b>297,895</b>	228,344	45,140	(67,716)

Note : The assets and liabilities of the Group as at 31st December, 2001 and 2002 are extracted from the prospectus of the Company dated 25th November, 2003.