

Pan Sino

International Holding Limited

環新國際有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code:502

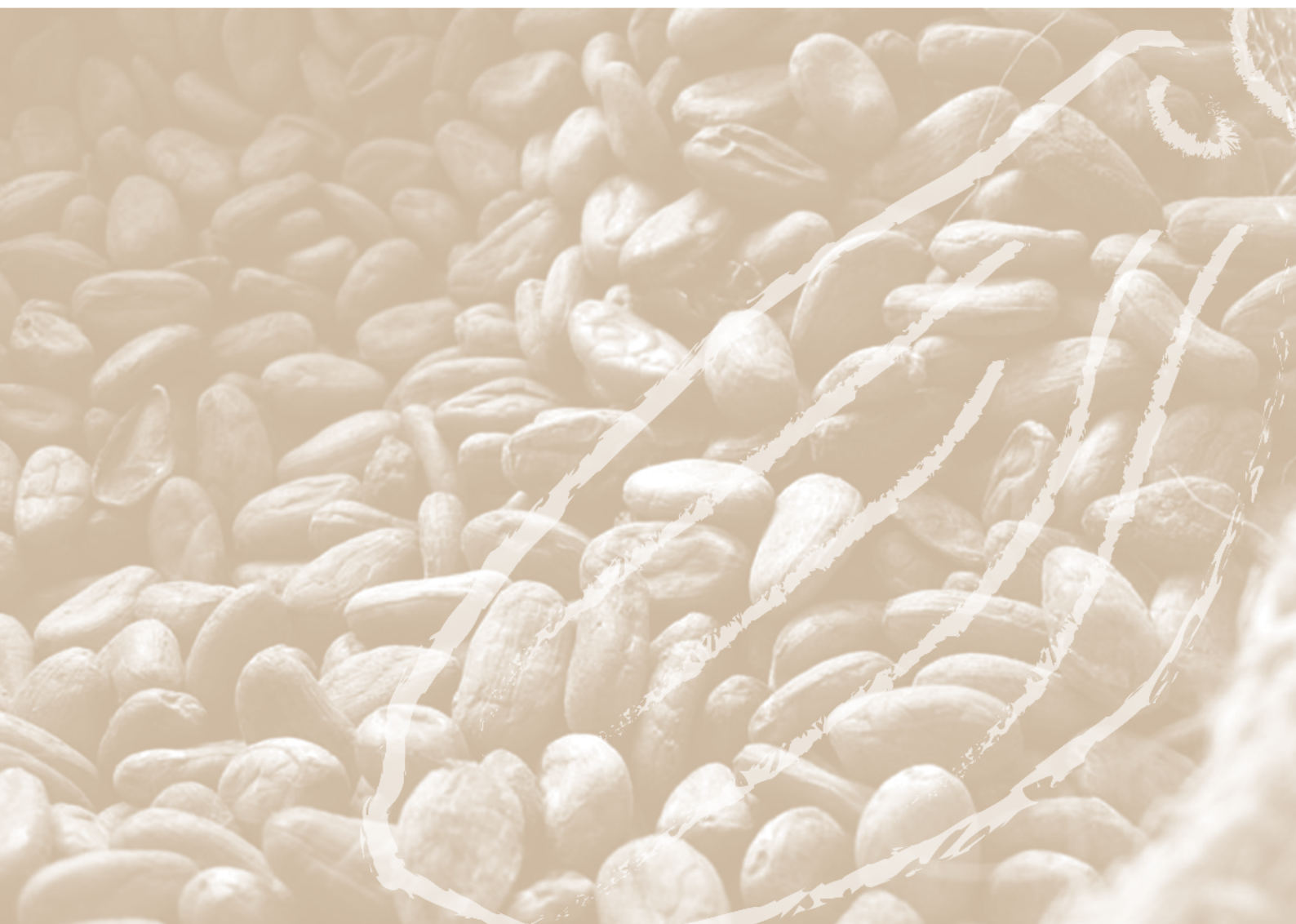


Annual Report 2006

* For identification purposes only

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Corporate Information

BOARD OF DIRECTORS

Mr. Harmiono Judianto (Chairman) (removed by notice dated 11th December, 2007)

Mr. Rudi Zulfian (Chief Executive Officer)

Ms. Roseline Marjuki

Mr. Abdi Arif Rasdita

Mr. Erik Iskandar *

Mr. Lam Choong Fei *

Ms. Goh Hwee Chow Jacqueline *

Ms. Wang Poey Foon, Angela *

* Independent non-executive Directors

AUDIT COMMITTEE

Mr. Erik Iskandar (Chairman)

Mr. Lam Choong Fei

Ms. Goh Hwee Chow, Jacqueline

Ms. Wang Poey Foon, Angela

NOMINATION COMMITTEE

Mr. Rudi Zulfian (Chairman)

Mr. Lam Choong Fei

Ms. Goh Hwee Chow, Jacqueline

REMUNERATION COMMITTEE

Mr. Rudi Zulfian (Chairman)

Mr. Harmiono Judianto

Mr. Erik Iskandar

Mr. Lam Choong Fei

Ms. Goh Hwee Chow, Jacqueline

AUTHORISED REPRESENTATIVES

Mr. Rudi Zulfian

Ms. Roseline Marjuki

QUALIFIED ACCOUNTANT

Mr. Panthradil, George Samuel, CPA (HKICPA), FCCA

COMPANY SECRETARY

Mr. Lui Tin Nang, FHKICPA, FCA, FTIHK FCCA

AUDITORS

Li, Tang, Chen & Co

COMPLIANCE ADVISER

First Asia Finance Group Limited[#]

OSK Asia Capital Limited^{##}

[#] until 30th September, 2007

^{##} from 5th December, 2007

PRINCIPAL BANKER

PT. Bank Central Asia, Tbk Indonesia

SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 705

George Town

Grand Cayman

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN INDONESIA

Jakarta Stock Exchange Building

Tower 2 23rd floor Suite 2305

Jl. Jenderal Sudirman Kav 52-53

Jakarta Pusat 12190

Indonesia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1613, 16/F

Tai Yau Building

181 Johnston Road

Wanchai

Hong Kong

STOCK CODE

502



Letter from the Board of Directors

We have not rested on our laurels. In the financial year ended 31st December, 2006, we made several significant new initiatives.

On 27th January, 2006, we received the approval from the Listing Committee of The Stock Exchange of Hong Kong Limited for the successful migration of our Company from the GEM (Growth Enterprise Market) Board to the Main Board of the Hong Kong Stock Exchange. 1st March, 2006 saw the first day of our shares traded on the Main Board. It was a proud and significant moment for us all!

We are committed to further developing our business and intend to invest further in people, equipment and marketing. The Company's employees base will continue to increase as we expand the infrastructure needed to produce, market and distribute our high quality products around the world.

It has been part of the Company's business plan for some time to establish its own cocoa processing facility; the intention to do so was stated in the Company's prospectus on its listing on GEM in 2003. Initially, the Company intended to establish a cocoa processing facility in Indonesia. During the course of 2006 it was decided that Singapore would be a better location to establish such a production facility. Construction of the Company's cocoa processing facility and warehouse has commenced with the foundations having been laid and above ground construction commenced. Construction work has temporarily halted as the main contractor sought to renegotiate the pricing of the project to take into account among other things, increased construction materials costs in Singapore. The Company is close to agreeing revised terms with the main contractor and is confident that work on the construction of the Company's cocoa processing plant and warehouse will resume early in 2008. Once completed and operational our cocoa processing facility in Singapore will mark a new milestone in the expansion of the Company into the cocoa business by enabling us to supply semi-processed cocoa ingredients to our customers which will supplement our cocoa beans trading business. This is an integral part of our overall strategy to further diversify our revenue base towards opportunities in the cocoa industry.

While broadening our horizons, we will stay the course and implement policies and strategies that enhance the reputation of our Company. This will help us to realize our vision. Instead of fearing new trends or ignoring them, we must ride on the changes and seize the many good opportunities they present to improve our product offerings, expand our client reach and grow our business beyond the core.

The commitment to total quality supply and service has been instrumental in Pan Sino's corporate development. From a mere cocoa beans trader focused on the Indonesian domestic market in our early years, to diversify into the trading of cocoa beans in the international market, through to our successful Initial Public Offering, Pan Sino International Holding Limited, a company listed on The Stock Exchange of Hong Kong Limited and now, in the process of expanding into cocoa processing in Singapore.

The Board of Directors
10th December, 2007

Management Discussion and Analysis

BUSINESS REVIEW

Source and sell cocoa beans at competitive prices

Cocoa growing regions are found in Africa, Asia, Central America and South America, all within 20 degrees of the equator. There are between 5–6 million farmers who depend on farming cocoa for their income and about 80 million people rely on cocoa or some part of the cocoa industry for their livelihoods.

Annual cocoa production worldwide is estimated at 3 million tons and the global market value of the annual cocoa crop was estimated at more than US\$5.1 billion. Annual increase in demand for cocoa has averaged approximately 3 percent per year for the past 100 years. Notably, 70% of total cocoa beans come from West Africa (source: World Cocoa Foundation).

Most of the production growth in Asia has come from Indonesia, the world's third largest cocoa beans producer after Côte d'Ivoire and Ghana. Côte d'Ivoire and Ghana continues to produce more than 85 percent of all cocoa grown in the world.

Cocoa cultivation in Indonesia is spread over approximately 1.05 million hectares of land mostly owned by small farmers. Production in Indonesia is projected to grow by 3.5 percent annually to 574,000 tonnes in 2010 and account for 16 percent of the global production by 2010, compared to 14 percent between 1998 till 2000. The Indonesian Government's policies have encouraged expansion of production and most of the increases during the last two decades were bulk cocoa coming from hybrid trees.

The Group is still one of the few purchasers in Indonesia who provide farmers with 50% advance payments for the purchase of cocoa beans. This continues to be an important strategy of the Group in dealing with the farmers since the Directors believe that farmers will sell the better quality cocoa beans from their harvest at a more competitive price to purchasers who provides them with meaningful advance payment. In addition, the Directors believe that the Group's ability to place large orders with farmers also enables the Group to obtain more competitive prices from the farmers. This way, the Group continues to offer its export customers quality cocoa beans at attractive prices.

For each of the three years ended 31st December, 2004, 2005 and 2006 the Group sourced from over 1,778, 2,244 and 2,467 farmers respectively. Having direct access to such a diversified base of farmers allows the Group: (i) to better control the quality and price of its purchases; (ii) to maintain a stable and reliable supply; and (iii) to improve its efficiency and cost effectiveness without going through intermediaries. There are many farmers in Indonesia that can supply the Group with the cocoa beans that meet the Group's requirements. The Group has maintained good relationships with farmers and selects its suppliers mainly based on the availability of the cocoa beans that meet the Group's quality requirements.

Cocoa beans prices quoted on The Coffee, Sugar and Cocoa Exchange of New York ("NYCSCE"), has been stable on an average of approximately US\$1,506 per tonne compared to US\$1,504 on average from the previous year.

Relationship with Customers

The Group has maintained good and stable relationships with its overseas customers as evidenced by the renewal of Sales Agreements with three of its five existing customers, namely, Unicom, ICBT and Westermann. Such customers agreed to purchase an annual aggregate minimum amount of 34,000 tonnes of cocoa beans for a further term of three years from October 2005 to October 2008. Orebi and Theobroma have continued to maintain a strict internal policy that does not allow them to sign any long-term purchase agreements with any external parties.

The Directors believe that these customers are important as they are well established cocoa product suppliers who source cocoa beans all over the world.

Management Discussion and Analysis (Continued)

Stringent quality control systems

The Group maintains a high standard of quality control by performing on-site quality control inspections of the cocoa beans purchased at the farmers' warehouses. The Group's quality control staff also undertake regular quality control inspections at the Group's warehouse and before shipment to customers. The adoption of these stringent quality control procedures ensures that the quality of the cocoa beans sourced from the farmers meets our customers' requirements.

Sales and Marketing

The Indonesian Government's determination to make Indonesia the world's largest cocoa producer and exporter has seen help extended to the farmers in Sulawesi where 70% of the cocoa plantations are located. This assistance from the Indonesian Government helps the farmers to expand and modernize their farms as part of the revitalization program that the Indonesian Government introduced. The expansion of cocoa plantations in Indonesia should result in an increase in the crop production available to the Group and this will help the Group to increase its sales to the export market. The Group hopes to become an essential trading partner with the international trading cocoa companies.

The Group's sales and marketing team maintains close contact with its customers, from whom they collect the latest market information and provide it to the farmers through the purchasing department of the Group. The Directors believe this assists the Group in enabling it to source from farmers the products that satisfy customers' requirements.

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.

As indicated in the following table, the Netherlands is the major market for the Company's products. Sales to the Netherlands accounted for more than half of the Company's turnover during each of the three years ended 31st December, 2004, 2005 and 2006. The breakdown of the Company's sales to the three geographic locations are as follows:

Geographical location	For the year ended 31st December,					
	2004		2005		2006	
	(HK\$ million)	%	(HK\$ million)	%	(HK\$ million)	%
The Netherlands	371.4	60.0	461.8	64.8	511.9	63.9
The UK	164.1	26.5	171.3	24.1	168.5	21.0
France	83.6	13.5	79.1	11.1	120.3	15.1
Total	619.1	100.0	712.2	100.0	800.7	100.0

Pursuant to the Group's sales agreements with its customers, the price of each purchase shall be determined by mutual agreement between the Group and the respective customer with reference to, amongst other things, the prices of the cocoa beans quoted on the NYCSCE. Each customer is required to purchase the minimum amount stated in its respective sales agreement insofar as the Group can reasonably supply such amount.

The Directors do not believe the Group will have any problems sourcing cocoa beans to meet the minimum purchase amounts under the Sales Agreements since the Group has never experienced any problems sourcing cocoa beans and there is an abundant supply of farmers, which can supply such cocoa beans that meet the Group's requirements.

Management Discussion and Analysis (Continued)

The Group will continue to expand its sales to its existing customers and to diversify its customer base in overseas markets. The Directors are confident that the Group will be able to increase sales to its existing customers, acquire new customers and achieve a larger share of cocoa beans purchases in the future.

All of the Group's shipments of cocoa beans are made on a "free-on-board" basis to the shipping point. Under this arrangement, the Group's customers are responsible for the costs of the shipment and insurance in connection with the transportation of cocoa beans from the shipping point in Sulawesi, Indonesia to the destination designated by the customers. In addition, the customers also bear the risk of loss and damage to the cocoa beans during transportation from the shipping port in Indonesia to its destination. This arrangement allows the Group to minimize its transportation and insurance costs. All of the Group's sales are denominated in US dollars.

Customers normally expect shipment to take place within two months after the order is placed. Customers are normally required to pay the Group by telegraphic transfer within one to two months following the shipment of the goods. For each of the three years ended 31st December, 2004, 2005 and 2006, the average debtors' turnover period of the Group was approximately 49.1, 43.7 and 40.6 days respectively. There has not been, and the Group has not made any provisions for, any bad and doubtful debts during the year.

BUSINESS PROSPECT

In 2010, it is expected that world grindings of cocoa beans will amount to 3.6 million tonnes, reflecting an average annual increase of 2.1 percent from 2.8 million tonnes during 1998–2000 to 2010 (the base period). Consumption is expected continue to be concentrated in developed countries, which are expected to account for 64 percent of world cocoa consumption in 2010. Consumption in these countries is projected to increase at an annual rate of 2.2 percent from 1.8 million tonnes during the base period to 2.3 million tonnes in 2010.

Consumption in Europe is projected to grow by 1.7 percent per annum and reach 1.4 million tonnes. Europe is expected to continue to be the world's largest cocoa consuming area, accounting for 40 percent of global cocoa consumption in 2010. In North America, the world's second largest cocoa consuming area, growth is expected to increase by 3.6 percent per annum and reach 703,000 tonnes. In the former Soviet Union/ the Commonwealth of Independent States (CIS), consumption is expected to grow by 0.8 percent per annum from 65,000 tonnes to 71,000 tonnes, reflecting expected increase in income in these countries. In Japan, consumption is expected to increase from 48,000 tonnes during the base period to 56,000 tonnes in 2010.

Consumption in developing countries as a group is expected to amount to 1.3 million tonnes by 2010, an annual growth rate of 1.8 percent. Africa, where capital formation for grindings has grown rapidly over the past decade, is expected to remain the largest consuming region in this group, accounting for 35 percent of the consumption of developing countries. The share of consumption in Latin America and Caribbean, where the relative cost for grindings are higher compared to Africa, is expected to decrease from 32 percent to 28 percent by 2010. In the Far East, where per capita consumption is still small, the share in consumption is projected to increase from 31 percent during the same period to 34 percent by 2010.

By 2010, beans are expected to continue to form the majority of cocoa exports, despite some increase of processing capacity in producing countries, especially those in Africa. Global cocoa beans exports are projected to reach 3.0 million tonnes by 2010, an average annual growth rate of 2.8 percent. Total exports from Africa are expected to grow by 2.8 percent annually from 1.7 million tonnes during the base period to 2.3 million tonnes in 2010, with Côte d'Ivoire, Ghana and Nigeria achieving an annual average growth rate of about 3 percent. Exports from Côte d'Ivoire are projected to increase to 1.5 million tonnes by 2010, or 51 percent of the projected global cocoa exports. Exports from Ghana are expected to reach 469,000 tonnes or 16 percent of the world total. The share of African exports in the world market are expected to remain stable, about 78 percent of the global exports.

Management Discussion and Analysis (Continued)

Exports from the Far East, which increased rapidly during the 1980s and continued to grow at a slower rate during the 1990s, are expected to grow further and reach 529,000 tonnes by 2010. The increase in the exports from the Far East during the 1980s resulted mainly from rapidly growing shipments from Malaysia that accounted for 54 percent of the exports from the region. However, exports fell dramatically during the 1990s when farmers switched production. The increase in exports during the current decade is likely to result mostly from the increase in yields, and the share of the Malaysian exports in the region should increase only slightly, from 4.6 percent during the base period to 5.3 percent in 2010. On the other hand, exports from Indonesia grew rapidly during the 1980s and 1990s and are projected to continue to grow at 4.3 percent per year over the next decade and account for 98 percent of cocoa beans exports from the Far East by 2010, compared to 30 percent during the 1980s and 84 percent during the 1990s.

In Latin America and the Caribbean, cocoa exports are projected to increase from 97,000 tonnes during the base period to 130,000 tonnes reflecting expected increasing exports from Brazil where production is expected to recover from the loss caused by the witches' broom disease.

Global cocoa imports are expected to increase by 2.2 percent annually between 1998–2000 and 2010, compared with 3.1 percent during the previous decade. Imports in developed countries as a group are expected to grow at an annual rate of 2.5 percent to 2.6 million tonnes. Europe should continue to be the main consumer of cocoa, accounting for 65 percent of global cocoa imports in 2010. In North America, imports are projected to grow by 0.3 percent per year, to reach 505,000 tonnes by 2010. Shipments to the countries of the former Soviet Union/ the Commonwealth of Independent States (CIS) are likely to decrease slightly by 1.1 percent per annum. In Japan, imports are expected to increase by 1.4 percent per year from 48,000 tonnes in 1998–2000 to 56,000 tonnes in 2010. Imports in developing countries as a group are projected to remain unchanged and would account for 11.3 percent of world cocoa imports, compared with the 14 percent during the previous decade. (Source: Food and Agriculture Organisation of the United Nations)

FINANCIAL REVIEW

Overview

As at 31st December, 2006, the equity attributable to the equity holders of the Company amounted to approximately HK\$610.5 million (2005: HK\$444.7 million). Current assets amounted to approximately HK\$476.6 million (2005: HK\$476.5 million) of which approximately HK\$357.3 million (2005: HK\$372.9 million) were cash and bank deposits. Current liabilities amounted to approximately HK\$14.5 million (2005: HK\$15.3 million), mainly in tax payable and accrued expenses.

Turnover

Turnover was approximately HK\$800.7 million in the current year (2005: HK\$712.2 million) which represent an increment of 12.43% compared to the previous year.

Cost of Sales

During the year ended 31st December, 2006, the Group's cost of sales was approximately HK\$606.5 million compared to HK\$545.7 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, 2006 was approximately HK\$194.2 million, an increase of approximately 16.6% compared to gross profit of approximately HK\$166.5 million in the previous year.

Management Discussion and Analysis (Continued)

Other Income

For the year ended 31st December, 2006, the Group's income from bank interest amounted to approximately HK\$23.5 million.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. 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 consumption of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Profit Attributable to Equity holders of the Company

Due to the increase in sales volume of cocoa beans, the Group's profit attributable to equity holders of the Company during the year ended 31st December, 2006 amounted to approximately HK\$142.3 million, which exceeded the profit attributable to equity holders of the Company of approximately HK\$111.9 million for the year ended 31st December, 2005.

Employees

As at 31st December, 2006, the total number of employees of the Group was 78. For the year ended 31st December, 2006, the staff cost including directors of the Group amounted to approximately HK\$1.9 million representing approximately 0.24% of the turnover of the Group and a decrease of approximately HK\$174,000 or approximately 8.56% as compared to the staff cost for the year ended 31st December, 2005.

Qualifications of audit

- 1) All inventories are that of PT Nataki Bamasa ("Nataki"), the subsidiary of Pan Sino International Holding Pte Ltd ("Pan Sino"). In Nataki's operating and financial records there are adequate documentation to track and trace the movement of inventories from balance sheet date to 22nd March, 2007 to confirm the value of the inventories as at the end of 31st December, 2006.

The local auditor for Nataki was satisfied with the stock take done on 22nd March, 2007 and of the reconciling process to determine the holding of the inventories as at 31st December, 2006 and had issued an unqualified audit report for Nataki. Furthermore, the local auditor did not issue any management report letter on the subsidiary's inventory taking procedures.

On the above basis, the Board of Directors is confident and assured that inventories are correctly and fairly stated as at 31st December, 2006.

- 2) The account receivables are represented in the accounts of PT Nataki Bamasa ("Nataki"). As part of the audit process, the local auditor of Nataki had sent out customer confirmations on or around 10th May, 2007 and had received 100% of confirmation of balances by middle to end of May.

As part of its own audit process, Li, Tang, Chen & Co ("LTC") had requested to resend confirmations of customers' balances as at 31st December, 2006. At the date of LTC forming their opinion, the Company was advised that the customers had not replied satisfactorily.

Management Discussion and Analysis (Continued)

The Board of Directors is confident and assured that the receivables are correctly and fairly stated as at 31st December, 2006 and there are also no further reasons to doubt or dispute the turnover for the year ended 31st December, 2006 as presented in the audited accounts.

- 3) The amounts from the building and construction works of the Singapore plant are not deposits but rather payment to account for the construction of the factory and the purchase of the plant and machinery for Hesley Cocoa International Pte Ltd (“Hesley”).

The auditors for Hesley had reviewed these payments and the attendant documentation and was satisfied as to its representation in the audited accounts of Hesley. They have not issued any qualifications in their report nor highlighted any management report letter.

On the above basis, the Board of Directors is confident and assured that these specific payments for the construction of the factory and purchase of the plant and machinery have been fairly represented in the audited accounts.

- 4) The Executive Directors of Nataki had entered into a Memorandum of Understanding (“MOU”) with a major customer of Nataki. The principal terms of this MOU was to determine Nataki’s options to either enter into a joint venture to manage or the outright purchase of a factory. The Executive Directors took the view that this information was sensitive both operationally and with respect to the price hence withheld some key information on this subject to LTC.

The Board of Directors is confident and assured that payments made after December 2006 with respect to this proposed investment have been properly made in accordance to the MOU and that it would enhance the Company’s future operations.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Harmiono Judianto (Chairman), aged 40, joined the Group in December 1999. He had worked as a marketing manager since 1992 in two cocoa beans trading companies, namely PT. Anditana Mandiri and later in PT. Gading Trading Ltd prior to acquiring the controlling interest in PT. Nataki Bamasa. Both of these are cocoa beans trading companies. He holds a Bachelor Degree in Accounting from Wijaya Kusuma University, Indonesia.

Mr. Rudi Zulfian (Chief Executive Officer), aged 39, joined the Group as President Director of PT. Nataki Bamasa in December 1999 and is responsible for overseeing the daily operations and overall operations of the Group. Prior to joining the Group, Mr. Zulfian had worked as a finance manager in PT. Harapan Bersama Trading, a food trading company which traded in a range of products including cocoa beans, semi processed cocoa products such as cocoa butter, salt, sugar and coffee beans. Since 1995, Mr. Zulfian is a registered accountant. He holds a Bachelor Degree in Accounting from Andalas University, Indonesia.

Since early 2006, Mr. Zulfian had been responsible on all key aspects of the Group's operations, the overall strategic planning and business development of the Group.

Ms. Roseline Marjuki, aged 43, was appointed as an Executive Director on 21st April, 2006, and as of 2nd June, 2006, she was appointed as the authorised representative of the Company. She continues to be responsible for overseeing the daily operations and general administration matters of the Group. Prior to joining the Group, Ms. Marjuki had worked as a finance assistant manager in PT. Kharisma Inti Persada, a general food trading company from 1988 to 1996 and as an operation manager in PT. Amilus Food Industries, a food distribution company from 1996 to 2000. Ms. Marjuki had also worked as a general manager overseeing the whole operation of MPS Corporation, a snack and food producer from 2000 to 2004. Ms. Marjuki holds a Bachelor Degree in Economics majoring in Business Management from University of Sam Ratulangi, Indonesia.

Mr. Abdi Arif Rasdita, aged 40 was appointed as an executive Director on 5th December, 2007. He is the chief finance officer of PT. Nataki Bamasa, the trading arm of the Company. Mr Abdi Arif Rasdita graduated from Mandala University in Indonesia majoring in Economics. He is currently an associate member of the Institute of Account Practitioner. Prior to joining the Group, from 1991 till 1997 respectively, Mr Abdi Arif Rasdita had worked as an administration manager in Pacific Importer and Exporter in East Java, finance manager with PT Harmoni in Jakarta. From 1997 till 2005, he was first financial controller at Diplo Hotel in West Sumatra then took the post of chief financial officer at Once Rubber Industries in Jakarta. In 2006 till the present, Mr Rasdita is in the employ of PT. Nataki Bamasa as its chief financial officer.

INDEPENDENT NON EXECUTIVE DIRECTORS

Mr. Erik Iskandar, aged 48, is the president director of PT Metropolis Lines, a shipping company in Indonesia with a licence to cater to domestic shipments which only Indonesian flag carriers are allowed to sail within Indonesia waters and to carry coal from coal mining sites to various power plants in Indonesia. Mr. Iskandar was appointed on 15 August, 2006. He is the chairman of the Audit committee and a member the Remuneration committee. He graduated with a Degree from International Christian University in Tokyo, Japan. Mr Iskandar has extensive work experiences in senior management in a good range of business operations within Indonesia as well as other parts of the world.

Mr. Lam Choong Fei, aged 45, is an investment director. Mr Lam was appointed on 15 August, 2007. He is also a member of the Audit, Remuneration and Nomination Committees. Mr Lam graduated a Bachelor degree of Arts, major in Economics, York University, in Toronto, Canada. He has worked in various positions since graduation all in the field of investments. Mr Lam has extensive working experience in the corporate advisory area in identifying and qualifying deal flow since 1986 and in promoting, facilitating investments and providing comprehensive advice and services to potential business investors.

Biographical Information of Directors and Senior Management (Continued)

Ms. Goh Hwee Chow, Jacqueline, aged 55, was appointed as an independent non-executive Director in December 2004. Ms. Goh holds a Bachelor Degree in Accountancy from the University of Singapore and has been admitted to the status of Certified Practicing Accountant of the Australian Society of Certified Practicing 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.. Before joining Pacific Resources Inc., Ms. Goh worked in CPA firms

Ms. Wang Poey Foon, Angela, aged 49, was appointed as an independent non-executive Director in January, 2006. Ms. Wang holds an LLB (Hons) Degree from the National University of Singapore. She is currently a partner of a firm of solicitors in Hong Kong. She is also the non-executive director of several listed companies listed on the Main Board of The Stock Exchange of Hong Kong Limited.

QUALIFIED ACCOUNTANT

Mr. Panthradil, George Samuel, CPA (HKICPA), FCCA, aged 49, is the Qualified Accountant of the Group. Mr. Panthradil joined the Group in November 2005. He is responsible for the overall financial management of the Group. His training and background is in finance and management. He is a Chartered Certified Accountant and is a Fellow of The Association of Chartered Certified Accountants, CPA Hong Kong Institute of Certified Public Accountants, FCPA Institute of Certified Public Accountants of Singapore and FCPA Australia.

Mr. Panthradil commenced employment and training with Peat, Marwick, Mitchell & Co., n.k.a. KPMG, and spent 5 years with them before moving to Sassoon Holdings Pte Ltd. At the Sassoon Group, whose principal activities included securities trading and investments, he was the Group's Company Secretary and his portfolio of responsibility included all statutory, secretarial, accounting and taxation at Group level. Additionally, he was also responsible for the development of operational controls, reporting procedures, and the management of the finance team of the Company as well as of the Group.

Upon leaving the Sassoon Group, he has accumulated experience as Chief Operating Officer and Chief Financial Officer in various organisations involved in education, sports, trading, retail, information technology, telecommunications and commerce.

COMPANY SECRETARY

Mr. Lui Tin Nang, FHKICPA, FCA, FTIHK, FCPA, ACMA, aged 50 is the Company Secretary. Mr. Lui joined the Company in November 2005. He has over 10 years of experience in finance, auditing, accounting and tax in the People's Republic of China and Hong Kong. Mr. Lui graduated with a Bachelor of Science Degree from the University of Leeds and a Master Degree in Business Administration from the University of Bradford in the United Kingdom. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in English and Wales, the taxation Institute of Hong Kong and associate member of the Chartered Institute of Management Accountants.

Corporate Governance Report

The board of directors (“Board”) of the Company is pleased to present this Corporate Governance Report in the Group’s annual report for the year ended 31st December, 2006.

CORPORATE GOVERNANCE PRACTICES

Good corporate governance has always been recognised as vital to the Group’s success and to sustain development of the Group. We commit ourselves to a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of its business. The Group is committed to achieving good standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”).

In the opinion of the directors, save as disclosed herein, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31st December, 2006.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory and the CG Code and align with the latest developments.

The key corporate governance principles and practices of the Company are summarised as follows:

A. Directors

A.1 The Board

The Company is headed by an effective Board which assumes responsibility for leadership and control of the Group and be collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs. All directors of the Company take decisions objectively in the interests of the Company.

Code Provisions as set out in the CG Code		Compliance	Corporate Governance Practices of the Company
A.1.1	The Board should meet regularly at least 4 times a year at approximately quarterly intervals. Such regular Board meetings will normally involve active participation of a majority of directors.	Yes	<ul style="list-style-type: none">The Board met nine times during the year ended 31st December, 2006 for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.The directors’ attendance at the meetings of the Board and the Board committees during the year ended 31st December, 2006 are set out in the following table.

Corporate Governance Report (Continued)

Details of Directors' Attendance Records during the year ended 31st December, 2006:

Name of Directors	Attendance/Number of Meetings			
	Board	Remuneration Committee	Audit Committee	Nomination Committee
Mr Harmiono Judianto	4/9	0/1	—	—
Mr Johanas Herkiamto (Note 1)	4/5	—	—	—
Mr Rudi Zulfian	9/9	1/1	—	1/1
Ms Roseline Marjuki (Note 2)	5/5	—	—	—
Mr Gandhi Prawira	7/9	1/1	4/4	—
Ms Novayanti	7/9	1/1	4/4	1/1
Ms Goh Hwee Chow, Jacqueline	5/9	1/1	3/4	0/1
Ms Wang Poey Foon, Angela (Note 3)	2/8	—	1/4	—

1. Mr Johanas Herkiamto retired as an executive director of the Company at the annual general meeting held on 2nd June, 2006. Before his retirement, there were a total of 5 Board meetings held.
2. Ms Roseline Marjuki was appointed as an executive director of the Company on 21st April, 2006. Subsequent to her appointment, there were a total of 5 Board meetings held.
3. Ms Wang Poey Foon, Angela was appointed as an independent non-executive director of the Company on 6th January, 2006. Subsequent to her appointment, there were a total of 8 Board meetings and 4 Audit Committee meetings held.

Code Provisions as set out in the CG Code		Compliance	Corporate Governance Practices of the Company
A.1.2	All directors should be given an opportunity to include matters in the agenda for regular Board meetings.	Yes	<ul style="list-style-type: none"> Draft agenda of each meeting are normally made available to directors in advance and they are given reasonable time to include relevant matters for discussion at the Board meetings.
A.1.3	At least 14 days notice should be given for regular Board meetings.	Yes	<ul style="list-style-type: none"> Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.
A.1.4	All directors should have access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.	Yes	<ul style="list-style-type: none"> The Board and each director shall have separate and independent access to the advice and services of the Company Secretary and the senior management of the Company, whenever necessary.
A.1.5	Minutes of meetings should be kept by a duly appointed secretary of the meeting and open for inspection by any director.	Yes	<ul style="list-style-type: none"> Minutes of all meetings of the Board and Board committees are kept by the Company and they are open for directors' inspection at reasonable time upon reasonable notice.

Corporate Governance Report (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.1.6 Minutes should record in sufficient detail the matters considered and decisions reached. Draft and final versions of minutes should be sent to all directors for comment and records within reasonable time after the Board meeting.	Yes	<ul style="list-style-type: none"> • Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final versions were sent to all directors for records.
A.1.7 The Board should have an agreed procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense.	Yes	<ul style="list-style-type: none"> • Directors are able to seek independent professional advice upon reasonable request, at the Company's expense.
A.1.8 Where substantial shareholder or director has conflict of interest in a matter which is considered material, such matter should not be dealt with by way of circulation but a Board meeting with presence of disinterested independent non-executive directors should be held. Any interested director shall abstain from voting and not be counted in quorum.	Yes	<ul style="list-style-type: none"> • Any transaction which involves a conflict of interests for a substantial shareholder or a director and is determined by the Board to be material, will be dealt with by a duly convened Board meeting at which any director who, and whose associates have a material interest shall abstain from voting and not to be counted in the quorum at such meeting.

Corporate Governance Report (Continued)

A.2 Chairman and Chief Executive Officer

There are two key aspects of the management of the Company — the management of the Board and the day-to-day management of the Company's business. There is a clear division of responsibilities at the Company's Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.2.1 Roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.	No	<ul style="list-style-type: none"> The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing. The Chairman of the Board is Mr Harmiono Judianto, who had provided leadership for the Board and used to be responsible for chairing the meetings and managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner until 17 May 2006. Since then, Mr. Harmiono Judianto has not attended any board meeting. Accordingly, the responsibility of the chairman was taken up by Mr. Rudi Zulfian on an ad-hoc basis. The Chief Executive Officer is Mr Rudi Zulfian, who is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.
A.2.2 The Chairman should ensure that all directors are properly briefed on issues arising at Board meetings.	Yes	<ul style="list-style-type: none"> The Chairman had mandated the CEO to be responsible for ensuring that the directors receive appropriate briefing on issues arising at Board meetings.
A.2.3 The Chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.	Yes	<ul style="list-style-type: none"> To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the Chairman had mandated the CEO & senior management to supply and provide adequate, complete and reliable information to all directors for consideration and review.

Corporate Governance Report (Continued)

A.3 Board composition

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Board includes a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.3.1 Independent non-executive directors should be expressly identified in all corporate communications that disclose the names of directors of the issuer.	Yes	<ul style="list-style-type: none">• The Board currently comprises 8 members, consisting of 4 executive directors and 4 independent non-executive directors.• The list of all directors is set out under “Corporate Information” contained in this Annual Report and the independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.• The relationships among the members of the Board are disclosed under “Biographical Information of Directors and Senior Management” contained in this Annual Report.• The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Corporate Governance Report (Continued)

A.4 Appointments, re-election and removal

There is a formal, considered and transparent procedure for the appointment of new directors to the Board of the Company. There are also plans in place for orderly succession for appointments to the Board. All directors are subject to re-election at regular intervals.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.	Yes	<ul style="list-style-type: none"> Ms Goh Hwee Chow, Jacqueline and Ms Wang Poey Foon, Angela, the independent non-executive director of the Company are appointed for a term of 3 years whereas Mr Erik Iskandar and Mr Lam Choong Fei, the other independent non-executive directors, are appointed for a term of 1 year.
A.4.2 All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	Yes	<ul style="list-style-type: none"> In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. In accordance with the Company's Articles of Association, Mr Rudi Zulfian, Ms Goh Hwee Chow, Jacqueline, Ms Wang Poey Foon, Angela and Mr Abdi Arif Rasdita shall retire at the Company's forthcoming annual general meeting. The four retiring directors, being eligible, will offer themselves for re-election at the said meeting. The Nomination Committee recommend the re-appointment of these directors standing for re-election at the said annual general meeting. The notice of annual general meeting of the Company contains detailed information of such directors standing for re-election.

Corporate Governance Report (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
		<ul style="list-style-type: none"> The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board structure, monitoring the appointment and nomination and succession planning of directors and assessing the independence of independent non-executive directors. Currently, the Nomination Committee comprises 3 members, namely Mr Rudi Zulfian (Chairman), Ms Goh Hwee Chow, Jacqueline and Mr Lam Choong Fei. The majority of them are independent non-executive directors. The Nomination Committee met once during the year ended 31st December, 2006 and has reviewed the Board structure, assessed the independence of the independent non-executive directors and recommended the re-appointment of the directors standing for re-election at the 2006 annual general meeting of the Company. The attendance records of the Nomination Committee are set out under the above "Details of Directors' Attendance Records during the year ended 31st December, 2006".

A.5 Responsibilities of directors

Every director is required to keep abreast of his responsibilities as a director of the Company and of the Company's conduct, business activities and development. Given the essential unitary nature of the Board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Corporate Governance Report (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.5.1 Every newly appointed director of the issuer should receive a comprehensive, formal and tailored induction on his first appointment, and subsequently such briefing and professional development as is necessary.	Yes	<ul style="list-style-type: none"> Each newly appointed director, receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Continuing briefings and professional development to directors will be arranged whenever necessary.
<p>A.5.2 The functions of non-executive directors include (but not limited to):</p> <ul style="list-style-type: none"> Participating in Board meetings to bring an independent judgement. Taking the lead where potential conflicts of interests arise. Serving on Board committees, if invited. Scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance. 	Yes	<ul style="list-style-type: none"> The non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive directors make various contributions to the effective direction of the Company.
A.5.3 Every director should ensure that he can give sufficient time and attention to the affairs of the issuer.	Yes	<ul style="list-style-type: none"> The directors are aware that they shall give sufficient time and attention to the affairs of the Company.
<p>A.5.4 Directors must comply with the Model Code set out in the Listing Rules in respect of their dealings in the issuer's securities.</p> <p>The Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the issuer's securities.</p>	Yes	<ul style="list-style-type: none"> The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31st December, 2006.

Corporate Governance Report (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
		<ul style="list-style-type: none"> The Company also has established written guidelines on no less exacting terms than the Model Code (the “Employees Written Guidelines”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the year ended 31st December, 2006.

A.6 Supply of information

Directors are provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of the Company.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.6.1 Agenda and full board papers should be sent to all directors at least 3 days before regular Board or Board committee meeting.	Yes	<ul style="list-style-type: none"> Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting.
A.6.2 Management has an obligation to supply the Board and its committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each director should have separate and independent access to the issuer’s senior management.	Yes	<ul style="list-style-type: none"> The Chief Executive Officer and senior management attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company. The Board and each director also have separate and independent access to the senior management whenever necessary
A.6.3 All directors are entitled to have access to Board papers and related materials for making an informed decision.	Yes	<ul style="list-style-type: none"> Board papers, minutes and relevant materials are available for inspection by directors.

Corporate Governance Report (Continued)

B. Remuneration of Directors and Senior Management

B.1 The level and make-up of remuneration and disclosure

The Company should disclose information relating to director's remuneration policy and other remuneration related matters. There is a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing remuneration packages for all directors. Levels of remuneration are sufficient to attract and retain the directors needed to run the Company successfully. No director should be involved in deciding his own remuneration.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
B.1.1 Issuers should establish a remuneration committee with specific written terms of reference. A majority of the members should be independent non-executive directors.	Yes	<ul style="list-style-type: none">The Company has established a Remuneration Committee with specific terms of reference. Currently, the Remuneration Committee comprises 5 members, namely Mr Rudi Zulfian (Chairman), Mr Harmiono Judianto, Ms Goh Hwee Chow, Jacqueline, Mr Erik Iskandar and Mr Lam Choong Fei, the majority of them are independent non-executive directors.
B.1.2 The remuneration committee should consult the Chairman and/or Chief Executive Officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if necessary.	Yes	<ul style="list-style-type: none">The Remuneration Committee held 1 meeting during the year ended 31st December, 2006 and has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and senior management. The Remuneration Committee has consulted the Chairman and the Chief Executive Officer of the Company about their proposals.The attendance records of the Remuneration Committee are set out under the above "Details of Directors' Attendance Records during the year ended 31st December, 2006".

Corporate Governance Report (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
<p>B.1.3 Terms of reference of the remuneration committee should include, as a minimum, the following specific duties:</p> <ul style="list-style-type: none"> • To make recommendations to the Board on the issuer's policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such policy. • To determine the specific remuneration packages of all executive directors and senior management and make recommendations to the Board of the remuneration of non-executive directors. • To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. • To review and approve the compensation payable to executive directors and senior management in connection with loss or termination of office or appointment. • To review and approve compensation arrangement relating to dismissal or removal of directors for misconduct. • To ensure that no director or any of his associates is involved in deciding his own remuneration. 	Yes	<ul style="list-style-type: none"> • The terms of reference of the Remuneration Committee of the Company adopts the specific duties as set out in code provision B.1.3 of the CG Code. • The roles and functions of the Remuneration Committee are set out in its terms of reference and the primary functions include: (i) making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management; and (ii) establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, and to facilitate that the remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.
<p>B.1.4 The remuneration committee should make available its terms of reference, explaining its role and authority.</p>	Yes	<ul style="list-style-type: none"> • The terms of reference of the Remuneration Committee is available upon request.
<p>B.1.5 The remuneration committee should be provided with sufficient resources to discharge its duties.</p>	Yes	<ul style="list-style-type: none"> • The Remuneration Committee shall have separate and independent access to the advice and services of the senior management of the Company, and are able to seek independent professional advice at the Company's expense upon reasonable request.

Corporate Governance Report (Continued)

C. Accountability and Audit

C.1 Financial reporting

The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

Code Provisions as set out in the CG Code		Compliance	Corporate Governance Practices of the Company								
C.1.1	Management should provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.	Yes	<ul style="list-style-type: none">The senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.								
C.1.2	The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.	Yes	<ul style="list-style-type: none">The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31st December, 2006.The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" contained in the Annual Report of the Company for the year ended 31st December, 2006.The remuneration paid to the Company's auditors, Li, Tang, Chen & Co., is set out below: <table><tr><th>Category of services</th><th>Fee paid/ payable HK\$'000</th></tr><tr><td>Audit service for the year ended 31st December, 2006</td><td>500</td></tr><tr><td>Non-audit service</td><td>—</td></tr><tr><td>Total</td><td>500</td></tr></table>	Category of services	Fee paid/ payable HK\$'000	Audit service for the year ended 31st December, 2006	500	Non-audit service	—	Total	500
Category of services	Fee paid/ payable HK\$'000										
Audit service for the year ended 31st December, 2006	500										
Non-audit service	—										
Total	500										
C.1.3	The Board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	Yes	<ul style="list-style-type: none">The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.								

Corporate Governance Report (Continued)

C.2 Internal controls

The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
C.2.1 Directors should at least annually review the effectiveness of internal control system (including financial, operational and compliance controls and risk management functions) of the issuer and its subsidiaries and report to shareholders that they have done so in the Corporate Governance Report.	Yes	<ul style="list-style-type: none"> During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group.

C.3 Audit Committee

The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the auditors. The Audit Committee has been established by the Company pursuant to the Listing Rules with clear terms of reference.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
C.3.1 Full minutes of meetings of the audit committee should be kept by a duly appointed secretary of the meeting and the draft and final versions of minutes should be sent to all members for comment and records within a reasonable time after the meeting.	Yes	<ul style="list-style-type: none"> Draft minutes of the Audit Committee of the Company were sent to all members for comment and records within a reasonable time after the meeting. Full minutes are kept by the Company.
C.3.2 A former partner of the issuer's existing auditing firm shall be prohibited from acting as a member of the audit committee for a period of 1 year commencing from the date of his ceasing (1) to be a partner of or (2) to have any financial interest in, that auditing firm, whichever is the later.	Yes	<ul style="list-style-type: none"> Currently, the Audit Committee comprises 4 independent non-executive directors namely Mr Erik Iskandar (Chairman), Mr Lam Choong Fei, Ms Goh Hwee Chow, Jacqueline and Ms Wang Poey Foon, Angela, all of them are independent non-executive directors, with one independent non-executive director (Ms Goh Hwee Chow, Jacqueline) possessing the appropriate professional qualifications and accounting and related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

Corporate Governance Report (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
<p>C.3.3 Terms of reference of the audit committee should include at least the following duties:</p> <ul style="list-style-type: none"> Review the relationship with external auditors including the making of recommendations to the Board on their appointment, reappointment and removal, approving their remuneration and terms of engagement, reviewing and monitoring their independence; and developing and implementing policy on the engagement of the external auditors to supply non-audit services. Review of financial information of the issuer. Oversight of the issuer's financial reporting system and internal control procedures.. 	Yes	<ul style="list-style-type: none"> The terms of reference of the Audit Committee adopts the specific duties as set out in code provision C.3.3 of the CG Code. The roles and functions of the Audit Committee are set out in its terms of reference and the primary functions include: (i) reviewing the financial statements and reports and considering any significant or unusual items raised by the qualified accountant, internal auditor or external auditors before submission to the Board; (ii) reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and making recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iii) reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.
<p>C.3.4 The audit committee should make available its terms of reference, explaining its role and authority.</p>	Yes	<ul style="list-style-type: none"> The terms of reference of the Audit Committee is available upon request.
<p>C.3.5 Where the Board disagrees with the audit committee on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the Board has taken a different view.</p>	Yes	<ul style="list-style-type: none"> The Audit Committee held 4 meetings during the year ended 31st December, 2006 and has reviewed the Group's annual results and report for the year ended 31st December, 2005, the first quarterly results and report for the three months 31st March, 2006 and interim results and report for six months ended 30th June, 2006, the financial reporting and the report from the management on the Company's internal control and risk management review and processes and the re-appointment of the external auditors. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Corporate Governance Report (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
C.3.6 The audit committee should be provided with sufficient resources to discharge its duties.	Yes	<ul style="list-style-type: none"> The attendance records of the Audit Committee are set out under the above “Details of Directors’ Attendance Records during the year ended 31st December, 2006”. The Audit Committee has separate and independent access to the advice and services of the senior management of the Company, and are able to seek independent professional advice at the Company’s expense upon reasonable request.

D. Delegation by the Board

D.1 Management functions

There is a formal schedule of matters specifically reserved to the Board for decision. Clear directions have been given by the Board to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
D.1.1 The Board should give clear directions to the management as to their powers of management, and circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the issuer.	Yes	<ul style="list-style-type: none"> The organization structure clearly defines the responsibilities and authority of each divisional function. The management is responsible for the day-to-day management, administration and operation of the Company, and shall report to the directors on the progress and operations regularly and obtain prior approval from the Board in respect of any significant transactions.

Corporate Governance Report (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
D.1.2 An issuer should formalise functions reserved to the Board and those delegated to management, and should conduct periodic review to ensure that those arrangements remain appropriate to the needs of the issuer.	Yes	<ul style="list-style-type: none"> The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those which may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters. The Board has delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the controls systems.

D.2 Board Committees

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
D.2.1 Where Board committees are established, the Board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	Yes	<ul style="list-style-type: none"> The Board has established 4 committees, namely the Executive Committee, Remuneration Committee, Audit Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.
D.2.2 The terms of reference of Board committees should require such committees to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	Yes	<ul style="list-style-type: none"> All Board committees shall report to the Board on their work, findings, recommendations and decisions pursuant to their terms of reference. The terms of reference are available upon request.

Corporate Governance Report (Continued)

E. Communication with Shareholders

E.1 Effective communication

The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meeting or other general meetings to communicate with shareholders and encourage their participation.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
E.1.1 A separate resolution for each substantially separate issue at a general meeting should be proposed by the Chairman of that meeting.	Yes	<ul style="list-style-type: none">To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.
E.1.2 The Chairman of the Board, and Chairmen of the audit, remuneration and nomination committees (as appropriate) (or in their absence, their delegates) should attend the annual general meeting. The Chairman of the independent Board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	Yes	<ul style="list-style-type: none">The general meetings of the Company provide a forum for communication between the Board and the shareholders.The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee or their representatives attended the 2006 Annual General Meeting.To promote effective communication, the Company maintains a website at "www.tricor.com.hk/web/service/000502", where information on the Company's financial information and other information are available for public access.

Corporate Governance Report (Continued)

E.2 Voting by Poll

The Company regularly informs the shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
E.2.1 The procedures for and the rights of shareholders to demand a poll should be disclosed in circulars.	Yes	<ul style="list-style-type: none"> The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of such rights to demand a poll were included in all circulars or notice to shareholders and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained at the meeting.
E.2.2 Except where a poll is required, the issuer should count all proxy votes and indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The issuer should ensure that votes cast are properly counted and recorded.	Yes	<ul style="list-style-type: none"> Scrutineer would be appointed to ensure all votes cast on resolutions at the shareholders' meetings are properly counted and recorded. Where poll voting is conducted, the poll voting results will be posted on the websites of the Company and the Stock Exchange after the shareholders' meeting.
E.2.3 The Chairman of a meeting should at the commencement of the meeting provides an explanation of the procedures for demanding a poll by shareholders and for conducting a poll.	Yes	<ul style="list-style-type: none"> Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained at the relevant meeting.

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, 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year was investment holding and those of the subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 38.

The directors do not recommend the payment of any dividend for the year ended 31st December, 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 7th January, 2008 to Wednesday, 9th January, 2008 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company to be held on Wednesday, 9th January, 2008, unregistered holders of shares of the Company should ensure that all transfer 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, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 4th January, 2008.

FINANCIAL SUMMARY

The summary of the results of the Group for the five years ended 31st December, 2006 and the assets and liabilities of the Group as at 31st December, 2002, 2003, 2004 and 2005 and 2006 are set out on page 68.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTION

Details of the movements in the Company's share capital and share option during the year are set out in notes 19 and 20.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 21 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' Report (Continued)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Harmiono Judianto (removed by notice dated 11th December, 2007)

Mr. Johanas Herkiamto (retired on 2nd June, 2006)

Mr. Rudi Zulfian

Ms. Roseline Marjuki (appointed on 21st April, 2006)

Independent non-executive directors:

Ms. Novayanti

Mr. Gandhi Prawira

Ms. Goh Hwee Chow, Jacqueline

Ms. Wang Poey Foon, Angela (appointed on 6th January, 2006)

In accordance with Article 108 of the Company's Articles of Association, Mr. Rudi Zulfian, Ms. Goh Hwee Chow, Jacqueline and Ms. Wang Poey Foon, Angela, the existing directors, will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the said meeting.

In accordance with Article 112 of the Company's Articles of Association, Mr. Abdi Arif Rasdita who was appointed by the board of directors of the Company will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election at the said meeting.

The Company has received annual confirmations of independence from Mr. Erik Iskandar, Mr. Lam Choong Fei, Ms. Goh Hwee Chow, Jacqueline and Ms Wang Poey Foon, Angela and as at the date of this report still considers them to be independent.

Each of the executive directors 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. On 21st April, 2006, Ms. Roseline Marjuki entered into a service contract with the Company commencing on 21st April, 2006 for a period of 3 years.

On 6th January, 2006, Ms. Wang Poey Foon, Angela entered into a service contract with the Company commencing on 6th January, 2006 for a period of 3 years.

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.

Subsequent to the balance sheet date, Ms. Novayanti and Mr. Gandhi Prawira resigned and Mr. Erik Iskandar and Mr. Lam Choong Fei were appointed as independent non-executive directors of the Company with effect from 15th August, 2007. Besides, Mr. Abdi Arif Rasdita was appointed as an executive director of the Company with effect from 5th December, 2007.

Directors' Report (Continued)

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

As at 31st December, 2006, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long position in shares of the Company

Name of director	Capacity	Number of shares	Percentage of the Company's issued share capital
Mr. Harmiono Judianto	Interest in corporations	456,400,000 (Note)	47.54%

Note: These shares were owned by Flanders Field Corporation (as to 176,659,000 shares) and Silk Route International Limited (as to 279,741,000 shares), both companies were 100% controlled by Mr. Harmiono Judianto.

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

Name of director	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the issued share capital of the Company
Mr. Rudi Zulfian	Beneficial owner	16,000,000	1.67%

Note: The share options were granted under the Pre-IPO Share Option Scheme. Such share options were unlisted and physically settled equity derivatives. Details of such share options are set out in note 20 to the financial statements.

Save as disclosed above, as at 31st December, 2006, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors and Chief Executives' interest and short positions in shares, underlying shares and debentures" above and the share option scheme disclosures in note 20 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.

Directors' Report (Continued)

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

As at 31st December, 2006, the following persons had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares	Percentage of shareholding
Flanders Field Corporation	Beneficial owner	176,659,000 (Note)	18.40%
Silk Route International Limited	Beneficial owner	279,741,000 (Note)	29.14%
Tapleys Hill Enterprise Limited	Trustee	114,550,000	11.93%

Note: The interest of Flanders Field Corporation and Silk Route International Limited were also disclosed as the interests of Mr. Harmiono Judianto in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".

Save as disclosed above, as at 31st December, 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

COMPETING INTERESTS

None of the directors, and the substantial shareholders had any interests in any business, which competed with or might compete with the business of the group.

EMOLUMENT POLICY

The emolument policy of the employees of the Company is set up by the board of directors on the basis of their merits, qualifications and competence. The emoluments of the directors of the Company are decided by the board, having regard to the Company's operating results, individual performance and comparable market statistics.

MAJOR CUSTOMERS AND SUPPLIERS

The Group had five customers during the year and sales to the largest customer included therein amounted to approximately 29% of turnover. During the year, the Group's five largest suppliers accounted for less than 1% 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 (Continued)

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2006.

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.

COMPLIANCE ADVISER'S INTERESTS

As updated and notified by the Company's compliance adviser, First Asia Finance Group Limited ("First Asia"), as at 31st December, 2006, neither First Asia 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 compliance adviser agreement dated 30th December, 2005, entered with the Company, First Asia received and will receive fees for acting as the Company's compliance adviser for the period commencing on the date of listing of the shares on the Main Board and ending on the date which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial result for the first full financial year after the date of listing. First Asia ceased to be compliance advisor to the Company on 30th September, 2007.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this report.

Directors' Report (Continued)

AUDITORS

Messrs. PKF were the Company's auditors for the three years preceding the financial year ended 31st December, 2005.

Andrew Ma DFK (CPA) Limited were appointed by the Board as the new auditors of the Company on 3rd April, 2007 pursuant to Article 176(a) of the Company's articles of association to fill the vacancy left by the resignation of Messrs. PKF to audit the Company's financial statements for the year ended 31st December, 2006.

However, Andrew Ma DFK (CPA) Limited were removed as auditors by the shareholders by a special resolution in the extraordinary general meeting held on 9th September, 2007 and by an ordinary resolution during the same extraordinary general meeting, Li Tang Chen & Co. were appointed as auditors to replace Andrew Ma DFK (CPA) Limited.

Li Tang Chen & Co. retire and will not offer themselves for appointment as auditors of the Company at the forthcoming annual general meeting.

On behalf of the Board

Mr. Rudi Zulfian

Director

Indonesia, 10th December, 2007

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PAN SINO INTERNATIONAL HOLDING LIMITED

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Pan Sino International Holding Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 38 to 67, which comprise the consolidated and company balance sheets as at 31st December, 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion, on these financial statements based on our audit 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.

Except for the limitations in the scope of our work as explained under 'Basis of Disclaimer of Opinion', we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS OF DISCLAIMER OF OPINION

- (1) We were appointed as auditor of the Group on 9th September, 2007 which was subsequent to the Group's financial year-end date. Consequently we are unable to attend the inventory-taking of the Group's major subsidiary in Indonesia on 22nd March, 2007. We have reviewed the Indonesian subsidiary's inventory records and the working papers of the Indonesian subsidiary's auditor regarding the movement of inventories from 31st December, 2006 to the inventory-taking date on 22nd March, 2007. However, we are unable to satisfy ourselves on the movements of inventories from the balance sheet date to the inventory-taking date. Therefore we are unable to state whether the amount of inventories of approximately HK\$8,334,000 is fairly stated in the consolidated balance sheet at 31st December, 2006.

Independent Auditor's Report (Continued)

- (2) We have reviewed the working papers of the Indonesian subsidiary's auditor regarding sales for the year ended 31st December, 2006 and accounts receivable as at 31st December, 2006. These are stated at approximately HK\$800,696,000 in the consolidated income statement for the year ended 31st December, 2006 and approximately HK\$89,066,000 in the consolidated balance sheet as at 31st December, 2006 respectively.

After our review of all the relevant documentations, we considered it necessary for us to perform additional audit work to satisfy our role as the holding company's auditor in accordance with Statement of Auditing Standards 510 – "Principal Auditors and Other Auditors" to obtain direct confirmations from the major customers for the sales of approximately HK\$800,696,000 and accounts receivable of approximately HK\$89,066,000 as stated above. However, no satisfactory replies to our satisfaction on such direct confirmations from the major customers in respect of the sales for the year ended 31st December, 2006 and the balance of the accounts receivable as at 31st December, 2006 were received as at the date of this audit report.

Consequently, we are unable to satisfy ourselves on the fairness of:

- i) turnover of approximately HK\$800,696,000 included in the consolidated income statement for the year ended 31st December, 2006 and;
 - ii) accounts receivable of approximately HK\$89,066,000 stated in the consolidated balance sheet as at 31st December, 2006 and its recoverability.
- (3) We are aware that subsequent to the balance sheet date, constructions of the factory-in-progress and plant and machinery of the subsidiary in Singapore have been suspended. Total deposits of approximately HK\$149,008,000 have been paid as at 31st December, 2006. We are unable to satisfy ourselves on the recoverability of such deposits totalling HK\$149,008,000 as included under of "property, plant and equipment" in the consolidated balance sheet by reference to the evidence available to us from the working papers of the subsidiary's auditor or the documentations available to us from the management up to the date of this report.
- (4) We are aware that payments of approximately HK\$100,000,000 have been made to a major customer of the Indonesian subsidiary in respect of a proposed joint venture between the Group and the said customer subsequent to the balance sheet date. Documentations on this transaction were not available to us as holding company's auditor to satisfy ourselves whether there are any material post-balance sheet events to be included in the notes to the financial statements accompanying the consolidated financial statements for the year ended 31st December, 2006.

Any adjustments to (1) to (4) stated above may have a significant consequential effect on the Group and the Company's net assets as at 31st December, 2006 and the profits of the Group for the year ended 31st December, 2006.

DISCLAIMER OF OPINION ARISING FROM LIMITATIONS OF AUDIT SCOPE

Because of the significance of the possible effect of the limitations in evidence available to us on the matters as set out in the "Basis of Disclaimer of Opinion" section above, we are unable to express an opinion on the financial statements as to whether they give a true and fair view of the state of the affairs of the Company and the Group as at 31st December, 2006 and of the profits and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Li, Tang, Chen & Co.
Certified Public Accountants (Practising)

Hong Kong, 10th December, 2007

Consolidated Income Statement

For the year ended 31st December, 2006

	Note	2006 HK\$'000	2005 HK\$'000
TURNOVER	5	800,696	712,236
Cost of sales		(606,501)	(545,704)
Other income	6	23,475	10,978
Gain on disposal of property, plant and equipment		—	29
Selling and distribution expenses		(5,544)	(2,704)
General and administrative expenses		(13,770)	(8,755)
Net exchange (loss)/gain	7	(7,703)	20
Release of negative goodwill to income statement		11,132	—
PROFIT BEFORE TAXATION	8	201,785	166,100
TAX EXPENSE	10(a)	(53,366)	(48,181)
PROFIT FOR THE YEAR	11	148,419	117,919
Attributable to:			
Equity holders of the Company		142,286	111,853
Minority interests		6,133	6,066
		148,419	117,919
EARNINGS PER SHARE — (HK CENTS)			
— basic	12(a)	14.82 cents	12.5 cents
— diluted	12(b)	14.15 cents	11.8 cents

Consolidated Balance Sheet

As at 31st December, 2006

	Note	2006 HK\$'000	2005 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	149,093	—
Deferred tax assets	10(b)	281	170
		149,374	170
CURRENT ASSETS			
Inventories	15	8,334	8,244
Trade debtors	16	89,066	76,542
Advances to suppliers	17	18,015	17,297
Deposits, prepayments and other receivables		3,896	1,500
Fixed deposits	18	311,958	336,988
Cash and bank balances	18	45,304	35,978
		476,573	476,549
Deduct:			
CURRENT LIABILITIES			
Tax payable		5,259	14,351
Other payable and accrued expenses		9,230	979
		14,489	15,330
NET CURRENT ASSETS		462,084	461,219
TOTAL ASSETS LESS CURRENT LIABILITIES		611,458	461,389
NON-CURRENT LIABILITY			
Provision for post employment benefits		938	566
NET ASSETS		610,520	460,823
Representing:			
SHARE CAPITAL	19	9,600	9,600
RESERVES	21	600,920	435,100
		610,520	444,700
MINORITY INTERESTS		—	16,123
TOTAL EQUITY		610,520	460,823

The financial statements on pages 38 to 67 were approved and authorised for issue by the board of directors on 10th December, 2007.

Mr. Abdi Arif Rasdita
Director

Ms. Roseline Marjuki
Director

Balance Sheet

As at 31st December, 2006

	Note	2006		2005
		HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS				
Interests in subsidiaries	14		87,836	71,481
CURRENT ASSETS				
Prepayments and other receivables		14		234
Fixed deposits	18	103,034		125,554
Cash and bank balances	18	18,540		13,200
		<u>121,588</u>		<u>138,988</u>
Deduct:				
CURRENT LIABILITIES				
Other payables and accrued expenses		<u>2,524</u>		<u>803</u>
NET CURRENT ASSETS			<u>119,064</u>	<u>138,185</u>
NET ASSETS			<u>206,900</u>	<u>209,666</u>
Representing:				
SHARE CAPITAL	19		9,600	9,600
RESERVES	21(b)		<u>197,300</u>	<u>200,066</u>
			<u>206,900</u>	<u>209,666</u>

The financial statements on pages 38 to 67 were approved and authorised for issue by the board of directors on 10th December, 2007.

Mr. Abdi Arif Rasdita
Director

Ms. Roseline Marjuki
Director

Consolidated Cash Flow Statement

For the year ended 31st December, 2006

	2006 HK\$'000	2005 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	201,785	166,100
Adjustments for:		
Interest income	(23,471)	(10,741)
Depreciation	6	—
Release of negative goodwill to income statement	(11,132)	—
Provision for post employment benefit	372	572
Gain on disposal of property, plant and equipment	—	(29)
Operating profit before working capital changes	167,560	155,902
Increase in inventories	(90)	(1,322)
(Increase)/decrease in trade debtors	(12,524)	6,768
Increase in advances to suppliers	(718)	(2,946)
Increase in deposits, prepayments and other receivables	(2,396)	(959)
Increase in other payables and accrued expenses	8,251	614
Exchange gain/(loss)	7,221	(7,649)
Cash from operations	167,304	150,408
Interest received	23,471	10,741
Oversea tax paid	(62,569)	(46,511)
Net cash from operating activities	128,206	114,638
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(149,099)	—
Proceeds from disposal of property, plant and equipment	—	29
Acquisition of a subsidiary (net of cash and cash equivalents acquired) — note 26	(11,999)	—
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(161,098)	29
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of new shares	—	48,000
NET CASH FROM FINANCING ACTIVITIES	—	48,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(32,892)	162,667
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	372,966	217,142
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	17,188	(6,843)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	357,262	372,966
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Fixed deposits	311,958	336,988
Cash and bank balances	45,304	35,978
	357,262	372,966

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2006

	Share capital HK\$'000	Share premium HK\$'000	Revenue reserve HK\$'000	Reserve fund HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1.1.2005	8,000	86,800	123,448	—	83,232	(3,585)	10,743	308,638
Profit for the year	—	—	111,853	—	—	—	6,066	117,919
Appropriation of reserve fund — Note 21(a)(iii)	—	—	(16,178)	16,178	—	—	—	—
Premium arising on the Pre-migration placing	1,600	46,400	—	—	—	—	—	48,000
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	—	(13,048)	(686)	(13,734)
At 31.12.2005	9,600	133,200	219,123	16,178	83,232	(16,633)	16,123	460,823
Profit for the year	—	—	142,286	—	—	—	6,133	148,419
Acquisition of the remaining minority interest of a subsidiary	—	—	—	—	—	—	(22,256)	(22,256)
Release to revenue reserve on write off of the investment in a subsidiary	—	—	82,200	—	(82,200)	—	—	—
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	—	23,534	—	23,534
At 31.12.2006	9,600	133,200	443,609	16,178	1,032	6,901	—	610,520

Notes to the Financial Statements

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Century Yard, Cricket Square, Hitchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman British West Indies. The principal place of business is Jakarta Stock Exchange Building, Tower 2, 23/F., Suite 2305, Jl, Jenderal Sudirman Kav 52-53, Jakarta, 12190, Indonesia.

Pursuant to a reorganisation scheme (the “Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprises 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 the GEM on 2nd December, 2003. On 1st March, 2006, the Company withdrew the listing of its shares on the GEM, and on the same date, the Company has by way of introduction, listed its entire share capital on the Main Board (“Main Board”) of the Stock Exchange.

The Company is principally engaged in investment holding. Its subsidiaries are principally engaged in trading of cocoa beans.

The functional currency of the Company is Indonesia Rupiah. For the convenience of the users of the consolidated financial statements, the consolidated financial statements are presented in Hong Kong dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

a) Basis of preparation:

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention.

The accounting policies and methods of computation are consistent with those used in the annual financial statements for the year ended 31st December, 2005 with the addition of the following amendments to standards and interpretation which are relevant to the Group’s operation and are mandatory for the financial year ended 31st December, 2006.

HKAS 39 Amendments	Transition and Initial Recognition of Financial Assets and Financial Liabilities
	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts — Financial Guarantee Contracts

These amendments to standards and interpretations had no material effect on the Group’s accounting policies.

Notes to the Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a) Basis of preparation: (cont'd)

The following new standards, amendments to standards and interpretations are relevant to the Group's operation but are not effective for 2006 and have not been early adopted:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC) — Interpretation 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Interpretation 8	Scope of HKFRS 2
HK(IFRIC) — Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Interpretation 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Interpretation 11	Group and Treasury Share Transactions
HK(IFRIC) — Interpretation 12	Service Concession Arrangements

The Group believes that the adoption of the above new standards, amendments to standards and interpretations will not result in substantial changes to the Group's accounting policies except that there will be additional disclosures required by HKAS 1 Amendment.

b) Basis of consolidation:

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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 intercompany transactions and balances within the Group have been eliminated on consolidation.

c) Goodwill:

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

Notes to the Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) Goodwill: (cont'd)

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of an acquirer's interest in the net fair value of an acquirer's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions").

A discount on acquisition arising on an acquisition of a subsidiary for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in income statement.

d) Property, plant and equipment:

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

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Computers and software	20%
Office equipments	20%
Motor vehicles	20%

Factory buildings and plant and machineries under construction are stated at cost less impairment losses, if any, and are not depreciated until the assets are available for use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Notes to the Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Impairment of assets:

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

f) Subsidiaries:

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

g) Inventories:

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase computed using the first-in-first-out method. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date or to management estimates based on prevailing market conditions.

h) Provisions and contingencies:

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the note on the financial statements. When a change in the probability of an outflow occurs so the outflow is probable, it will then be recognised as a provision.

Notes to the Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i) 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 accrued, on a time proportion basis by reference to the principal outstanding and at the effective rate applicable.

j) Operating lease:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

k) 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.

l) Foreign currency translation:

i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the presentation currency. The functional currency of the Group is Indonesia Rupiah.

ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

l) Foreign currency translation: (cont'd)

iii) *Group companies*

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- c) all resulting exchange differences are recognised as a separate component of equity.

m) **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 profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 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, 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 to 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.

Notes to the Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) Related parties:

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals.

o) Cash and cash equivalents:

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and 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, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

p) Segment reporting:

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.

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

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 transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprise within a single segment.

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

In respect of geographical segment reporting, turnover is based on the country of operations. Total assets and capital expenditure are where the assets are located.

Notes to the Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

q) Financial instruments:

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into one of the following categories, including trade and other receivables and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of financial assets are set out below.

i) *Trade and other receivables:*

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, trade and other receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

ii) *Loan receivables:*

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including placements with banks and other financial institutions, investment debt securities without an active market and loans and advances to customers. Loan receivables are carried at amortised cost using the effective interest method.

Financial liabilities

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Group's financial liabilities mainly include other payables and accrued expenses. These financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Notes to the Financial Statements (Continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group did not use any critical accounting estimates in the preparation of the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Financial risk factors:

The Group's major financial instruments comprise trade debtors, advances to suppliers, deposits, prepayment and other receivables, fixed deposits, cash and bank balances and other payables and accrued expenses.

The Group's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

i) *Market price risk*

The Group is engaged in the trading of cocoa beans. They are susceptible to market price risk arising from uncertainties about the future prices of the cocoa beans.

ii) *Credit risk*

The carrying amount of trade debtors included in the consolidated balance sheet represents the Group's maximum exposure to credit risks 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.

The Group takes on exposure to credit risks, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any.

iii) *Liquidity risk*

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

iv) *Interest rate risk*

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows since the Group has interest-bearing assets issued at variable rate. The Group has no interest-bearing borrowings.

v) *Foreign currency risk*

The Group hold assets denominated in currencies other than the Hong Kong dollars, the presentation currency. The Group is therefore exposed to foreign currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to the changes in exchange rates.

Notes to the Financial Statements (Continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Fair value estimation:

All financial instrument's fair values at 31st December, 2006 and 2005 are not materially different from their carrying values.

5. TURNOVER AND SEGMENT INFORMATION

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

Segment information is prepared in respect of the Group's business and geographical segments.

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	Republic of Singapore HK\$'000	Consolidated HK\$'000
Year ended 31st December, 2006						
Turnover	120,304	511,866	168,526	—	—	800,696
Segment assets	14,001	59,796	15,269	374,040	162,841	625,947
Capital expenditure	—	—	—	—	149,093	149,093
Year ended 31st December, 2005						
Turnover	79,127	461,825	171,284	—	—	712,236
Segment assets	6,566	51,452	18,524	400,177	—	476,719
Capital expenditure	—	—	—	—	—	—

Notes to the Financial Statements (Continued)

6. OTHER INCOME

	2006 HK\$'000	2005 HK\$'000
Bank interest income	23,471	10,741
Others	4	237
	<u>23,475</u>	<u>10,978</u>

7. NET EXCHANGE (LOSS)/GAIN

	2006 HK\$'000	2005 HK\$'000
Exchange (loss)/gain arising from:		
Trading operations	(7,446)	394
Other non-trading operations	(257)	(374)
	<u>(7,703)</u>	<u>20</u>

8. PROFIT BEFORE TAXATION

	2006 HK\$'000	2005 HK\$'000
Profit before taxation is arrived at after charging:		
Cost of inventories sold	606,501	545,704
Auditors' remuneration	815	471
Depreciation	6	—
Staff costs (including directors' remuneration)	1,858	2,032
Post employment benefits	372	495
Gain on disposal of property, plant and equipment	—	29
Minimum lease payments in respect of land and buildings	<u>521</u>	<u>493</u>

Notes to the Financial Statements (Continued)

9. REMUNERATION OF DIRECTORS AND EMPLOYEES

a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December, 2006 is set out below:

	Basic salaries, housing benefits, other allowances and benefits in kind HK\$'000	Retirement benefits contributions HK\$'000	Discretionary bonuses and/or performance – related bonuses HK\$'000	Compensation for loss of office HK\$'000	Inducement for joining the Group HK\$'000	Post employment benefits HK\$'000	Total HK\$'000
Executive directors							
Mr. Harmiono Judianto	71	—	6	—	—	—	77
Mr. Johanas Herkiamto	36	—	—	—	—	—	36
Mr. Rudi Zulfian	171	—	6	—	—	—	177
Ms. Roseline Marjuki	50	—	—	—	—	—	50
Independent non-executive directors							
Ms. Novayanti	61	—	5	—	—	—	66
Mr. Gandhi Prawira	61	—	5	—	—	—	66
Ms. Goh Hwee Chow, Jacqueline	101	—	8	—	—	—	109
Ms. Wang Poey Foon, Angela	101	—	8	—	—	—	109
	<u>652</u>	<u>—</u>	<u>38</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>690</u>

The remuneration of every director for the year ended 31st December, 2005 is set out below:

	Basic salaries, housing benefits, other allowances and benefits in kind HK\$'000	Retirement benefits contributions HK\$'000	Discretionary bonuses and/or performance – related bonuses HK\$'000	Compensation for loss of office HK\$'000	Inducement for joining the Group HK\$'000	Post employment benefits HK\$'000	Total HK\$'000
Executive directors							
Mr. Harmiono Judianto	73	—	—	—	—	19	92
Mr. Johanas Herkiamto	93	—	—	—	—	20	113
Mr. Rudi Zulfian	73	—	—	—	—	19	92
Independent non-executive Directors							
Ms. Novayanti	67	—	—	—	—	9	76
Mr. Gandhi Prawira	60	—	—	—	—	10	70
Ms. Goh Hwee Chow, Jacqueline	126	—	—	—	—	—	126
	<u>492</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>77</u>	<u>569</u>

No directors waived or agreed to waive any remuneration during the year (2005: HK\$Nil).

Notes to the Financial Statements (Continued)

9. REMUNERATION OF DIRECTORS AND EMPLOYEES (cont'd)

- b) The five highest paid individuals of the Group included 5 directors (2005: 4 directors), details of whose emoluments are included in the amounts disclosed in note 9(a) above. The emoluments of the remaining highest paid employees, other than directors of the Company, are as follows:

	2006 HK\$'000	2005 HK\$'000
Fees	—	—
Basic salaries	—	—
Housing benefits, other allowances and benefits in kind	—	114
Retirement benefits contributions	—	—
Discretionary bonuses and/or performance — related bonuses	—	—
Compensation for loss of office	—	—
Inducement for joining the group	—	—
	<u>—</u>	<u>114</u>

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

	2006	2005
HK\$Nil — HK\$1,000,000	<u>—</u>	<u>1</u>

Notes to the Financial Statements (Continued)

10. TAXATION

- a) Tax expense in the consolidated income statement represents:

	2006 HK\$'000	2005 HK\$'000
Overseas taxation		
Current year tax provision	53,477	48,333
Deferred tax — Note 10(b)	(111)	(152)
	<u>53,366</u>	<u>48,181</u>

During the year, all of the Group's profits were derived from P.T. Nataki Bamasa, a subsidiary 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 derived from Hong Kong during the years ended 31st December, 2005 and 2006. Provision for Indonesian corporate income tax for the current year is based on the applicable income tax rates ranging from 10% to 30% (2005: 10% to 30%).

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

	2006 HK\$'000	2005 HK\$'000
Profit before taxation	<u>201,785</u>	<u>166,100</u>
Taxation at the Indonesian applicable income tax rates	60,536	49,817
Tax effect of non-deductible expenses	105	1,643
Tax effect of non-taxable income	(7,275)	(3,279)
Tax expense for the year	<u>53,366</u>	<u>48,181</u>

Notes to the Financial Statements (Continued)

10. TAXATION (cont'd)

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

	Accelerated/ (decelerated) depreciation allowances HK\$'000	The Group Post employment benefit HK\$'000	Total HK\$'000
At 1.1.2005	(21)	—	(21)
Exchange adjustments	1	2	3
Charge/(credit) to income statement for the year	20	(172)	(152)
At 31.12.2005 and 1.1.2006	—	(170)	(170)
Charge to income statement for the year	—	(111)	(111)
At 31.12.2006	—	(281)	(281)

As at 31st December, 2006, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK\$388,487,000 (2005: HK\$223,548,000). 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.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Result attributable to equity holders of the Company represents a loss of approximately HK\$2,766,000 (2005: HK\$3,588,000) which has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

- a) The basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately HK\$142,286,000 (2005: HK\$111,853,000) and the number of 960,000,000 (2005: weighted average of 896,876,712) ordinary shares in issue during the year.
- b) Diluted earnings per share for the year ended 31st December, 2006 is based on the profit attributable to equity holders of the Company and the weighted average number of 1,005,774,763 shares in issue during the year (2005: 950,636,712). The number of shares used in the calculation comprises 960,000,000 shares referred to in note 12(a) above and 457,747,763 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\$0.5011.

Notes to the Financial Statements (Continued)

13. PROPERTY, PLANT AND EQUIPMENT

The Group:

	Construction of factory-in- progress HK\$'000	Construction of plant and machinery-in- progress HK\$'000	Computers and software HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Net book value as at 1st January, 2005	—	—	—	—	—	—
Additions	—	—	—	—	—	—
Depreciation	—	—	—	—	—	—
Net book value as at 31st December, 2005	—	—	—	—	—	—
At 31st December, 2005						
Cost	—	—	—	28	—	28
Accumulated depreciation	—	—	—	(28)	—	(28)
Net book value	—	—	—	—	—	—
Net book value as at 1st January, 2006	—	—	—	—	—	—
Additions	48,384	100,624	91	—	—	149,099
Depreciation	—	—	(6)	—	—	(6)
Net book value as at 31st December, 2006	48,384	100,624	85	—	—	149,093
At 31st December, 2006						
Cost	48,384	100,624	91	28	—	149,127
Accumulated depreciation	—	—	(6)	(28)	—	(34)
Net book value	48,384	100,624	85	—	—	149,093

Notes to the Financial Statements (Continued)

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group: (cont'd)

Note:

i) The analysis of net book value as at 1st January, 2005 was as follows:

	Construction of factory-in- progress HK\$'000	Construction of plant and machineries-in- progress HK\$'000	Computers and software HK\$'000	Office equipments HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost	—	—	—	30	364	394
Accumulated depreciation	—	—	—	(30)	(364)	(394)
Net book value	—	—	—	—	—	—

14. INTERESTS IN SUBSIDIARIES

	The Company	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	83,481	71,481
Amount due from a subsidiary – Note 14(b)	4,355	—
	87,836	71,481

a) Details of the subsidiaries at 31st December, 2006 are as follows:

Name of company	Place of incorporation and operation	Attributable equity interest		Issued and paid up ordinary share capital	Principal activities
		Direct %	Indirect %		
*Hesley Cocoa International Pte. Ltd. (Formerly known as Hesley Investments Pte. Ltd.)	Republic of Singapore	100	—	USD65	Business not yet commence
*Setimuly International Group Limited	Mauritius	100	—	USD1,000	Investment holding
*P.T. Nataki Bamasa (“Nataki”)	Republic of Indonesia	—	100	IDR101,000,000,000	Trading of cacao beans

* Not audited by Li, Tang, Chen & Co.

Notes to the Financial Statements (Continued)

14. INTERESTS IN SUBSIDIARIES (cont'd)

- a) Details of the subsidiaries at 31st December, 2006 are as follows: (cont'd)

Investment in Dickinson Group Limited, a wholly-owned subsidiary of the Company, was written off during the year and resulted in no gain nor loss to the Group. As noted in note 21(a)(ii), a special reserve relating to the 2002 reorganising of this subsidiary has been released to the revenue reserve during the year ended 31st December, 2006.

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

15. INVENTORIES

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

16. TRADE DEBTORS

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

The following is an aging analysis of trade debtors:

	The Group	
	2006	2005
	HK\$'000	HK\$'000
0–30 days	89,066	71,185
31–60 days	—	5,357
	<u>89,066</u>	<u>76,542</u>

The above trade debtors are denominated at United States Dollars.

17. ADVANCES TO SUPPLIERS

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

18. FIXED DEPOSITS/CASH AND BANK BALANCES

Included in fixed deposit/bank balances and cash in the consolidated balance sheet are the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States Dollars	<u>14,086</u>	<u>1,718</u>	<u>15,640</u>	<u>17,896</u>

Notes to the Financial Statements (Continued)

19. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31.12.2005 and 2006	<u>1,500,000,000</u>	<u>15,000</u>
Issued and fully paid:		
At 31.12.2005 and 2006	<u>960,000,000</u>	<u>9,600</u>

20. SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company dated 20th November, 2003, two share option scheme namely, the Pre-IPO Share Option Scheme and the Old Option Scheme were adopted by the Company. No share options have been granted by the Company under the Old Option Scheme.

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 17th February, 2006, the Company adopted a New Option Scheme and terminated the Old Option Scheme due to the withdrawal of the listing of the shares of the Company on the GEM and commencement of dealings of the shares of the Company on the Main Board. The adoption of the New Option Scheme and the termination of the Old Option Scheme took effect from 1st March, 2006 (listing date of the shares of the Company on the Main Board).

i) New Option Scheme

The purpose of the New Option Scheme is to enable the Company to grant options to subscribe for shares of the Company to any part-time employee, executive, officer or director (including executive, non-executive and independent non-executive director) of the Company or any of its subsidiaries and any business consultants, agents and legal and financial advisers to the Company or any of its subsidiaries (collectively the "Eligible Participants") as incentive 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 subscriber 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 obtain (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 New Option 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 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 New Option Scheme and any other share option scheme(s) of the Company in the 12-month period up to and including the date of offer;

Notes to the Financial Statements (Continued)

20. SHARE OPTION SCHEME (cont'd)

i) New Option Scheme (cont'd)

- 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 on the date of offer, in excess of HK\$5 million.

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 Listing Rules) shall abstain from voting and/or such other requirements prescribed under the Listing Rules.

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 New Option Scheme, the New Option Scheme shall be valid and effective for a period of 10 years commencing on 17th February, 2006, after which no further options will be offered but the provisions of the New Option 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 hereto 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 New Option scheme can be exercised.

The exercise price for a share in respect of any particular options granted under the New Option scheme (which shall be payable upon exercise of the opting) 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.

Up to the date of this annual report, no option under the New Option 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 New Option Scheme is 96,000,000 shares, which represent 10% of the total issued share capital of the Company as at date of this Annual Report.

Notes to the Financial Statements (Continued)

20. SHARE OPTION SCHEME (cont'd)

ii) Pre-IPO Share Option Scheme

The purposes of the Pre-IPO Share Option Scheme is to recognize 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 Share Option Scheme are set out below:

- a) the eligible persons for taking up options under the Pre-IPO Share Option 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 of a share in respect of any option granted under the Pre-IPO Share Option Scheme is HK\$0.01 as determined by the Board and its absolute discretion at the date of grant of the relevant options;
- c) the maximum number of shares subject to the Pre-IPO Share Option Scheme shall not exceed 56,000,000 representing 7% of the number of issued share capital of the Company on the listing date of the shares of the Company on GEM;
- d) save for the options which have been granted under the Pre-IPO Share Options Scheme, no further options have been or will be offered or granted under the Pre-IPO Share Option Scheme after the Listing Date but the provisions of the Pre-IPO Share Option 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 Share Option Scheme which may continue to be exercisable in accordance with their terms of issue; and
- e) options granted under the Pre-IPO Share Option Scheme can only be exercised by the relevant grantees after the expiry of the 12-month period following the listing date of the shares of the Company on GEM.

As at 31st December, 2006, options to subscribe for 40,000,000 shares in aggregate representing 4.17% of the issued share capital of the Company have been granted to a total of one Director and two employees of the Group.

Notes to the Financial Statements (Continued)

20. SHARE OPTION SCHEME (cont'd)

ii) Pre-IPO Share Option Scheme (cont'd)

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

Grantees	Vesting period	Exercisable period	Exercise price	Number of share options outstanding as at 1.1.2006	Number of share options granted/ exercised/ lapsed/ cancelled during the year	Number of share options outstanding at 31.12.2006
<i>Executive directors</i>						
Mr. Johanas Herkiamto (resigned on 2.6.2006)	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
Employees in aggregate	Fully vested on 2nd December, 2004	2nd December, 2004 to 19th November, 2013	HK\$0.01	24,000,000	—	24,000,000
				<u>56,000,000</u>	<u>(16,000,000)</u>	<u>40,000,000</u>

21. RESERVES

a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 42.

- The special reserve of HK\$1,032,000 arising in the year ended 31st December, 2002 represents the difference between the nominal value of the shares of Nataki acquired by Dickinson Group Limited ("Dickinson"), a wholly-owned subsidiary of the Group, pursuant to the reorganization in 2002 over the nominal value of the shares issued by Dickinson in exchange therefore.
- The special reserve of HK\$82,200,000 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 in 2003 over the nominal value of the shares issued by the company in exchange therefor. The investment in Dickinson was written off in the financial year ended 31st December, 2006. Subject to the approval of the members in the forthcoming general meeting, the special reserve of HK\$82,200,000 has been released to the revenue reserve upon the write off of the investment in Dickinson during the year ended 31st December, 2006.

Notes to the Financial Statements (Continued)

21. RESERVES (cont'd)

a) The Group (cont'd)

- 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. 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 year ended 31st December, 2006. 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 HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 1.1.2005	158,280	(1,026)	157,254
Loss for the year	—	(3,588)	(3,588)
Premium arising on the Pre-Migration Placing	46,400	—	46,400
At 31.12.2005 and 1.1.2006	204,680	(4,614)	200,066
Loss for the year	—	(2,766)	(2,766)
At 31.12.2006	204,680	(7,380)	197,300

- 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 reorganization in 2005. 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, 2006, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$197,300,000 (2005: HK\$200,066,000) subject to the restrictions as stated above.

Notes to the Financial Statements (Continued)

22. CAPITAL COMMITMENTS

At the balance sheet date, capital commitments authorised but not provided for in the financial statements are as follows:

	The Group	
	2006	2005
	HK\$'000	HK\$'000
Authorised but not provided for		
— purchase of plant and machinery	393,915	—
— construction of a new factory	48,781	—
	<u>442,696</u>	<u>—</u>

23. OPERATING LEASE COMMITMENTS

At 31st December, 2006, the Group has a lease commitment under non-cancellable operating lease for period of 30 years commencing on 24th June, 2006. The rental payments for the first year were determined at approximately HK\$2,823,000. The rental payments for the subsequent years are subject to annual revision based on the market rent prevailing on the respective revision dates. The grant of the lease term is on condition that the Group fulfills certain minimum investment criteria set out in the lease agreement.

24. RELATED PARTY TRANSACTIONS

a) Compensation of key management personnel

The remuneration of key management personnel which are directors of the Company during the year was as follows:

	2006	2005
	HK\$'000	HK\$'000
Short-term benefits	690	492
Post-employment benefits	—	77
	<u>690</u>	<u>569</u>

- b) Other than the above and the amount due from a subsidiary as disclosed in note 14, the Company and the Group did not enter into any material related party transactions during the year ended 31st December, 2005 and 2006.

The above transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties.

Notes to the Financial Statements (Continued)

25. 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\$88,000 and HK\$Nil for the year ended 31st December, 2005 and 2006 respectively. The total unpaid and unaccrued contributions under the Jamsostek fund amounted to approximately HK\$Nil (2005: HK\$229,000) as at 31st December, 2006. There were no forfeited contributions available during the year.

In addition, based on Manpower Law of the Republic of Indonesia No. 13 year 2003 stipulates that Nataki has an obligation to pay a certain amount to the employee if termination happened. In connection with this matter the Group provide the allowance of such of obligation amounting to approximately HK\$940,070 (2005: HK\$572,000) which was recorded as allowance for post employment benefit for the year ended 31st December, 2006.

26. ACQUISITION OF A SUBSIDIARY

On 11th September, 2006, the Group acquired 100% of the issued share capital of Hesley Cocoa International Pte. Ltd. for a consideration of HK\$12,000,000. The acquisition has been accounted for using the purchase method.

The net assets acquired and the gain arising from the acquisition are as follows:

	Acquiree's carrying amount	
	2006 HK\$'000	2005 HK\$'000
Net assets acquired		
Available-for-sales financial assets	23,131	—
Cash on hand	1	—
Net assets	23,132	—
Total consideration, satisfied by cash	12,000	—
Excess of net fair value over consideration recognised in the consolidated income statement	11,132	—
Net cash in flow on acquisition:		
Bank balance and cash acquired	1	—
Cash consideration paid	(12,000)	—
	(11,999)	—

Financial Summary

RESULTS

	Year ended 31st December,				
	2006	2005	2004	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$
TURNOVER	800,696	712,236	619,103	610,165	300,947
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	142,286	111,853	91,694	85,275	37,719

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

ASSETS AND LIABILITIES

	As at 31st December,				
	2006	2005	2004	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$
NON-CURRENT ASSETS	149,374	170	21	36	19,731
CURRENT ASSETS	476,573	476,549	322,266	274,999	86,563
CURRENT LIABILITIES	(14,489)	(15,330)	(13,649)	(39,651)	(58,778)
NET CURRENT ASSETS	462,084	461,219	308,617	235,348	27,785
NON-CURRENT LIABILITIES	(938)	(566)	—	—	—
NET CURRENT ASSETS/(LIABILITIES)	610,520	460,823	308,638	235,384	47,516

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Pan Sino International Holding Limited (the “Company”) will be held at Meeting Room, Orchard Hotel, 442 Orchard Road, Singapore 238879 on Wednesday, 9th January, 2008 at 9:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and Auditors for the year ended 31st December, 2006.
2. To re-elect the retiring Directors and to authorise the Board of Directors to fix the respective Directors’ remuneration.
3. To authorise the Board of Directors to appoint the new Auditors to fill the vacancy caused by the retirement of Li, Tang, Chen & Co. and fix their remuneration.

On behalf of the Board
Rudi Zulfian
Director

Jakarta, Indonesia, 17th December, 2007

Notes:

- (A) Any shareholder of the Company (the “Shareholder”) entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and, in the event of a poll, vote instead of him. A proxy need not be a Shareholder. A Shareholder may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (B) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company’s Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a Shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (C) The register of members of the Company will be closed from Monday, 7th January, 2008 to Wednesday, 9th January, 2008, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the above meeting of the Company, unregistered holders of shares of the Company should ensure that all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company’s Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 4th January, 2008.
- (D) The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Annual General Meeting) pursuant to the articles of association of the Company (the “Articles of Association”).

According to Article 72 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the chairman of such meeting; or
- (b) by at least two Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

Notice of Annual General Meeting (Continued)

- (c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

In addition, in compliance with the Listing Rules, any vote of shareholders at a general meeting will be taken on a poll where:

- (i) the chairman of the general meeting and/or the directors individually or collectively hold proxies in respect of shares representing 5% or more of the total voting rights at the general meeting, and the meeting votes, on a show of hands, in the opposite manner to that instructed in those proxies unless it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands;
 - (ii) the meeting is to approve connected transactions;
 - (iii) the meeting is to approve transactions that are subject to independent shareholders' approval pursuant to the Listing Rules;
 - (iv) the meeting is to approve granting of options to a substantial shareholder or an independent non-executive director of the issuer, or any of their respective associates, as required under the Listing Rules; or
 - (v) the meeting is to approve any other transactions in which a shareholder has a material interest and is therefore required to abstain from voting at the general meeting.
- (E) Pursuant to Articles 108 and 112 of the Articles of Association, Mr Rudi Zulfian, Ms Goh Hwee Chow, Jacqueline, Ms Wang Poey Foon, Angela and Mr Abdi Arif Rasdita (appointed by the Board of Directors on 5th December, 2007) will retire at the Annual General Meeting. All the above four retiring directors, being eligible, will offer themselves for re-election at the Annual General Meeting. Pursuant to Rule 13.74 of the Listing Rules, a listed issuer shall disclose the details required under Rule 13.51(2) of the Listing Rules of any director(s) proposed to be re-elected or proposed new director in the notice or accompanying circular to its shareholders of the relevant general meeting, if such re-election or appointment is subject to shareholders' approval at that relevant general meeting. The requisite details of Mr Rudi Zulfian, Ms Goh Hwee Chow, Jacqueline, Ms Wang Poey Foon, Angela and Mr Abdi Arif Rasdita, as at 13th December, 2007, being the latest practicable date prior to the release of the notice of Annual General Meeting (the "Latest Practicable Date"), are set out below:

(i) Mr Rudi Zulfian, aged 39

Position & Experience

Mr Rudi Zulfian is an executive Director, the Chief Executive Officer, Chairman of the Remuneration Committee and Nomination Committee and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Other than that, Mr Rudi Zulfian does not hold any position in the Company or in any member of the Group. Mr Rudi Zulfian joined the Group as director of Nataki in December 1999 and is responsible for overseeing the daily operations and finance matters of the Group. Prior to joining the Group, Mr Rudi Zulfian had worked as a finance manager in P.T. Harapan Bersama Trading, a food trading company which dealt with trading of cocoa beans and semi-processed cocoa products. Since 1995, Mr Rudi Zulfian is a registered accountant and a broker dealer in Indonesia. Mr Rudi Zulfian holds a Bachelor degree in Accounting from Andalas University, Indonesia. Mr Rudi Zulfian does not hold any other directorships in listed public companies in the last three years.

Notice of Annual General Meeting (Continued)

Length of service

Mr Rudi Zulfian entered into a director's service agreement with the Company on 23rd June, 2003 which laid down that the term of office of Mr Rudi Zulfian as an executive Director shall be for an initial period of 3 years commencing from 2nd December, 2003, renewable automatically for successive terms of 1 year each commencing from the day immediately after the expiry of the then current term of the Director's appointment, unless terminated by not less than 3 months' notice in writing served by either party on the other. Mr Rudi Zulfian's appointment is also subject to retirement and re-election provision as set out in the Articles of Association.

Interests in shares

As at the Latest Practicable Date, Mr Rudi Zulfian was interested in 16,000,000 share options of the Company attaching thereto the rights to subscribe for 16,000,000 Shares, representing 1.67% of the issued share capital of the Company, pursuant to Part XV of the Securities and Futures Ordinance (the "SFO"). Save as disclosed above, Mr Rudi Zulfian did not have or was not deemed to have any other interests in the shares or underlying shares of the Company or its associated corporations pursuant to Part XV of the SFO.

Relationships

Mr Rudi Zulfian does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Director's emoluments

Pursuant to director's service agreement entered into between Mr Rudi Zulfian and the Company, he is entitled to receive a basic annual salary of IDR3,840,000 (equivalent to approximately HK\$3,200), payable on a 13-month basis (subject to adjustment at the discretion of the Directors). In addition, for each of the completed year of services, he is also entitled to a discretionary bonus, provided that (i) the aggregate amount of the bonus payable to him and all other executive Directors in respect of such year shall not exceed 10% of the audited combined or consolidated profit after taxation and minority interests (and after the payment of such bonus) but before extraordinary items of the Group (if any) for the relevant year (the "Profit") and (ii) the Profit for such year exceeds HK\$10 million. The total amount of emoluments of Mr Rudi Zulfian for the year ended 31st December, 2006 was HK\$177,000.

Apart from the aforesaid, Mr Rudi Zulfian is also eligible to participate in the Company's share option scheme. The emoluments of Mr Rudi Zulfian are determined by the Board by reference to his skill and experience, time commitment, the remuneration benchmark in the industry and the prevailing market conditions.

Information that need to be disclosed and matters that need to be brought to the attention of the Shareholders

Save as disclosed above, there is no information which is discloseable nor is/was Mr Rudi Zulfian involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning him that need to be brought to the attention of the Shareholders.

Notice of Annual General Meeting (Continued)

(ii) Ms Goh Hwee Chow, Jacqueline, aged 55

Position & Experience

Ms Goh Hwee Chow, Jacqueline (“Ms Goh”) is an independent non-executive Director and a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Other than the aforesaid, she does not hold any position in the Company or in any member of the Group. Ms Goh holds a Bachelor degree in Accountancy from the National University of Singapore. She has been admitted to the status of Certified Practising Accountant of CPA Australia (formerly known as 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. and is responsible for overseeing the operations of accounting, treasury, system management; ensuring the compliance with policies and procedures as well as laws and regulations; overseeing the preparation of all required financial statements and reports for internal and external use; designing, establishing and maintaining an organizational structure to effectively accomplish the organization’s goals and objectives; recruiting, employing, training, supervising and evaluating staff. Before joining Pacific Resources Inc., Ms Goh worked in certified public accounting firms which provided audit, tax, accounting and corporate secretarial services. Ms Goh has not held any other directorship in list public companies in the last three years.

Length of service

Pursuant to the letter of appointment issued by the Company to Ms Goh, she is appointed for a fixed term of three years commencing on 30th December, 2004, subject to the retirement and re-election provisions as set out in the Articles of Association.

Interests in shares

As at the Latest Practicable Date, Ms Goh did not have or was not deemed to have any interests in the shares or underlying shares of the Company or its associated corporations pursuant to Part XV of the SFO.

Relationships

Ms Goh does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Director’s emoluments

Pursuant to the letter of appointment issued by the Company to Ms Goh, she is entitled to receive a fixed director’s fee of IDR120,000,000 (equivalent to approximately HK\$99,300). Apart from the aforesaid, Ms Goh is also eligible to participate in the Company’s share option scheme. However, she is not eligible to participate in any bonus schemes or other benefits of the kind available to executive Directors. The emoluments of Ms Goh are determined by the Board by reference to his skill and experience, time commitment, the remuneration benchmark in the industry and the prevailing market conditions.

Information that need to be disclosed and matters that need to be brought to the attention of the Shareholders

Save as disclosed above, there is no information which is discloseable nor is/was Ms Goh involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning her that need to be brought to the attention of the Shareholders.

Notice of Annual General Meeting (Continued)

(iii) Ms Wang Poey Foon, Angela, aged 49

Position & Experience

Ms Wang Poey Foon, Angela is an independent non-executive Director and a member of the Audit Committee of the Company. Apart from the aforesaid, she does not hold any position in the Company or in any member of the Group. Ms Wang holds an LLB (Hons) degree from the National University of Singapore. She is currently a partner of a firm of solicitors in Hong Kong.

Ms Wang resigned from the same position as independent non-executive Director on 30th December, 2004. She resigned for the purpose of pursuing her personal interest. Further information has been detailed in the Company's announcement dated 30th December, 2004. About one year after Ms Wang's resignation, the Group decided to re-appoint her as the independent non-executive Director as the Group considered that Ms Wang has extensive working experience in Hong Kong. Currently, Ms Wang is an independent non-executive director of Keck Seng Investments (Hong Kong) Limited (a company listed on main board of the Stock Exchange, stock code: 184). She has resigned as a non-executive director of Frasers Property (China) Limited (a company listed on main board of the Stock Exchange, stock code: 535) on 1st May, 2007. Save as aforesaid, Ms Wang has not held any other directorships in listed public companies in the last three years.

Length of service

Ms Wang has entered into a director's service contract with the Company for a fixed term of 3 years commencing from 6th January, 2006, subject to the retirement and re-election provisions as set out in the Articles of Association.

Interests in shares

As at the Latest Practicable Date, Ms Wang did not have or was not deemed to have any interests in the shares or underlying shares of the Company or its associated corporations pursuant to Part XV of the SFO.

Relationships

Ms Wang does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Director's emoluments

Pursuant to the director's service contract entered into between Ms Wang and the Company, Ms Wang is entitled to receive a fixed director's fee of HK\$120,000 per annum. Apart from the aforesaid, Ms Wang is also eligible to participate in the Company's share option scheme. However, she is not eligible to participate in any bonus schemes or other benefits of the kind available to executive Directors. The emoluments of Ms Wang are determined by the Board by reference to his skill and experience, time commitment, the remuneration benchmark in the industry and the prevailing market conditions.

Information that need to be disclosed and matters that need to be brought to the attention of the Shareholders

Save as disclosed above, there is no information which is discloseable nor is/was Ms Wang involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning her that need to be brought to the attention of the Shareholders.

Notice of Annual General Meeting (Continued)

(iv) Mr Abdi Arif Rasdita, aged 40

Position & Experience

Mr Abdi Arif Rasdita is an executive Director and a member of Executive Committee of the Company. He is the chief finance officer of PT. Nataki Bamasa, the trading arm of the Company. Apart from the aforesaid, he does not hold any position in the Company or in any member of the Group. Mr Abdi Arif Rasdita graduated from Mandala University majoring Economics in Indonesia and has extensive experiences in finance and business operations. He is currently an associate member of the Institute of Account Practitioner. Mr Abdi Arif Rasdita does not hold any other directorships in listed public companies in the last three years.

Length of service

Mr Abdi Arif Rasdita has not entered into any service contract with the Company. He has not been appointed for any fixed term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

Interests in shares

As at the Latest Practicable Date, Mr Abdi Arif Rasdita did not have or was not deemed to have any interests in the shares or underlying shares of the Company or its associated corporations pursuant to Part XV of the SFO.

Relationships

Mr Abdi Arif Rasdita does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Director's emoluments

Mr Abdi Arif Rasdita is entitled to receive a director's fee of HK\$120,000 per annum which is fixed with reference to market conditions and his duties and responsibilities with the Company. Apart from the aforesaid, Mr Abdi Arif Rasdita is also eligible to participate in the Company's share option scheme.

Information that need to be disclosed and matters that need to be brought to the attention of the Shareholders

Save as disclosed above, there is no information which is discloseable nor is/was Mr Abdi Arif Rasdita involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning him that need to be brought to the attention of the Shareholders.

- (F) The Company's auditors, Li, Tang, Chen & Co., will retire at the Annual General Meeting and will not seek re-appointment as auditors of the Company. The Board of Directors is in the process of appointing a firm of certified public accountants to act as the new auditors of the Company for the year ending 31st December, 2007 to fill the vacancy caused by such auditors. Details relating to the above were disclosed in the Company's announcement dated 13th December, 2007.