

This is an initial public offering of our ordinary shares of par value S\$0.10 each (the "Shares"). Petra Foods Limited (the "Company") is issuing and making an offering of 113,500,000 Shares (the "New Shares") and our shareholders, McKeesson Holdings Limited and Canzone Limited (together, the "Vendors"), are making an offering in respect of 65,000,000 Shares in aggregate (the "Vendor Shares" and together with the New Shares, the "Offering Shares") pursuant to the Offering (as defined below) at S\$0.88 per Offering Share (the "Offering Price") or the Discounted Offering Price (as defined below), as applicable. The Offering consists of (i) an international placement of 173,500,000 Offering Shares (the "Placement") to investors, including institutional and other investors in Singapore, and including 12,850,000 Offering Shares reserved for subscription and/or purchase by our management staff, independent director, employees, business associates and other persons who have contributed to our success (to be determined by the Company at its sole discretion) (the "Reserved Shares"), and (ii) an offering of 5,000,000 Offering Shares to the public in Singapore (the "Public Offer" and together with the Placement, the "Offering").

As part of the Offering, ABN AMRO Rothschild (the "Global Co-ordinator"), has been granted over-allotment options (the "Over-allotment Option") by the Company and each of the Vendors to subscribe and/or purchase up to an aggregate of 26,775,000 Shares comprising up to 9,775,000 Shares from the Company (the "Company Additional Shares"), and up to 17,000,000 Shares from the Vendors (the "Vendor Additional Shares"), at the Offering Price, (together the "Additional Shares") solely to cover the over-allotment of Offering Shares (if any). The Over-allotment Option is exercisable by ABN AMRO Rothschild, in full or in part, in respect of the Additional Shares being in aggregate equal in number to up to 15% of the total Offering Shares, within 30 days from the date of commencement of dealing in our Shares on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The total number of issued Shares immediately after completion of the Offering will be 532,277,000 Shares. If the Over-allotment Option granted by the Company is exercised in full, the total number of issued Shares immediately after completion of the Offering will be 542,052,000 Shares.

Investors who are individuals subscribing and/or purchasing Offering Shares in the Placement or the Public Offer either in their own names or as beneficiaries of applications by approved nominee companies ("Individual Investors") and investors subscribing and/or purchasing Reserved Shares will be eligible for a discount (the "Discount") to the Offering Price and will pay S\$0.83 per Offering Share (the "Discounted Offering Price") on application.

The Offering is fully underwritten by ABN AMRO Rothschild at the Offering Price or the Discounted Offering Price, as applicable.

Prior to the Offering, there has been no market for our Shares. Application has been made to the SGX-ST for permission to list all our issued Shares (including the Vendor Shares and the Vendor Additional Shares), the New Shares, the Company Additional Shares (in the event that the Over-allotment Option in respect of the Company Additional Shares is exercised), the new Shares to be issued pursuant to the exercise of options ("Options") under the Company's Petra Foods Share Option Scheme (the "Share Option Scheme") and the new Shares to be issued under the Petra Foods Share Incentive Plan (the "Share Incentive Plan") on the Main Board of the SGX-ST. Such permission will be granted when the Company has been admitted to the Official List of the SGX-ST. Acceptance of applications for the Offering Shares will be conditional upon, *inter alia*, permission being granted to deal in and for quotation of all our issued Shares (including the Vendor Shares and the Vendor Additional Shares), the New Shares, the Company Additional Shares (in the event that the Over-allotment Option in respect of the Company Additional

Shares is exercised), the new Shares to be issued pursuant to the exercise of Options under the Share Option Scheme and the new Shares to be issued under the Share Incentive Plan. Monies paid in respect of any application accepted will be returned, at your own risk, without interest or any share of revenue or other benefit arising therefrom, and without any right or claim against us, the Vendors or the Global Co-ordinator, if the Offering is not completed because the said permission is not granted or for any other reason.

The Company has received a letter of eligibility from the SGX-ST for the listing and quotation of its Shares on the Main Board of the SGX-ST. The Company's eligibility to list does not indicate the merits of the Offering, the Company, our Group (as defined herein), our Shares, the Share Option Scheme or the Share Incentive Plan.

The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Offering, us or our Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority") on 29 September 2004 and 28 October 2004 respectively. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"), or any other legal or regulatory requirements, has been complied with. The Authority has not, in any way, considered the merits of our Shares being offered or in respect of which an offering is made, for investment.

No Shares shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

See "Risk Factors" herein for a discussion of certain factors to be considered in connection with an investment in the Offering Shares.

The Company expects its Shares to commence trading on a "when issued" basis on or about 9.00 am on 5 November 2004 (Singapore time). Dealing in and quotation of our Shares will be in Singapore dollars. Our Shares will be traded in board lots of 1,000 Shares.

The Shares in the Offering have not been and will not be registered under the US Securities Act of 1933, as amended, (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") and within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act ("Rule 144A"). Prospective purchasers are hereby notified that sellers of the Shares in the Offering may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For further details about restrictions on offers, sales and transfers of the Shares, see "Plan of Distribution" and "Transfer Restrictions".

This document is important. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

All copies of this Prospectus distributed in Singapore must be accompanied by the instructions booklet on "Terms and Conditions and Procedures for Application in the Offering", which constitutes part of this Prospectus registered with the Authority.

PETRA FOODS

L I M I T E D

Petra Foods Limited

(Incorporated in Singapore on 22 August 1984 with company registration number 198403096C)

Offering in respect of 178,500,000 Offering Shares comprising:
5,000,000 Offering Shares by way of Public Offer; and
173,500,000 Offering Shares by way of Placement
(subject to the Over-allotment Option)

Offering Price: S\$0.88 per Offering Share
Discounted Offering Price: S\$0.83 per Offering Share

Global Co-ordinator, Bookrunner and Lead Manager
ABN AMRO Rothschild



The Equity Capital Markets Joint Venture of the Rothschild and ABN AMRO Groups

Co-ordinator of the Public Offer
UOB Asia Limited



Sub-underwriters
Cazenove Asia Limited

DBS Bank Ltd

UOB Asia Limited





ABOUT US

We are one of the world's major manufacturers and suppliers of cocoa ingredients. We also manufacture and/or distribute branded consumer products, primarily chocolate confectionery for which we are the market leader in Indonesia.

Headquartered in Singapore, our principal operations are in Indonesia, Malaysia, the Philippines, Thailand, Brazil and Mexico and we have a total staff strength of over 3,500.

We were awarded the top spot in the annual Singapore Enterprise 50 Award in 2003, which recognises the contributions made by the fifty most enterprising, privately held companies in Singapore.

OUR CORE BUSINESS

We have two business divisions, cocoa ingredients and branded consumer, and our capabilities extend across the spectrum of activities of the cocoa and chocolate industry:

Cocoa Ingredients Division

Branded Consumer Division

COCOA VALUE CHAIN

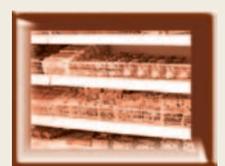
Cocoa Beans Procurement

Cocoa Processing

Supply of Cocoa Ingredients

Consumer Chocolate Manufacture

Marketing & Distribution



OUR PRODUCTS

Cocoa Butter

Cocoa Powder

Cocoa Liquor

Manufacture of in-house branded chocolate confectionery products

Distribution of in-house brands & third party consumer brands



OUR CUSTOMERS

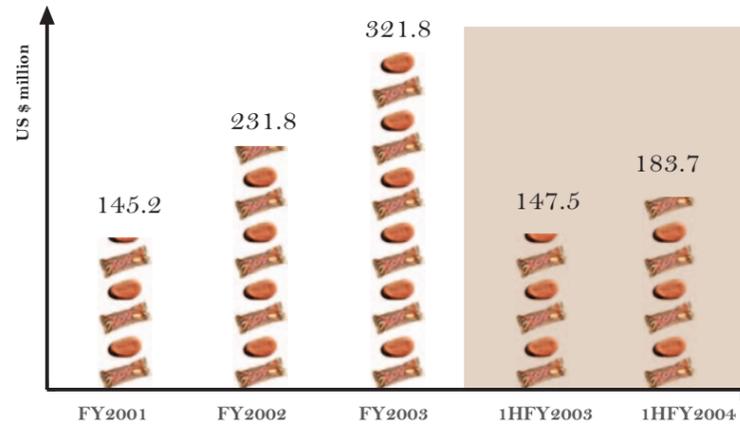
International food and beverage manufacturers and trading houses

Modern sales channels and traditional outlets

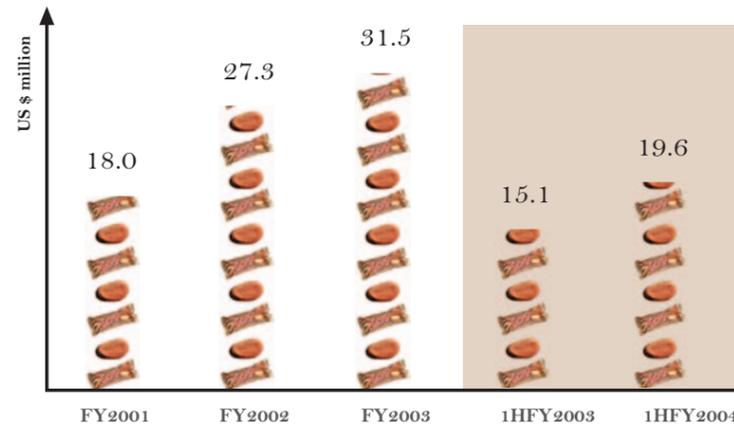


Our Financial Performance

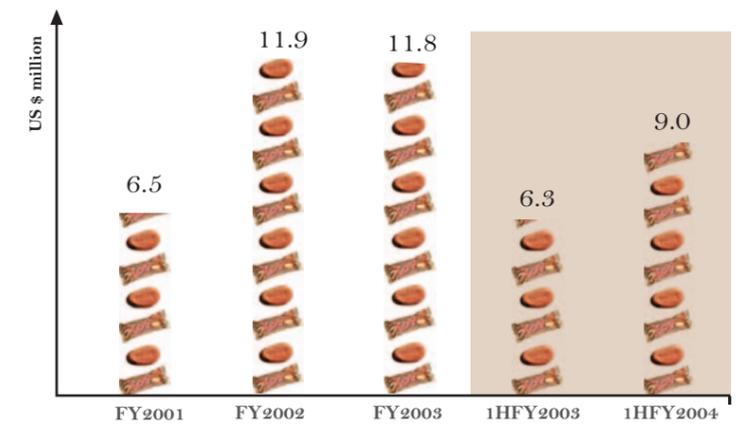
Revenue



EBITDA



Net Profit



COCOA INGREDIENTS DIVISION

- We supply cocoa ingredients, namely cocoa powder, cocoa butter and cocoa liquor, substantially all of which are sold under our "Delfi" brand to over 30 countries worldwide
- Our customers include reputable international food and beverage companies such as Nestlé, Cadbury, the Mars Group, Arnott's, A.B. Foods, Barry Callebaut and the Meiji Group
- We have six cocoa processing facilities in Indonesia, Malaysia, Thailand, Philippines, Brazil and Mexico.

Competitive Strengths

- Established and long-standing relationships with international customers
- High and consistent product quality under our Delfi brand
- Internationally certified and high quality manufacturing processes
- In-house technical and product development expertise
- International manufacturing operations
- Benefits of economies of scale as one of the largest cocoa bean processors globally
- Experienced and proven management team
- Track record of growth and financial performance

OUR GLOBAL PRESENCE

We have six cocoa processing facilities in Indonesia, the Philippines, Thailand, Brazil, Mexico and Malaysia and two chocolate confectionery production facilities in Indonesia and Malaysia.



BRANDED CONSUMER DIVISION

- We manufacture and/or distribute branded consumer products, primarily chocolate confectionery
- We are the market leader for branded chocolate confectionery products in Indonesia with a leading share of 56.9% in the urban grocery market for chocolate confectionery in Indonesia for the 12-month period ended March/April 2004 (Source: ACNielsen)
- Our chocolate confectionery products are sold in 17 countries including Indonesia, Singapore, Malaysia, Hong Kong, Australia, Thailand, the Philippines and China
- Our established portfolio of chocolate confectionery brands which are household names in Indonesia include eight master brands and 19 key sub-brands and we have over 300 stock keeping units
- We also distribute third party brands in Indonesia, Singapore and Malaysia capitalising on our existing extensive distribution channels.

Competitive Strengths

- Market leader for chocolate confectionery products in Indonesia
- Established portfolio of household brands in Indonesia including "SilverQueen" and "Ceres" brands, introduced in the 1950s and "Delfi" in the 1980s
- In-house product and brand development expertise
- Extensive sales and distribution network covering the Indonesian archipelago
- Well-known portfolio of third party brands
- Experienced and proven management team
- Long established operations and track record of growth



GROUP STRATEGY

We aim to leverage on the existing international scale of our cocoa ingredients business and market leadership position for chocolate confectionery products in Indonesia to further grow our business:

- Extend relationships with international food and beverage manufacturers and be the cocoa ingredients supplier of choice
- Build on our existing customer portfolio of international food and beverage manufacturers, both by increasing the number of customers and the volumes and product ranges that we supply
- Leverage on our competitive advantages of product quality, reliability of supplies, customer service, partnership and flexibility

- Broaden and deepen the geographical markets that we sell to
- Extend and deepen the geographical markets that we sell to in order to grow revenue and enhance the geographical diversification of our business

Leverage our market leadership position in Indonesia to further grow our business

- Leverage the leadership position of our brands in the Indonesian market to increase sales and our market share
- Extend our distribution capabilities in Indonesia and invest in marketing and advertising promotional activities to build on the strengths of our portfolio of well-established brands

Pursue demand-led expansion of our manufacturing capacities

- Expand our production capacity to meet the potential increase in demand for our products either from increased sales in the existing markets in which we operate or new markets which we may enter

Increase global market share through strategic alliances or acquisitions

- Increase our global presence by continuing to identify potential parties to form strategic alliances with or by acquiring suitable targets which fit in with our overall group strategy



Our Established Portfolio of Brands

- Delfi
- Silver Queen
- Ceres
- Selamat
- Delfi Top
- Delfi Cha Cha
- Delfi Take-it
- Selamat Twister
- Selamat Funtime
- Selamat Briko



Third Party Brands



Notice To Investors

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of us, the Vendors or the Global Co-ordinator. Neither the delivery of this Prospectus nor any offer, sale or transfer made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in our or the Vendors' affairs, conditions and prospects or the Shares since the date hereof. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we and/or the Vendors will make an announcement of the same to the SGX-ST and, if required, issue and lodge an amendment to this document or a supplementary document or replacement document pursuant to Section 240 or, as the case may be, Section 241 of the Securities and Futures Act and take immediate steps to comply with the said Sections. Investors should take notice of such announcements and documents and upon release of such announcements or documents shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by the Global Co-ordinator or any of its affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or covenant by the Global Co-ordinator or its respective affiliates, directors, officers, employees, agents, representatives or advisers.

Neither we, the Vendors, the Global Co-ordinator nor any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers are making any representation or undertaking to any investors in the Shares regarding the legality of an investment by such investor under appropriate legal, investment or similar laws. In addition, investors in the Shares should not construe the contents of this Prospectus as legal, business, financial or tax advice. Investors should be aware that they may be required to bear the financial risks of an investment in the Shares for an indefinite period of time. Investors should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Shares.

The Shares have not and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

For the purpose of the Shares being offered in the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act, this Prospectus is being furnished in the United States on a confidential basis solely for the purpose of enabling prospective purchasers to consider the purchase of the Shares. Its use for any other purpose in the United States is not authorised. In the United States, it may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents be disclosed to anyone other than the prospective purchasers to whom it is submitted.

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The distribution of this Prospectus and the offering, purchase, sale or transfer of the Shares in certain jurisdictions may be restricted by law. We, the Vendors and the Global Co-ordinator require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions at their own expense and without liability to us, the Vendors or the Global Co-ordinator. This Prospectus does not constitute an offer of, or an offering to purchase, any of the Shares in any jurisdiction in which such offer or offering would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

In connection with the Offering, ABN AMRO Rothschild, the stabilising manager, acting through its affiliate, ABN AMRO Bank N.V., Singapore branch, may over-allot Shares or effect transactions which stabilise or maintain the market price of the Shares at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. However, there may be no obligation on ABN AMRO Rothschild or its affiliate, ABN AMRO Bank N.V., Singapore branch, to do this. Such transactions, if commenced, may be discontinued at any time and shall not be effected after the earlier of (a) the date falling 30 days from the date of commencement of dealing in the Shares on the SGX-ST or (b) the date when the over-allotment of the Shares which are the subject of the Over-allotment Option has been fully covered (either through the purchase of the Shares on the SGX-ST or the exercise of the Over-allotment Option by ABN AMRO Rothschild, or through both).

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

The Company has agreed that, for so long as any Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF CIVIL LIABILITIES

The Company is a limited liability company incorporated under the laws of the Republic of Singapore. Most of our directors (“Directors”) and management, the Vendors and their directors, our auditors and certain of the other parties named in this Prospectus, reside outside the United States. All or a substantial portion of our assets, the assets of the Vendors and the assets of such other persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons, or to enforce in the United States any judgment obtained in the United States courts against us, the Vendors or any of such persons, including judgments based upon the civil liability provisions of the securities laws of the United States or any state or territory of the United States. Judgments of United States courts based upon the civil liability provisions of the federal securities laws of the United States are not enforceable in Singapore courts and there is doubt as to whether Singapore courts will enter judgments in original actions brought in Singapore courts based solely upon the civil liability provisions of the federal securities laws of the United States.

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute “forward-looking statements”. All statements other than statements of historical facts included in this Prospectus, including those regarding our financial position and results, business strategy, plans and objectives of management for future operations

(including development plans and dividends), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Among the important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, changes in the availability and prices of raw materials we need to operate our business, changes in social, political and economic conditions and the regulatory environment in the countries in which we conduct business, changes in currency exchange rates, changes in consumer preferences and changes in our need for capital and the availability of financing and capital to fund these needs. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry", "Business" and "Regulations". These forward-looking statements speak only as of the date of this Prospectus. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We do not intend to update any of the forward-looking statements after the date of this Prospectus to conform those statements to actual results, subject to compliance with all applicable laws and/or rules of the SGX-ST, including the Securities and Futures Act.

CERTAIN DEFINED TERMS AND CONVENTIONS

Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. The data in this Prospectus relating to the Indonesian urban grocery market was obtained from PT. ACNielsen Indonesia ("ACNielsen"). The Indonesian urban grocery market as defined by ACNielsen (the "urban grocery market") covers approximately 35% of Indonesia's population and geographically, includes 12 major cities (Jakarta, Botabek, Bandung, Semarang, Yogyakarta, Solo, Surabaya, Medan, Palembang, Padang, Makasar and Denpasar) as well as other cities and towns that fall within the Indonesian government's criteria for "urban" areas. For the year ended 30 April 2004, ACNielsen identified a total of 878,475 sales outlets in the urban grocery market, of which 873,396 were traditional sales channels and 5,079 were modern sales channels.

ACNielsen conducts bi-monthly retail audits over a sample of between 3,000 to 4,000 sales outlets in the Indonesian urban grocery market each year. The market share information included in this Prospectus is a compilation of the results of six retail audits prepared from May/June 2003 to March/April 2004.

Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of us, the Vendors or the Global Co-ordinator make any representation as to the accuracy or completeness of this information.

We will publish our financial statements in US dollars. In this Prospectus, references to "US\$", "US dollars" or "US cents" are to the lawful currency of the United States of America, references to "\$S", "Singapore dollars", "Singapore cents" or "cents" are to the lawful currency of the Republic of Singapore, references to "Rp" or "Rupiah" are to the lawful currency of Indonesia, references to "RM" or "Malaysian Ringgit" are to the lawful currency of Malaysia, references to "Bt" or "Baht" are to the lawful currency of Thailand, references to "MX" or "Mexican peso" are to the lawful currency of Mexico, references to "P" or "Philippines peso" are to the lawful currency of the Philippines, references to "R" or "Real" are to the lawful currency of Brazil, references to "CF" or "Swiss franc" are to the lawful currency of Switzerland, references to "Pounds Sterling" are to the lawful currency of the United Kingdom, references to "Australian dollar" are to the lawful currency of Australia and references to "euro" or "€" are to the single currency introduced on 1 January 1999 at the start of the third stage of European Economic and Monetary Union, pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam. All references to times are to Singapore time. For the reader's convenience, certain Singapore dollar amounts in this Prospectus have been translated into US dollars and certain US dollar amounts have been translated into Singapore dollars, based on the exchange rate of S\$1.69 = US\$1.00 (rounded to two decimal places) which was the noon buying rate as certified for customs purposes by the Federal

Reserve Bank of New York for cable transfers (the “Noon Buying Rate”) for Singapore dollars on 15 September 2004. Certain Rupiah amounts in this Prospectus have also been translated into US dollars for the reader’s convenience, based on the average buying and selling rates of exchange for Rupiah against US dollars as quoted by Bank Indonesia, the Indonesian central bank, on 15 September 2004 which was Rp 9,079 = US\$1.00. However, such translations should not be construed as representations that Singapore dollar or Rupiah amounts have been, would have been or could be converted into US dollars or that US dollar amounts have been, would have been or could be converted into Singapore dollars at that or any other rate.

Our financial statements are prepared in accordance with Singapore Financial Reporting Standards (“FRS” or “SFRS”), which differs in certain respects from generally accepted accounting principles in certain other countries. For a summary of certain differences between FRS and generally accepted accounting principles in the United States (“US GAAP”), see “Summary of Certain Differences Between Singapore Financial Reporting Standards and US GAAP”.

In this Prospectus, unless the context otherwise requires, references to “Petra Foods” or the “Company” refer to Petra Foods Limited; references to “we”, “us”, “our”, “ourselves”, and “Group” refer to Petra Foods Limited and its subsidiaries taken as a whole.

References to our management and directors refer to the management and directors of the Company; references to our Articles of Association refer to the Articles of Association of the Company; and references to our share capital in “Description of Our Shares” and elsewhere refer to the share capital of the Company. Further, unless we specify otherwise or the context otherwise requires, all references to our “ordinary shares” or our “Shares” refer to ordinary shares of par value S\$0.10 each in the capital of the Company.

In addition, unless we indicate otherwise, all information in this Prospectus assumes the Global Co-ordinator has not exercised the Over-allotment Option; no Offering Shares has been purchased at the Discounted Offering Price and no Offering Shares has been re-allocated between the Placement and the Public Offer.

References to “financial year” in this Prospectus are to our financial year ended or ending 31 December.

References to the “United States” in this Prospectus shall be to the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

References to the “Latest Practicable Date” in this Prospectus shall be a reference to 15 September 2004, being the latest practicable date prior to the lodgement of this Prospectus with the Authority.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding. We use a number of rounding conventions in this Prospectus.

The information on our website, any website of the Vendors or any website directly or indirectly linked to such websites is not incorporated by reference into this Prospectus and should not be relied on.

Table of Contents

	Page
Notice To Investors	i
Corporate Information	1
Summary	3
Risk Factors	17
Use Of Proceeds	32
Exchange Rates	33
Dividends	34
Capitalisation And Indebtedness	35
Dilution	36
Selected Consolidated Financial Information	38
Management's Discussion And Analysis Of Financial Condition And Results Of Operations	42
Industry	67
Business	76
Regulations	100
Management	102
Interested Person Transactions And Conflicts Of Interest	127
Shareholders	140
Share Capital	143
Description Of Our Shares	146
Taxation	151
Plan Of Distribution	155
Transfer Restrictions	162
Clearance And Settlement	164
Legal Matters	165
Certified Public Accountants	166
General And Statutory Information	167
Definitions	174
Glossary Of Technical Terms	178
Summary Of Certain Differences Between Singapore Financial Reporting Standards and US GAAP	180
Consolidated Financial Statements	F-1
APPENDIX A	A-1
Exchange Controls	A-1
APPENDIX B	B-1
Properties And Fixed Assets	B-1
APPENDIX C	C-1
Group Structure	C-1
APPENDIX D	D-1
Letter From The Independent Financial Adviser To The Independent Directors Of Petra Foods Limited	D-1

Corporate Information

BOARD OF DIRECTORS:	Pedro Francisco Mata-Bruckmann (<i>Chairman and Independent Director</i>) John Chuang (<i>Chief Executive Officer</i>) Joseph Chuang (<i>Executive Director</i>) William Chuang (<i>Executive Director</i>) Davinder Singh (<i>Independent Director</i>) Josephine Price (<i>Non-Executive Director</i>) Richard Owen Pyvis (<i>alternate Director to Josephine Price</i>)
JOINT COMPANY SECRETARIES:	Chuang Yok Hoa, ACIS Lian Kim Seng, ACIS
REGISTERED OFFICE:	900 South Woodlands Drive #05-05 Woodlands Civic Centre Singapore 730900 Tel: +65 6477 5600 Fax: +65 6752 8258
COMPANY REGISTRATION NUMBER:	198403096C
VENDORS:	McKeeson Holdings Limited c/o Citco (Mauritius) Limited Cathedral Square Port Louis Mauritius Canzone Limited 5th Floor, One Cathedral Square Port Louis Mauritius
SHARE REGISTRAR AND SHARE TRANSFER AGENT:	M & C Services Private Limited 138 Robinson Road #17-00 The Corporate Office Singapore 068906
GLOBAL CO-ORDINATOR, BOOKRUNNER AND LEAD MANAGER:	ABN AMRO Rothschild (being the unincorporated equity capital markets joint venture between ABN AMRO Bank N.V., Singapore branch, and N.M. Rothschild & Sons (Singapore) Limited, each trading as ABN AMRO Rothschild) 63 Chulia Street Singapore 049514
CO-ORDINATOR OF THE PUBLIC OFFER:	UOB Asia Limited 80 Raffles Place UOB Plaza Singapore 048624
INDEPENDENT FINANCIAL ADVISER:	KPMG Corporate Finance Pte Ltd 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
LEGAL ADVISERS TO THE COMPANY AS TO SINGAPORE LAW:	Drew & Napier LLC 20 Raffles Place #17-00 Ocean Towers Singapore 048620

**LEGAL ADVISERS TO THE
GLOBAL CO-ORDINATOR,
BOOKRUNNER AND LEAD
MANAGER AS TO US FEDERAL
LAW AND ENGLISH LAW:**

Freshfields Bruckhaus Deringer
11th Floor
Two Exchange Square
Hong Kong

**LEGAL ADVISERS TO THE
GLOBAL CO-ORDINATOR,
BOOKRUNNER AND LEAD
MANAGER AS TO SINGAPORE
LAW:**

Wong Partnership
80 Raffles Place #58-01
UOB Plaza 1
Singapore 048624

AUDITORS:

PricewaterhouseCoopers
Certified Public Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424

PRINCIPAL BANKERS:

Fortis Bank
No. 30 Raffles Place
#19-00 Caltex House
Singapore 048622

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Rabobank International
No. 77 Robinson Road
#09-00 SIA Building
Singapore 068896

PT Bank Central Asia Tbk
Wisma BCA I Lantai 11
JI Jend Sudirman Kav 22-23
Jakarta 12920, Indonesia

Malayan Banking Berhad
Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

RECEIVING BANK:

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Summary

This summary highlights information contained elsewhere in this Prospectus. This summary may not contain all of the information that you should consider before deciding to invest in the Shares. We urge you to read this entire Prospectus carefully, including our consolidated financial statements and related notes and "Risk Factors".

INTRODUCTION

We are one of the world's major manufacturers and suppliers of cocoa ingredients, namely cocoa powder, cocoa butter and cocoa liquor. We also manufacture and/or distribute branded consumer products, primarily chocolate confectionery for which we are the market leader in Indonesia.

We produce cocoa ingredients in six countries and supply our products to customers in over 30 countries world-wide. These customers include leading international food and beverage companies such as Nestlé, Cadbury and the Mars Group. Our ability to deliver high quality products, which consistently meet tight customer specifications, is a key factor in our success. We place strong emphasis on food safety. Our Cocoa Ingredients Division contributed 71.1% of our revenue for the year ended 31 December 2003, and 47.8% of our profit from operations for the same period. For the six months ended 30 June 2004, our Cocoa Ingredients Division contributed 71.1% of our revenue and 50.7% of our profit from operations.

Total revenue for our Cocoa Ingredients Division grew by a compound annual rate of 56.7% from US\$93.3 million for the year ended 31 December 2001 to US\$229.0 million for the year ended 31 December 2003, while profit from operations grew by a compound annual rate of 39.1% from US\$6.2 million to US\$12.0 million during the same period. For the six months ended 30 June 2004, revenue of our Cocoa Ingredients Division was US\$130.7 million, an increase of 22.3% over the previous corresponding period in 2003, and profit from operations of our Cocoa Ingredients Division was US\$7.6 million, an increase of 18.8% over the previous corresponding period in 2003.

We manufacture, distribute and/or sell branded consumer goods in Indonesia and other countries in Asia. Our portfolio of brands includes some products which are leaders in their categories. For example, our "SilverQueen" chocolate bar was first sold in the 1950s and is the dominant chocolate bar in Indonesia, with a share of 25.1% of the urban grocery market for moulded/enrobed chocolate for the 12 month period ended March/April 2004 (*Source: ACNielsen*). Our branded chocolate confectionery and third party chocolate consumer products command a share of 56.9% in the urban grocery market for chocolate confectionery in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*). We began selling products outside of Indonesia in 1988 and now sell our chocolate confectionery products in 17 countries. We also distribute third party brands in Indonesia, Singapore and Malaysia, capitalising on our existing distribution channels. Revenue from sales of third party products comprised 19.2% and 17.5% of revenue of our Branded Consumer Division for the year ended 31 December 2003 and for the six months ended 30 June 2004 respectively. Our Branded Consumer Division contributed 28.9% of our revenue for the year ended 31 December 2003, and 52.2% of our profits from operations for the same period. For the six months ended 30 June 2004, our Branded Consumer Division contributed 28.9% of our revenue and 49.3% of our profits from operations.

Total revenue for our Branded Consumer Division grew by a compound annual rate of 33.7% from US\$51.9 million for the year ended 31 December 2001 to US\$92.9 million for the year ended 31 December 2003, while profit from operations grew by a compound annual rate of 29.9% from US\$7.8 million to US\$13.1 million during the same period. For the six months ended 30 June 2004, revenue of our Branded Consumer Division was US\$53.1 million, an increase of 30.5% over the previous corresponding period in 2003, and profit from operations of our Branded Consumer Division was US\$7.4 million, an increase of 17.5% over the previous corresponding period in 2003.

Our strategy is to continue to build on the strengths of both of our business divisions. We achieved revenue of US\$321.8 million and profits before tax of US\$16.6 million for the year ended 31 December 2003. For the six months ended 30 June 2004, we achieved revenue of US\$183.7 million and profits before tax of US\$11.3 million. We see potential to further enhance our position in the cocoa ingredients market by broadening and deepening our relationship with international food and beverage companies. In our Branded Consumer Division we aim to continue to build on our strong market position in Indonesia and to further grow our non-Indonesian business, principally in Asia.

We were incorporated as Petra Foods Pte Ltd in Singapore on 22 August 1984 as a private company limited by shares under the Companies Act, Chapter 50 of Singapore (the “Companies Act”). We changed our name to “Petra Foods Limited” upon our conversion to a public company limited by shares on 5 October 2004.

We are headquartered in Singapore and our principal operations are in Singapore, Indonesia, Malaysia, the Philippines, Thailand, Brazil and Mexico. We have six cocoa processing facilities, located in Bandung (Indonesia), Bulacan (the Philippines), Chachoengsao province (Thailand), Bahia (Brazil), Mexico City (Mexico) and Johor (Malaysia). We also have two chocolate confectionery production facilities in Bandung (Indonesia) and Klang (Malaysia).

The Company’s major shareholders represent interests of members of the Chuang family and Canzone Limited, a private company which is wholly-owned by a private equity fund managed by CLSA Private Equity Management Limited (see “Shareholders”).

In 2003, we were awarded the top spot in the annual Singapore Enterprise 50 Award. This award recognises the contributions made by the fifty most enterprising, privately-held companies in Singapore and was established by Accenture and The Business Times, Singapore with support from the Economic Development Board and International Enterprise Singapore. In the same year, our “Ceres” brand received the “Superbrand Status” award following a selection process by the Indonesia Superbrands Council which is a part of the Superbrands Organization, a global, independent authority on branding.

COMPETITIVE STRENGTHS

We have two main business divisions, our Cocoa Ingredients Division and our Branded Consumer Division. Each division builds on our long-established core expertise in cocoa and its products, but operates in a different competitive environment. We believe that our complementary business divisions strengthen our overall business model through diversification. Each business has a different dynamic and may be affected by different external factors.

Cocoa Ingredients Division

The competitive strengths of our Cocoa Ingredients Division include the following:-

- ▶ ***Established and long-standing relationships with international customers.*** We are a supplier of cocoa ingredients to reputable, international food and beverage manufacturers such as Nestlé, Cadbury and the Mars Group. We believe that our willingness to work closely with our customers, to help them achieve their objectives and overcome challenges and our flexibility in changing our own practices to cater to their needs, helps to differentiate us from our competition.
- ▶ ***High and consistent product quality under our Delfi brand.*** We believe that our long-standing relationships with international food and beverage companies are also due to our ability to meet their stringent requirements in terms of product quality, consistency and delivery. These qualities are encapsulated under our well-known “Delfi” brand which we use for substantially all the sale of our cocoa ingredients products.
- ▶ ***Internationally certified and high quality manufacturing processes.*** We have made significant investments in quality assurance systems in order to consistently achieve high manufacturing standards. Our plants in Brazil and Mexico which were acquired from Nestlé in 2003 currently follow the Nestlé quality standard which we believe, is based on Good Manufacturing Practice standards and HACCP (Hazard Analysis and Critical Control Point), among other quality standards. All our other cocoa processing plants follow Good Manufacturing Practice standards and are HACCP certified.
- ▶ ***In-house technical and product development expertise.*** We have established in-house technical and product development expertise. We design our own plants and in some cases, fabricate and assemble machinery and equipment. Our expertise enables us to offer our customers a high degree of flexibility in meeting their needs and product specifications, whilst still meeting their stringent quality requirements and achieving cost efficiencies.
- ▶ ***International manufacturing operations.*** We have cocoa processing plants in Indonesia, Malaysia, Thailand, the Philippines, Brazil and Mexico. We believe that the international scale of our manufacturing operations and reputation set us apart from smaller players in the market and provide us with a competitive advantage when marketing to international customers. We believe

that physical proximity to our markets is advantageous as we are better able to work closely with our customers, and to attract other customers to our products. We also reduce our exposure to any single location by spreading out our production facilities.

- ▶ **Benefits of economies of scale.** As one of the largest cocoa bean processors globally, we are able to spread our capital expenditure and fixed costs across the large volumes of cocoa ingredients that we produce, thus reducing our production cost per metric ton of product manufactured. We believe that the scale of our operations allows us to remain cost competitive and provides us with a competitive advantage over smaller players.
- ▶ **Experienced and proven management team.** Our senior management team have a proven track record in running the Cocoa Ingredients Division and some of them have also previously worked for other major cocoa products companies.
- ▶ **Track record of growth and financial performance.** We established our operations in Thailand and the Philippines in 1988 and 1989 respectively and started manufacturing cocoa ingredients for third party sale in 1991. Since then, our Cocoa Ingredients Division has grown significantly and we have also added manufacturing plants in Malaysia, Brazil and Mexico. We believe that our track record of operational growth positions us well to continue to realise future growth opportunities for our business.

Branded Consumer Division

The competitive strengths of our Branded Consumer Division include the following:-

- ▶ **Market leader for chocolate confectionery products in Indonesia.** We are the market leader for branded chocolate confectionery products in Indonesia. We have a leading market share of 56.9% in the urban grocery market for chocolate confectionery in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*). Our top two products, “SilverQueen” and “Delfi Top”, have a total share of 44.4% in the urban grocery market for moulded/enrobed chocolate for the 12 month period ended March/ April 2004 in Indonesia (*Source: ACNielsen*).
- ▶ **Established portfolio of household brands in Indonesia.** We have an established portfolio of chocolate confectionery brands which are household names in Indonesia and which are familiar to generations of Indonesians. For example, our “SilverQueen” and “Ceres” brands were introduced in the 1950s, “Selamat” in the 1970s and “Delfi” in the 1980s. We also have a number of sub-brands for different product categories. We believe that our use of master and sub-brands results in consumers associating new products that we introduce with the quality assurance of our established master brands. It also gives rise to the indirect promotion of other products under the master brand, through the promotion of a sub-brand.
- ▶ **In-house product and brand development expertise.** We have dedicated in-house product and brand development staff who regularly keep abreast of changing consumer preferences by conducting or monitoring market research in consumer preferences and industry trends. We also assess consumer preferences through other means including discussions with our distributors and the management or proprietors of the modern and traditional outlets in which our products are sold. We use the information and market data that we receive to develop new products, sub-brands, packaging or product sizes to stimulate or meet consumer demand.
- ▶ **Extensive sales and distribution network.** We have an extensive sales and distribution network which we have established over many years, covering the Indonesian archipelago. Based on data provided to us by our distributors, we believe we have access through our distributors and sub-distributors to over 70,000 modern and traditional retail outlets. We believe our extensive sales and distribution network provides us with a distinct competitive advantage, in particular for the distribution of our products outside the urban markets.
- ▶ **Well-known portfolio of third party brands.** We also distribute third party branded consumer products in Indonesia, Singapore and Malaysia. In most cases, we are the exclusive distributors for these products in the countries in which we distribute them. These products are household names and include Fisherman’s Friend (Indonesia), Toblerone (Indonesia), Guylian (Singapore, Indonesia and Malaysia) and Tabasco (Indonesia). Our portfolio of third party brands allows us better access to modern trade outlets such as supermarkets and hypermarkets and enables us to maximise use of our extensive distribution network.

- ▶ **Experienced and proven management team.** The senior management team of our Branded Consumer Division have extensive experience in the consumer chocolate business and have a proven track record in running our Branded Consumer Division. We believe that they also possess the appropriate mix of multi-disciplinary skills and experience necessary for us to grow the business in a competitive environment, particularly in the areas of continued marketing and product development activities as well as the identification of consumer preferences and industry trends.
- ▶ **Long established operations and track record of growth.** We have over 50 years of history and experience in the manufacture of chocolate products dating back to the Chuang family-run chocolate and cocoa business. Our manufacturing expertise allows us to produce a large range of quality products consistently to cater to consumer preferences. We have grown our business to become the market leader for chocolate confectionery in Indonesia. We believe that our long standing track record of business expansion and growth provides us with valuable experience to continue to realise future growth opportunities for our business.

GROUP STRATEGY

We aim to leverage on the existing international scale of our cocoa ingredients business and market leadership position for chocolate confectionery products in Indonesia to further grow our business. We have the following plans and intentions:

- ▶ **Extend relationships with international food and beverage manufacturers and be the cocoa ingredients supplier of choice.** We intend to continue to build on our existing customer portfolio of international food and beverage manufacturers, both by increasing the number of our customers and the volumes and product ranges that we supply. We aim to capitalise on the increasing trend in the cocoa industry towards outsourcing of cocoa ingredients production to specialised cocoa processing companies. To this end, we will continue to leverage on our competitive advantages of product quality, reliability of supplies, customer service, partnership and flexibility. We believe that this will enable us to secure new customers, and retain and build on existing customer relationships.
- ▶ **Broaden and deepen the geographical markets that we sell to.** We plan to extend and deepen the geographical markets that we sell to in order to grow revenue and enhance the geographical diversification of our business. We also intend to diversify our branded consumer business beyond Indonesia and to increase our sales in other Asian countries. Our immediate focus will be on extending the marketing and distribution network needed to introduce products and brands that have proven successful in Indonesia and to increase the proportion of sales outside Indonesia for our Branded Consumer Division.
- ▶ **Leverage our market leadership position in Indonesia to further grow our business.** We intend to continue to leverage the leadership position of our brands in the Indonesian market to increase sales and our market share. We will continue to extend our distribution capabilities in Indonesia and invest in marketing and advertising promotional activities to build on the strengths of our portfolio of well-established brands. We will also continue to place emphasis on brand, product and packaging development and innovation, and market research data in order to anticipate and meet changing consumer trends and preferences.
- ▶ **Pursue demand-led expansion of our manufacturing capacities.** We plan to expand our production capacity to meet the potential increase in demand for our products either from increased sales in the existing markets in which we operate or new markets which we may enter. Such expansion may be through locating a new production facility in a specific country or through increasing the number of production lines in our existing plants. We will use the production facilities in one country to supply to other countries where it is cost efficient.
- ▶ **Increase global market share through strategic alliances or acquisitions.** We plan to increase our global presence by continuing to identify potential parties to form strategic alliances with or by acquiring suitable targets which fit in with our overall group strategy. We believe such strategic alliances, acquisitions or joint ventures may provide us with a faster route to expand into new markets whilst providing us with valuable country-specific expertise and access to customers and business relationships.

DIVIDENDS

For a description of the Company's dividend policy, see "Dividends".

The Offering

PETRA FOODS LIMITED:

Petra Foods Limited (Company registration number: 198403096C) is a company incorporated with limited liability under the laws of the Republic of Singapore.

THE VENDORS:

McKeeson Holdings Limited is a company incorporated with limited liability under the laws of Mauritius and Canzone Limited is a private company incorporated with limited liability under the laws of Mauritius.

THE OFFERING:

178,500,000 Offering Shares consisting of the Placement and the Public Offer (subject to the Over-allotment Option).

THE PLACEMENT:

173,500,000 Offering Shares offered by way of an international placement to investors, including institutional and other investors in Singapore, and including 12,850,000 Reserved Shares at the Offering Price, or at the Discounted Offering Price (if applicable). The Shares in the Offering are being offered and sold outside the United States in reliance on Regulation S under the Securities Act and within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act. The Shares in the Offering have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

THE PUBLIC OFFER:

5,000,000 Offering Shares offered by way of an offering to the public in Singapore at the Offering Price, or at the Discounted Offering Price, as applicable.

THE RESERVED SHARES:

12,850,000 Offering Shares in the Placement reserved for subscription and/or purchase by our management staff, independent director, employees, business associates and other persons who have contributed to our success (to be determined by the Company at its sole discretion) at the Discounted Offering Price.

CLAWBACK AND RE-ALLOCATION:

Offering Shares may be reallocated between the Placement and the Public Offer in the event of excess applications in one and a deficit of applications in the other.

APPLICATION PROCEDURES IN SINGAPORE:

Investors in Singapore must follow the application procedures set out in the instructions booklet on "Terms and Conditions and Procedures for Application in the Offering", which constitutes part of this Prospectus registered with the Authority. Applications must be paid for in Singapore dollars and must be made in lots of 1,000 Shares or integral multiples thereof.

OVER-ALLOTMENT OPTION:

In connection with the Offering, ABN AMRO Rothschild has been granted the Over-allotment Option by the Company and each of the Vendors, exercisable by ABN AMRO Rothschild in full or in part within 30 days from the date of commencement of dealing in the Shares on the SGX-ST (the "Listing Date"), to subscribe and/or purchase up to an aggregate of 26,775,000 Shares comprising the Company Additional Shares and/or the Vendor Additional Shares and which is in the aggregate not more than 15.0% of the total Offering Shares at the Offering Price, solely to cover the over-allotment of Offering Shares, if any. The options granted by the Company, McKeeson Holdings Limited and Canzone Limited are in respect of 9,775,000, 8,000,000 and 9,000,000 Shares respectively. Unless indicated otherwise, all information in this Prospectus assumes

that ABN AMRO Rothschild does not exercise the Over-allotment Option (See “Plan of Distribution”).

STABILISATION:

In connection with the Offering, ABN AMRO Rothschild, acting through its affiliate, ABN AMRO Bank N.V., Singapore branch, the stabilising manager, may over-allot Shares or effect transactions which may stabilise or maintain the market price of the Shares at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. Such transactions, if commenced may be discontinued at any time and shall not be effected after the earlier of (a) the date falling 30 days from the commencement of dealing in the Shares on the SGX-ST or (b) the date when the Over-allotment Option has been fully covered (either through the purchase of Shares on the SGX-ST or the exercise of the Over-allotment Option by ABN AMRO Rothschild, or through both).

LOCK-UPS:

The Company has agreed with the Global Co-ordinator, subject to certain exceptions, that it will not, amongst other things, issue any Shares for a period from the date of the Placement Agreement (as defined in “Plan of Distribution — The Offering”) to the date falling 12 months from the admission of the Shares to the Official List of the SGX-ST.

Each of the Vendors and each of McKeeson Investments Pte Ltd, Fremont Investment Limited, Berlian Enterprises Limited, Ms Chuang Yok Hoa @ Ma Lin Zi, Ms Chuang Mying Hwa @ Mying Mying, Mdm Kie Saw Sim and each of Mr Pedro Francisco Mata-Bruckmann, Mr Joseph Chuang, Mr William Chuang, Mr Davinder Singh and Ms Josephine Price has agreed with the Global Co-ordinator that, from the date of the Placement Agreement until the date falling six months from the date of admission of the Shares to the Official List of the SGX-ST, it will not, subject to certain exceptions, offer, sell, contract to sell, grant any option to purchase, grant security over, encumber or otherwise dispose of, any of our Shares (or any securities convertible into or exchangeable for Shares or which carry rights to subscribe or purchase Shares); enter into a transaction (including a derivative transaction) which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) of the Shares; deposit Shares (or any securities convertible or exchangeable for Shares) in any depository receipt facilities; or publicly announce any intention to do any of the above.

Each of Aerodrome International Limited, Berlian Enterprises Limited, Maplegold Assets Limited, Mr Joseph Chuang, Mr William Chuang and SG Trust (Asia) Ltd has agreed with the Global Co-ordinator that it will not offer, sell, contract to sell, grant any option to purchase, grant security over, encumber or otherwise dispose of, any of the shares (or any securities convertible into or exchangeable for shares or which carry rights to subscribe or purchase shares) it holds in any entity which in turn holds Shares in the Company (the “Indirect Shares”); enter into a transaction (including a derivative transaction) which is designed to, or might reasonably be

expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) of the Indirect Shares; deposit Indirect Shares (or any securities convertible or exchangeable for Indirect Shares) in any depository receipt facilities, or publicly announce any intention to do any of the above.

In addition each of Aerodrome International Limited, Berlian Enterprises Limited, Maplegold Assets Limited, Mr Joseph Chuang, Mr William Chuang and SG Trust (Asia) Ltd has agreed with the Global Co-ordinator to procure that the entities through which it holds Shares in the Company, do not transfer or dispose of, in any of the ways set out above, any part of their shareholding in the Company or in any entities through which, in turn, they hold Shares in the Company, from the date of the Placement Agreement until the date falling six months from the date of admission of the Shares to the Official List of the SGX-ST.

(See “Plan of Distribution — Restrictions on disposals and issues of Shares”)

OFFERING PRICE:

The Offering Price is S\$0.88 per Offering Share. Individual Investors applying for Offering Shares in the Public Offer and the Placement and applicants for the Reserved Shares will be eligible for the Discount and will pay the Discounted Offering Price of S\$0.83 per Offering Share on application. You must pay the Offering Price or the Discounted Offering Price in Singapore dollars. Investors may be required to pay brokerage (and if so required such brokerage will be 1% of the Offering Price or the Discounted Offering Price, as the case may be).

PROCEEDS FROM THE OFFERING:

The Company’s net proceeds from the issue of 113,500,000 New Shares (assuming the Over-Allotment Option in respect of the Company Additional Shares is not exercised), after deducting its share of the commissions and part of the other estimated expenses payable in relation to the Offering, are estimated to be approximately S\$91.2 million (US\$54.0 million). The Company’s net proceeds will be converted into US dollars.

We expect to utilise these proceeds in the following manner.

	Estimated Application of Proceeds	
	US\$ millions	S\$ millions
Expansion of production capacity, expenditure on plant, equipment and other fixed assets, and/or extension of the sales and marketing capabilities of our Cocoa Ingredients Division	24.0	40.6
Expansion of production capacity, expenditure on plant, equipment and other fixed assets, and/or extension of the sales, marketing and distribution capabilities of our Branded Consumer Division	15.0	25.3
Strategic investments, alliances and/or joint ventures	11.0	18.6
Working capital and general corporate purposes	4.0	6.7

See “Management Discussion and Analysis of Financial Condition and Results of Operations — Capital Expenditure — Planned Capital Expenditure”.

In the event that 113,500,000 New Shares and all of the 9,775,000 Company Additional Shares are issued as a result of the exercise of the Over-Allotment Option in respect of the Company Additional Shares, the net proceeds of the Offering to the Company are estimated to be approximately S\$99.5 million (US\$58.9 million). Any additional proceeds to the Company which arise as a result of the issuance of Company Additional Shares are expected to be utilised for working capital and general corporate purposes.

Pending the deployment of the net proceeds from the issue of the New Shares and the Company Additional Shares (in the event that the Over-Allotment Option in respect of the Company Additional Shares is exercised) as aforesaid, the funds will be placed in short-term deposits with banks or financial institutions or invested in money market instruments as the Directors may deem fit.

We will not receive any proceeds from the offer and placement of the Vendor Shares or the Vendor Additional Shares (in the event the Over-Allotment Option in respect of the Vendor Additional Shares is exercised) by the Vendors (See "Use of Proceeds").

LISTING AND TRADING:

Prior to the Offering, there has been no public market for our Shares. Application has been made to the SGX-ST for permission to list all our issued Shares (including the Vendor Shares and Vendor Additional Shares), the New Shares, the Company Additional Shares (in the event that the Over-Allotment Option in respect of the Company Additional Shares is exercised), the new Shares to be issued pursuant to the exercise of Options under the Share Option Scheme and the new Shares to be issued pursuant to the Share Incentive Plan on the Main Board of the SGX-ST. Such permission will be granted when we have been admitted to the Official List of the SGX-ST. Acceptance of applications for the Offering Shares will be conditional upon, *inter alia*, permission being granted to deal in and for quotation of all our issued Shares (including the Vendor Shares and Vendor Additional Shares), the New Shares, the Company Additional Shares (in the event that the Over-Allotment Option in respect of the Company Additional Shares is exercised), the new Shares to be issued pursuant to the exercise of Options under the Share Option Scheme and the new Shares to be issued pursuant to the Share Incentive Plan. We have not applied to any other exchange to list our Shares.

The Offering Shares are expected to commence trading on a "when issued" basis on or about 9.00 a.m. on 5 November 2004 (Singapore time) (See "— Indicative Timetable For Listing").

The Shares will, upon their issue, listing and quotation on the SGX-ST, be traded on the SGX-ST under the book-entry (scripless) settlement system of The Central Depository (Pte) Limited (the "CDP"). Dealing in and quotation of the Shares will be in Singapore dollars. The Shares will be traded in board lot sizes of 1,000 Shares.

SETTLEMENT:

The Company and the Vendors expect to receive payment for the New Shares and the Vendor Shares on or about 4 November 2004 and 5 November 2004, respectively. The

Company and the Vendors will deliver global share certificates representing the Offering Shares to the CDP for deposit into the securities accounts of successful applicants on or about 5 November 2004.

DIVIDENDS:

Since the Company was founded, the policy of its directors has been to support the growth of the Company by reinvesting its earnings within the business, and since its formation, only two dividends have been declared—the first in 2001, when a dividend of US\$0.9 million was paid and the second in June 2004, when a special interim dividend of US\$4.0 million to the shareholders reflected in the Register of Members as at 3 June 2004 was declared.

The Directors' policy is to pay dividends consistent with their overall objective of maximising shareholder value. Going forward, the Directors believe that the decision to propose dividends should depend on our earnings and financial position, our results from operations, our capital needs, our plans for expansion and other factors that the Directors may deem appropriate, and the Directors will consider these factors before proposing any dividends.

For the current year ending 31 December 2004, taking these factors into account and assuming that before the end of the year there are no significant negative developments, the Directors are targeting to declare a further dividend that will amount to approximately US\$3 million.

For the year ending 31 December 2005, taking these factors into account and assuming that before the end of that year there are no significant negative developments, the Directors will consider a target dividend payout ratio of approximately 40%.

(See "Dividends")

TRANSFER RESTRICTIONS:

The Offering Shares and the Additional Shares (if the Over-Allotment Option is exercised) will be subject to certain transfer restrictions (See "Transfer Restrictions").

RISK FACTORS:

Prospective investors should carefully consider certain risks connected with an investment in the Shares, as discussed under "Risk Factors".

Indicative Timetable For Listing

An indicative timetable is set out below for your reference:-

Indicative date/time	Event
12.00 p.m. on 3 November 2004	Close of Application List
4 November 2004	Balloting of applications, if necessary (in the event of over-subscription for the Offering Shares in the Public Offer)
9.00 a.m. on 5 November 2004	Commence trading on a "when issued" basis
5 November 2004	Last day of trading on a "when issued" basis
9.00 a.m. on 8 November 2004	Commence trading on a "ready" basis
12 November 2004	Settlement date for all trades done on a "when issued" basis and for trades done on a "ready" basis on 8 November 2004

The above timetable is only indicative as it assumes that the date of closing of the Application List is 3 November 2004, the date of admission of our Company to the Official List of the SGX-ST is 5 November 2004, the SGX-ST's shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 5 November 2004. The actual date on which our Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SGX-ST.

Application and payment for the Offering Shares under the Offering should be received by 12.00 noon on 3 November 2004 (Singapore time) or such other date(s) and time(s) as the Company and the Vendors, in consultation with the Global Co-ordinator, may decide, subject to any limits under all applicable laws and regulations and the rules of the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a "when issued" basis and the commencement date of such trading. All persons trading in our Shares on a "when issued" basis do so at their own risk. **In particular, persons trading in our Shares before their securities accounts with CDP ("Securities Accounts") are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted and/or allocated with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if "when issued" trading ends sooner than the indicative date shown above. Persons who have a net sell position traded on a "when issued" basis should close their position on or before the first day of "ready" basis trading.**

The Offering will be open from 29 October 2004 (9.00 a.m.) to 3 November 2004 (12.00 p.m.).

Investors should consult the SGX-ST's announcement on "ready" trading date on the Internet (at the SGX-ST website <http://www.sgx.com>) or the newspapers or check with their brokers on the date on which trading on a "ready" basis will commence.

Results of Application and Distribution

We will publicly announce the level of subscription and results of the Offering, as soon as it is practicable after the closing date for applications:-

- (i) through a MASNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>; and
- (ii) in a local English newspaper, namely the Straits Times.

In the event of an early or extended closure of the Application List or the shortening or extension of the time period during which the Offering is open, we will publicly announce the same through the channels in (i) and (ii) above.

Summary Financial Information

The following tables present our summary consolidated financial information as at and for the years ended 31 December 2001, 2002 and 2003 and as at and for the six months ended 30 June 2003 and 2004. The summary consolidated financial information as at and for the years ended 31 December 2001, 2002 and 2003 and as at and for the six months ended 30 June 2003 and 2004 should be read in conjunction with our consolidated financial statements and the related notes thereto which are included elsewhere in this Prospectus. Our audited consolidated financial statements for the years ended 31 December 2001 and 2002 were measured and presented using Singapore dollars as we were statutorily required to present our statutory accounts in Singapore dollars. Upon adoption of INT FRS 19 Reporting Currency — Measurement and Presentation of Financial Statements under FRS 21 and FRS 29 during the financial year ended 31 December 2003, we determined the United States dollar as the appropriate measurement currency for certain entities within our Group as for those entities the United States dollar best reflects the economic substance of the underlying events and circumstances relevant to them. To achieve comparability of the financial information presented, our consolidated financial information for the financial years ended 31 December 2001 and 2002 were remeasured on the same basis as for the financial year ended 31 December 2003 and presented using United States dollars.

Our consolidated financial statements have been prepared in accordance with FRS (See “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Significant Accounting Policies”). Certain differences between FRS and US GAAP are discussed in “Summary of Certain Differences between Singapore Financial Reporting Standards and US GAAP”.

CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December			Six months ended 30 June	
	2001 (US\$'000) (unaudited)	2002 (US\$'000) (unaudited)	2003 (US\$'000) (audited)	2003 (US\$'000) (unaudited)	2004 (US\$'000) (audited)
Revenue	145,212	231,790	321,840	147,481	183,724
Cost of sales	(110,618)	(181,066)	(267,707)	(122,461)	(149,297)
Gross profit	34,594	50,724	54,133	25,020	34,427
Other income	1,865	1,652	2,735	286	429
Selling and distribution costs	(11,004)	(15,515)	(16,451)	(5,518)	(10,994)
Administrative expenses	(9,993)	(12,357)	(13,096)	(6,497)	(7,733)
Other operating expenses	(1,463)	(1,987)	(2,202)	(640)	(1,195)
Profit from operations	13,999	22,517	25,119	12,651	14,934
Finance income	334	262	175	118	377
Finance costs	(4,817)	(6,571)	(8,320)	(3,997)	(3,730)
Share of results of associates	(251)	(281)	(375)	(162)	(267)
Profit before tax	9,265	15,927	16,599	8,610	11,314
Tax	(2,303)	(3,436)	(4,814)	(2,317)	(2,430)
Profit from ordinary activities after tax	6,962	12,491	11,785	6,293	8,884
Minority interest	(487)	(577)	(35)	(38)	97
Net profit	6,475	11,914	11,750	6,255	8,981
EBITDA ⁽¹⁾	17,993	27,297	31,467	15,140	19,643
Earnings per share ⁽²⁾					
— Basic	22 US cents	39 US cents	38 US cents	20 US cents	29 US cents
— Diluted	19 US cents	31 US cents	30 US cents	16 US cents	23 US cents

CONSOLIDATED BALANCE SHEETS

	As at				As at
	2001	2002	2003	2003	2004
	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
	(unaudited)	(unaudited)	(audited)	(unaudited)	(audited)
Current assets					
Cash and cash equivalents	13,076	12,394	8,832	10,528	10,739
Trade debtors	13,368	27,533	33,076	25,602	31,964
Due from associates					
—Trade	192	167	92	121	38
—Non-trade	30	573	23	350	22
Due from related parties					
—Trade	1,025	764	1,552	1,508	1,704
—Non-trade	224	293	258	—	—
Inventories	37,703	81,207	91,898	95,387	98,475
Other current assets	4,362	5,728	7,693	11,003	7,251
	69,980	128,659	143,424	144,499	150,193
Non-current assets					
Investments in associates	3,048	3,996	3,533	4,104	2,933
Property, plant and equipment	29,112	56,076	74,661	63,325	74,899
Intangibles	5,261	4,905	12,570	4,520	11,883
Deferred tax assets	214	888	466	791	1,336
Other non-current assets	62	201	284	391	191
	37,697	66,066	91,514	73,131	91,242
Total assets	107,677	194,725	234,938	217,630	241,435
Current liabilities					
Trade creditors	3,136	21,220	14,703	8,235	14,150
Due to associates					
—Trade	66	544	282	501	206
—Non-trade	39	254	—	99	—
Due to related parties					
—Trade	267	436	467	90	294
—Non-trade	63	72	74	76	66
Other payables	6,268	15,120	8,841	11,417	13,457
Current tax liabilities	1,153	2,748	1,933	2,096	2,472
Borrowings	47,678	77,182	105,697	108,198	108,403
	58,670	117,576	131,997	130,712	139,048
Non-current liabilities					
Borrowings	5,259	17,029	31,070	20,316	29,018
Accruals	830	1,128	1,739	1,779	1,812
Deferred tax liabilities	870	998	1,430	1,337	1,491
	6,959	19,155	34,239	23,432	32,321
Total liabilities	65,629	136,731	166,236	154,144	171,369
Net assets	42,048	57,994	68,702	63,486	70,066
Represented by:					
Share capital	18,203	18,203	18,203	18,203	18,203
Share premium	1,222	1,222	1,222	1,222	1,222
Convertible bonds	20,000	20,000	20,000	20,000	20,000
Foreign currency translation reserve	(5,976)	(3,665)	(2,768)	(2,508)	(4,872)
Retained earnings	6,179	18,093	29,543	24,348	34,524
General reserve	—	—	300	—	300
Interests of shareholders of the Company	39,628	53,853	66,500	61,265	69,377
Minority interests	2,420	4,141	2,202	2,221	689
	42,048	57,994	68,702	63,486	70,066

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 December			Six months ended 30 June	
	2001 (US\$'000) (unaudited)	2002 (US\$'000) (unaudited)	2003 (US\$'000) (audited)	2003 (US\$'000) (unaudited)	2004 (US\$'000) (audited)
Cash flows from operating activities					
Profit before tax and share of profits less losses of associates	9,516	16,208	16,974	8,772	11,581
Adjustments for:					
Depreciation	3,451	4,470	5,987	2,427	3,969
Amortisation of intangibles	605	636	848	309	739
Negative goodwill write-off	—	—	(303)	—	—
Interest income	(145)	(262)	(175)	(118)	(109)
Interest expense	4,817	6,526	8,208	3,912	3,730
(Gain)/Loss on disposal of property, plant and equipment	(292)	78	139	184	(100)
Gain on disposal of an associate	(230)	—	—	—	—
Operating cash flow before working capital change	17,722	27,656	31,678	15,486	19,810
Change in operating assets and liabilities, net of effects from purchase of subsidiaries					
Receivables	11,331	(15,990)	(6,724)	(3,770)	1,786
Inventories	(11,279)	(43,504)	(9,939)	(14,180)	(6,577)
Payables	(21,379)	28,058	(13,441)	(16,577)	(120)
Trade finance	8,807	25,345	6,321	22,496	1,809
Cash from operations	5,202	21,565	7,895	3,455	16,708
Interest paid	(491)	(1,096)	(1,990)	(1,020)	(1,184)
Income tax paid	(1,401)	(2,568)	(4,837)	(2,617)	(2,569)
Net cash inflow/(outflow) from operating activities	3,310	17,901	1,068	(182)	12,955
Cash flows from investing activities					
Payments for purchase of subsidiaries, net of cash acquired	(671)	19	(573)	—	—
Payments for purchase of additional interests subsidiaries	—	—	(1,921)	(1,921)	(1,449)
Payment for acquisition of business, net of cash acquired	—	—	(11,058)	—	—
Payments for property, plant and equipment	(10,982)	(29,351)	(21,336)	(8,625)	(5,873)
Payments for development expenditure	(67)	(19)	(20)	(9)	(18)
Proceeds from sale of associates	645	—	—	—	—
Payments for investment in associates	(3,041)	(861)	(25)	—	—
Interest received	145	262	175	118	109
Proceeds from sale of property, plant and equipment	487	263	211	60	237
Net cash outflow from investing activities	(13,484)	(29,687)	(34,547)	(10,377)	(6,994)
Cash flows from financing activities					
Net proceeds from issues of ordinary shares	13,128	—	—	—	—
Redemption of preference shares	(11,730)	—	—	—	—
Net proceeds from issue of convertible bonds	20,000	—	—	—	—
Repayment of loans to immediate holding corporation	(4,683)	—	—	—	—
Net proceeds from bank loans	12,516	13,032	36,351	12,001	1,691
Repayment of lease liabilities — net	(664)	(463)	(105)	(93)	(133)
Interest paid	(4,326)	(5,430)	(6,218)	(2,892)	(2,546)
Dividends paid	(940)	—	—	—	—
Funds from minority interests	—	50	—	—	—
(Increase)/decrease in fixed deposits held as collateral with financial institutions	(1,389)	(643)	1,922	2,007	(874)
Net cash inflow/(outflow) from financing activities	21,912	6,546	31,950	11,023	(1,862)
Exchange difference on translation	213	624	(91)	(222)	(352)
Net increase/(decrease) in cash and cash equivalents held	11,951	(4,616)	(1,620)	242	3,747
Cash and cash equivalents at the beginning of the year	(23,986)	(12,035)	(16,651)	(16,651)	(18,271)
Cash and cash equivalents at the end of the year	(12,035)	(16,651)	(18,271)	(16,409)	(14,524)

	Year ended 31 December			Six months ended 30 June	
	2001 (US\$'000) (unaudited)	2002 (US\$'000) (unaudited)	2003 (US\$'000) (audited)	2003 (US\$'000) (unaudited)	2004 (US\$'000) (audited)
	Represented by:				
Cash and bank balances	13,076	12,394	8,832	10,528	10,739
Less: Fixed deposits held as collateral with financial institutions	(3,365)	(4,008)	(2,086)	(2,001)	(2,960)
Less: Bank overdrafts	(21,746)	(25,037)	(25,017)	(24,936)	(22,303)
	(12,035)	(16,651)	(18,271)	(16,409)	(14,524)

EBITDA AND PROFIT FROM OPERATIONS BY BUSINESS SEGMENTS

	Year ended 31 December						Six months ended 30 June			
	2001 US\$'000 (unaudited)	Percentage of total	2002 US\$'000 (unaudited)	Percentage of total	2003 US\$'000 (audited)	Percentage of total	2003 US\$'000 (unaudited)	Percentage of total	2004 US\$'000 (audited)	Percentage of total
	EBITDA by business segments									
Cocoa Ingredients										
Division	9,312	51.7	15,067	55.2	16,317	51.9	7,813	51.6	10,496	53.4
Branded Consumer										
Division	8,681	48.3	12,230	44.8	15,150	48.1	7,327	48.4	9,147	46.6
	17,993	100.0	27,297	100.0	31,467	100.0	15,140	100.0	19,643	100.0
Profit from operations by business segments										
Cocoa Ingredients										
Division	6,238	44.6	11,659	51.8	12,005	47.8	6,381	50.4	7,569	50.7
Branded Consumer										
Division	7,761	55.4	10,858	48.2	13,114	52.2	6,270	49.6	7,365	49.3
	13,999	100.0	22,517	100.0	25,119	100.0	12,651	100.0	14,934	100.0

(1) We calculate our EBITDA by adding net interest expense, income tax, depreciation and amortisation expenses to net profit. EBITDA is not a standard measure under FRS. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(2) Based on 30,600,000 ordinary shares of par value S\$1.00 per share for each of the three financial years ended 31 December 2001, 2002, 2003 and each of the six months periods ended 30 June 2003 and 2004. Basic earnings per share is calculated by dividing the net profit for the financial period by the weighted average number of ordinary shares in issue during the financial period. The dilutive earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all the convertible bonds issued to Canzone Limited and McKeeson Holdings Limited (as nominee of Fremont Investment Limited) and the net profit is adjusted to eliminate interest net of tax.

Risk Factors

Prospective investors should consider carefully, together with all other information contained in this Prospectus, the risks described below before deciding to invest in our Shares. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The market price of our Shares could decline due to any of these risks and you may lose all or part of your investment.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. The actual results of our operations could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this Prospectus (See “Notice to Investors — Forward-looking Statements”).

Before deciding to invest in our Shares, prospective investors should seek professional advice from their advisers about their particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are dependent on a small number of major customers for our cocoa ingredients products and a loss of one or more major customers may adversely affect our business

Our business is substantially dependent on a small number of customer relationships. Eight major customers of our Cocoa Ingredients Division accounted in aggregate for 43.2%, 54.6%, 54.4% and 53.1% of our Cocoa Ingredients Division's sales for the years ended 31 December 2001, 2002 and 2003 and for the six month period ended 30 June 2004 respectively. Of these, one customer, the Nestlé Group, accounted for 11.5%, 11.6% and 13.9% of our Cocoa Ingredients Division's sales during each of the two years ended 31 December 2002 and 2003 and for the six month period ended 30 June 2004 respectively. There can be no assurance that these major customers will continue to purchase our products at current levels. If these major customers cease or significantly reduce their purchase of our products and we are unable to obtain substitute orders of comparable size, there could be a material adverse effect on our sales and profitability.

Our sales are vulnerable to changes in consumer preferences and discretionary consumer spending

Our continued growth and success depends, in part, on the popularity of our consumer products. Shifts in consumer preferences away from our brands or products could materially and adversely affect our business and profitability. In addition, our continued success depends on trends in consumer spending. Factors which cause a decrease in discretionary consumer spending may also adversely affect our sales. A deterioration in economic conditions in markets or countries in which we sell our products, may reduce the level of disposable income consumers spend on non-essential products such as chocolate confectionery products. A material and sustained reduction in consumption would have a material adverse effect on our business and profitability.

We operate in a highly competitive environment

The markets we operate in are very competitive. We face competition from existing manufacturers of cocoa ingredients and chocolate confectionery as well as new market entrants. Competitors like ADM Cocoa and Cargill Inc. may have greater financial or other resources in the cocoa ingredients business than the Group. In addition, the Group faces competition in relation to its chocolate consumer products business from international food and beverage groups like Cadbury's, Nestlé and the Mars Group which have greater resources. Moreover, demand for the Group's chocolate consumer products may be affected by competition from substitute products like non-chocolate candies. In the event that our competitors engage in aggressive pricing in order to increase their market share, we may have to lower our prices in order to compete with them, which may result in a decrease in our profitability.

We also compete for cocoa beans which are in limited supply. The total production of cocoa beans globally is typically approximately three million mt per year (see “Industry”). Some of our competitors like ADM Cocoa and Cargill Inc. and large cocoa processing companies like Barry Callebaut have buying stations in producer countries whilst we purchase cocoa beans from commodity traders. This

might place these companies in a more advantageous position than us in respect of supplies of cocoa beans.

Our success depends on our ability to compete effectively against our competitors. There is no assurance that we would be able to do so successfully in the future (See “Business — “Cocoa Ingredients Division — Competition” and “Business — Branded Consumer Division — Competition”).

Loss of the services of key management personnel may have an adverse impact on our business

Our success to date is largely attributable to our senior management team, which is supported by a strong team of our executive officers (“Executive Officers”). The continued success of our business is dependent on the goodwill and strong relationships that our senior management team has developed with various partners and suppliers over the past years. Messrs John Chuang, Joseph Chuang and William Chuang have entered into service agreements with our Company each dated 22 September 2004 for an initial term of three years which shall be automatically renewed year to year. However, Messrs John Chuang, Joseph Chuang and William Chuang may terminate their services with six months’ notice (See “Management — Service Agreements”).

The loss of the services of certain of our executive directors (“Executive Directors”) and Executive Officers without appropriate replacement may adversely impact our business.

A fire, accident or other calamity at one of our key production facilities could adversely affect us; our insurance policies do not cover all our operating risks

A fire or other calamity resulting in significant damage at any of our key production facilities could have a material adverse effect on our business, financial condition, profitability and results of operations. While we maintain insurance policies covering certain losses, including losses due to fire, we do not carry insurance that covers losses that are due to acts of terrorism and barring our Mexico production facility, loss of profits. In addition, our insurance coverage may not always be sufficient to fully cover the replacement cost of our production facilities in the event of serious damage (See “Business — Insurance”).

Adverse movements in interest rates may affect our profitability

We finance our cocoa bean purchases through trade financing facilities and borrowings (both of which generally bear interest at floating rates) and cash from operations. As at 30 June 2004, all of our trade finance facilities and bank borrowings carried interest at floating rates. Any changes in interest rates affect the carrying costs of our inventories and our interest expense. Therefore, any increase in interest rates would affect our costs of servicing our credit facilities which may adversely affect our profitability.

We are exposed to political, economic, natural disaster and other uncertainties in the countries from which we obtain our raw materials

We have historically been substantially dependent on cocoa beans grown in Indonesia and the Ivory Coast in West Africa. As a result, we are exposed to certain political, economic and other uncertainties, which could limit or disrupt our operations. Such uncertainties include the outbreak of hostilities or civil unrest affecting cocoa bean production or supply. For example, the civil unrest in the Ivory Coast in 2002 led to a significant increase in prices of cocoa beans. In addition, the production and supply of cocoa beans may be adversely affected by natural disaster such as drought, floods, diseases and pests. For instance, in the 1980s, the cocoa crop in Brazil was afflicted by the “witches’ broom” disease which devastated Brazil’s cocoa bean production for a number of years thereafter. Brazilian cocoa bean crops have yet to reach former production levels. A prolonged interruption or shortage in the supply of our raw materials, including milk and sugar, could have a material adverse effect on our operations and profitability.

We are exposed to foreign exchange rate fluctuations and translation losses

We currently have operations in several countries and territories including Brazil, Indonesia, Malaysia, Mexico, the Philippines, Singapore, Thailand and the USA and we also carry out transactions in several currencies.

Our Cocoa Ingredients Division conducts transactions primarily in US dollars and Pounds Sterling. We seek to minimise our exposure arising from currencies other than the US dollar, which is the currency in

which our financial performance is recorded. A portion of our cocoa bean purchases and sales of cocoa butter are denominated in Pounds Sterling and Australian dollars. To the extent our sales, purchases and operating expenses are not denominated in the same currencies, we may be susceptible to movements in exchange rates.

Substantially all our Branded Consumer Division revenue and operating expenses are denominated in Rupiah save for our key raw material purchases which are generally denominated in US dollars or priced based on prevailing Rupiah and US dollar exchange rates. Purchases for imported third party consumer products relating to our distribution business are primarily denominated in Euros, Pounds Sterling, Australian dollars and US dollars. As a result, the financial performance of our Branded Consumer Division may also be affected by fluctuations in foreign exchange rates. (See also “Risks Relating to Indonesia — A depreciation in the value of the Rupiah may adversely affect our financial condition and results of operations”).

As most of our Group companies transact in currencies other than their currency of operations, our financial results are subject to exchange rate exposure arising from the translation of monetary balances denominated in currencies other than their currency of operations. For instance, any significant depreciation of the Rupiah against the US dollar could result in us incurring foreign exchange translation losses.

In addition, we are subject to translation risks as our consolidated financial statements are reported in US dollars while the financial statements of our subsidiaries within the Branded Consumer Division are prepared in Rupiah, Malaysian Ringgit and Singapore dollars. Appreciation of the US dollar against these currencies could affect the reported profits of our Branded Consumer Division, which may in turn, affect the operating results of our Group.

In view of the nature of our business, which spans multiple countries, foreign exchange risks will continue to be an integral aspect of our risk profile in the future.

(See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risks — Foreign Exchange Risks”)

We may not be able to successfully develop new operations

We intend to develop new production facilities in the future. Our operation of production facilities in new locations, which are expected to be in geographic regions where we have limited operating experience, and our acquisition of existing production facilities could present operating, marketing, financial and legal challenges that are different from those that we currently encounter in our existing locations. There can be no assurance that we will succeed in implementing our strategy of expansion (See “Business — Group Strategy — Pursue Demand-Led Expansion of our Manufacturing Capacities”).

Our ability to expand our existing business and operations and pursue new growth opportunities successfully will depend on factors such as our ability to:

- ▶ identify suitable acquisition and expansion opportunities;
- ▶ negotiate purchases of vacant land and/or existing production facilities as well as the construction or refurbishment of production facilities on satisfactory terms;
- ▶ obtain the necessary financing on competitive terms;
- ▶ obtain the requisite regulatory and/or governmental approvals; and
- ▶ integrate new operations into our existing operations.

Our expansion plans will place additional demands on our management and key operating divisions

Rapid growth in our operations will place additional demands on our management team, our centralised logistics and procurement team, our technical team and our financial reporting and information systems. There can be no assurance that our expansion plans can be implemented successfully and that we will be able to recruit and retain sufficient numbers of high-quality management and staff to manage any additional operations.

The termination of one or more of our key distribution or customer arrangements may have a material impact on the profitability of our Branded Consumer Division

We have a network of third party distributors through whom we distribute our branded consumer products (including our chocolate confectionery products) in Indonesia, Singapore and Malaysia. In particular, in Indonesia, we are reliant on an extensive network of small distributors and sub-distributors. Some of our main distributors distribute a significant proportion of the consumer products we sell, and a loss of their services whether through death or other unforeseen circumstances, may have a material impact on the revenue of our Branded Consumer Division. In addition, although to a lesser extent as compared with such distributors, we also sell directly to certain major supermarket chains in Indonesia. A loss of one or more such distributors or customers would have an adverse impact on our revenue. See “Business — Branded Consumer Division — Major Customers”.

Some of the major customers of our Cocoa Ingredients Division may be our competitors in the Branded Consumer Products Division

Some of the major customers of our Cocoa Ingredients Division are international food and beverage companies that manufacture consumer products which may compete with our branded consumer products. The target market for our branded consumer products has been Indonesia, where we have a long operating history, whilst these customers have global markets. However, we intend to move into other markets where we may be viewed as attempting to take market share from our cocoa ingredients customers. If we operate in the same key markets as those of our Cocoa Ingredients Division’s key customers, there may potentially be a conflict between the interests of our two divisions. Such conflicts might result in a decline in business for our Cocoa Ingredients Division from customers who sell consumer products in the same territories as us or it might compel us to turn down business offers from such customers. We may not be able to replace the revenue streams we lose as a result, which may have a material adverse effect on our business and profitability.

We may be affected by complaints, product liability claims from customers and/or negative publicity

If we fail to deliver quality products, we may, from time to time, be the subject of complaints and/or claims from customers, which may also lead to negative publicity. Our products have a limited shelf life and are subject to a decline in quality if, for example, they are not stored in proper conditions. This is particularly applicable to some of our consumer products, for which we have a wide customer base in Indonesia. Publication of reports linking health concerns to the type of products we sell may also generate negative publicity toward our products and Group. Such negative publicity, regardless of its validity, may reduce the number of consumers purchasing our products, which may in turn adversely affect our financial results. Although we place much emphasis on the quality of our products, there can be no assurance that we will not be subject to any claims, complaints, returns of our products or negative publicity.

In addition, in the event that consumers become ill after consuming our products, we may be subject to product liability claims or lawsuits by such consumers. Such claims and lawsuits, regardless of their outcome, would give rise to negative publicity which could adversely affect our business. In addition, we could incur substantial costs in defending any such claims. Further, we cannot assure you that the product liability insurance taken out by us (which is capped at US\$5 million) will be sufficient to fully indemnify us against all such possible liabilities, in which event, our financial results may be adversely affected.

We may be exposed to defaults in delivery from our suppliers

Our business is substantially dependent on certain suppliers especially as regards the supply of cocoa beans. Six major suppliers of raw materials for our Cocoa Ingredients Division accounted in aggregate for 42.1%, 51.2%, 69.2% and 70.9% of our Cocoa Ingredients Division’s cost of purchases for the years ended 31 December 2001, 2002 and 2003 and for the six month period ended 30 June 2004 respectively. Of these, four suppliers each accounted individually for more than 10.0% of our supply of cocoa beans in the year ended 31 December 2003. In the event that any of our major suppliers defaults in delivery of supplies and we are only able to obtain supplies at a much higher cost, this may have an adverse impact on our business and profitability. In addition, if our major suppliers are unable to supply us with cocoa beans which meet our quality standards, there could be a resulting material adverse impact on our business and profitability.

We may not be able to hedge effectively against the volatility of cocoa bean prices

Cocoa beans are the main raw material required to produce cocoa ingredients such as cocoa liquor, cocoa butter and cocoa powder. The price of cocoa beans is subject to prevailing demand and supply conditions. Cocoa bean prices generally increase when there is a shortage of cocoa beans caused by weather, disease or unstable political conditions in the location in which they are grown or an expectation of such shortages. For instance, the price of cocoa beans increased significantly during the civil unrest in the Ivory Coast in 2002. We generally protect ourselves against movements in cocoa bean prices by hedging through the purchase of futures contracts and/or purchasing cocoa beans for delivery at a future date. We match customer orders for cocoa butter with futures contracts for cocoa beans. However, due to the time lag between the point at which we contract to supply cocoa butter and the time we enter into a futures contract for cocoa beans there may be a shift in cocoa bean prices, leaving us exposed if cocoa bean prices are higher than anticipated. Because cocoa bean supplies are limited (approximately three million mt per year) and trading is generally thin, if we have a substantial order for cocoa beans, our order alone may cause prices to rise (See — “Industry”).

Furthermore, because purchasers of cocoa butter usually buy butter forward sometimes as far as 18 months in advance, whilst cocoa powder purchasers typically buy powder much less in advance, we may be exposed to falls in the prices of cocoa beans at a time when we have unsold stocks of cocoa powder created from cocoa beans which were bought at a higher price. We may be unable to sell such product at a price which reflects the original cost of the cocoa beans. We are less able to pass on increases in prices of cocoa beans to purchasers of cocoa powder and to purchasers of confectionery products.

We are also exposed to speculation in cocoa beans prices which may drive up the price of cocoa beans. Such activities are outside our control and could have a material adverse effect on our profitability.

(See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors affecting our Results of Operations — Cocoa Bean Prices”)

The profitability of our Cocoa Ingredients Division is exposed to relative movements in the prices of our key raw materials versus the prices we are able to achieve for our cocoa ingredients products

The profitability of our Cocoa Ingredients Division is dependent on the relative price movements of cocoa beans and our cocoa ingredients products. The cost of cocoa beans constitutes substantially all of our cocoa ingredients raw material cost of sales. The effective profitability per mt of cocoa beans processed by us may decline if there are unfavourable movements in the relative prices of cocoa beans and our cocoa ingredient product (See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting Our Results of Operations — Cocoa Bean Prices”).

We are exposed to potential unauthorised and speculative trading activities conducted by our trading personnel

We hedge against movements in prices of cocoa beans by purchasing future contracts and/or purchasing cocoa beans for delivery at a future date. Because of the high volumes of cocoa beans we purchase, the volume of the trades we conclude is high. Such hedging activity is carried out by our trading personnel. If our trading personnel engage in unauthorised and speculative trading activity in respect of the prices of cocoa beans, it may increase our risk exposure to potential losses due to the fluctuations in cocoa bean prices, which in turn might affect our profitability and financial condition.

We may require additional funding for our future growth

Certain business opportunities that could increase our revenue and profits may arise from time to time. If such opportunities arise, we may require additional funds to complete any acquisitions and/or to meet capital or operational expenditure requirements, among other requirements. We may have difficulty in raising such funding and forecasting accurately the amount of additional funding we might require as well as re-financing such funding from time to time.

Such funding, if raised through the issuance of equity or convertible securities, may be priced at a discount to the then prevailing market price of our Shares, resulting in a dilution of our shareholders’ equity interest. If we fail to utilise the new equity to generate a commensurate increase in earnings, our earnings per share may be diluted, and this could lead to a decline in our Share price.

Alternatively, if our funding requirements are met by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:-

- ▶ limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- ▶ increase our vulnerability to general adverse economic and industry conditions;
- ▶ limit our ability to pursue our growth plans;
- ▶ require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate purposes; and/or
- ▶ limit our flexibility in planning for, or reacting to, changes in our business and our industry.

We may not be able to protect our intellectual property effectively

We have registered or applied for registration of our trademarks. We also have a limited number of copyrights registered in Indonesia. As at the Latest Practicable Date we have not received any claims from third parties in respect of the use of such trademarks pending registration. However, third parties may assert claims in relation to our trademarks. In addition, we may incur substantial costs and spend substantial amounts of time in protecting our trademarks.

We also rely on our know-how in relation to process technology, which we seek to protect, in part, by internal measures. Our confidential know-how is disseminated to selected and segregated groups of persons on a “need-to-know” basis. There can be no assurance that we will have adequate remedies for any compromise, or that other parties may not obtain knowledge of our trade secrets and proprietary processes, technology and systems. Should these events occur, our business and hence, our profitability, may be adversely affected (See “Business — Intellectual Property”).

We may face potential conflicts of interest with interested persons

We have entered into various transactions with some of our Executive Directors and persons with an interest in Shares, the nominal amount of which is not less than 5.0% of the nominal amount of all the Shares of our Company (the “Substantial Shareholders”), with companies directly or indirectly controlled by or associated with our Executive Directors and Substantial Shareholders (See “Interested Person Transactions and Conflicts of Interest” and the notes to our financial statements appearing elsewhere in this Prospectus). In the future, we expect that we will enter into other transactions with interested persons. These transactions may involve conflicts of interest that may have a material adverse effect on our financial condition and results of operations.

Some of our directors are also officers, directors and/or shareholders of companies with whom we have entered into transactions and, with respect to such interested person transactions, may, individually or in the aggregate, have conflicts of interest. We have entered into a call option agreement and deed of undertaking to address the potential conflicts of interest with interested persons (See “Interested Person Transactions and Conflicts of Interest — Potential Conflicts of Interest”). If the provisions of this call option agreement and deed of undertaking are breached, there would be conflicts of interest between us and certain interested persons.

Labour activism and unrest may adversely affect our business

We are exposed to labour activism and unrest in the countries in which we have operations. Labour activism and unrest could disrupt our operations and could adversely affect our financial condition and results of operations, particularly since chocolate confectionery production processes are labour-intensive. In particular, with respect to Indonesia, the Government enacted a labour union law and implemented regulations in March 2003, allowing employees to unionise. The liberalisation of regulations permitting the formation of labour unions combined with weak economic conditions has resulted in labour unrest and activism in Indonesia.

We experienced a minor incident of work stoppage in Indonesia in the year 2000, when there was a general strike which also affected other employers in Bandung. There can be no assurance that future strikes and other labour activism would not have a material adverse effect on our financial condition and result of operations.

Compliance with environmental laws and regulations could result in substantial costs to us

Our production facilities are located in developing countries such as Indonesia, the Philippines and Thailand. Environmental laws and regulations in these countries are not as evolved as in developed countries. Our production processes result in the emission of fumes and expulsion of waste water. The handling and disposal of waste matter and other materials might become heavily regulated in the countries in which we operate in future. Whilst we cannot currently anticipate the scope and timing of future costs of compliance with such environmental laws and regulations, any significant contamination or any significant changes in environmental laws and regulations could have a material adverse effect on our business, financial condition and result of operations.

We may be adversely affected by unforeseen circumstances such as an outbreak of infectious diseases

The first outbreak of severe acute respiratory syndrome (“SARS”) occurred in November 2002 and the epidemic was largely contained by July 2003. The outbreak of SARS occurred in various countries in Asia and elsewhere, including Singapore. SARS re-emerged briefly in the People’s Republic of China in January 2004. The re-emergence and spread of SARS or any other contagious or virulent diseases may potentially affect our operations as well as the operations of our suppliers and customers. In the event that any of our employees in our facilities become infected, we may be required to temporarily shut down the affected facility to prevent the spread of the disease. This will disrupt our operations and have a negative impact on our business. In addition, SARS had an adverse effect on the economies of the countries in which it was most prevalent. Moreover, restrictions in movements resulting from the outbreak of SARS led to decreased consumer spending generally, including sale of our products in Singapore.

We may not be able to enforce our rights against some of our real properties in Indonesia

There were six plots of land owned by our subsidiary, PT Perusahaan Industri Ceres in Indonesia that were not registered in its name but registered in the name of Ms Megawati Leman (the wife of one of our Executive Directors, Mr William Chuang) who holds perpetual ownership title to this land. These six land titles have now been combined under one land title certificate, namely Certificate of Hak Milik No. 1160/Pasawahan. PT Perusahaan Industri Ceres had obtained approval from the Governor of West Java for the use of this land, which covers an area of 24,185 sq m and is being leased by PT Perusahaan Industri Ceres as a factory, warehouse and office from Ms Megawati Leman until 1 June 2017. We are in the course of processing the transfer of this land title from Ms Megawati Leman to PT Perusahaan Industri Ceres and have filed the relevant applications with the Indonesian Land Authority on 7 November 2003. Once PT Perusahaan Industri Ceres has registered this land title in its own name subsequent to the transfer of the land title, PT Perusahaan Industri Ceres will have title to this land for a period of 30 years (which may be further extended for another 20 years). This period may be extended, subject to the approval of the Indonesian Land Authority.

In the event of the demise of Ms Megawati Leman and the unsuccessful transfer of the land title, this land title would be inherited by her heirs and there is a risk that we would not be able to enforce our ownership rights over this land if her heirs contest our rights after the expiry of PT Perusahaan Industri Ceres’ lease of this land on 1 June 2017. In such a situation we might have to incur additional costs in renting this land from Ms Megawati Leman’s heirs or to find new premises on which to build a new factory which would result in severe disruptions and additional costs to our Indonesian operations. This will in turn adversely impact our results of operations (See “Business — Properties”).

RISKS RELATING TO THE COUNTRIES IN WHICH WE OPERATE

We are subject to risks relating to the economic, political, legal or social environments of the locations in which we operate

We are subject to risks associated with operating in countries (such as Indonesia, the Philippines and Brazil) that have at various times in the past been characterised by volatile economic, political and social conditions. Our business, earnings, asset values, prospects and the value of our Shares may be materially and adversely affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, food industry laws and regulations, taxation, expropriation, social instability and other political, legal, economic or diplomatic developments in or affecting the countries in which we operate. In addition, the legal and regulatory regimes in these countries may be uncertain and subject to unforeseen changes. At times,

the interpretation or application of laws and regulations in such jurisdictions is unclear. We have no control over such conditions and developments and can provide no assurance that such conditions and developments will not have a material adverse effect on our operations or the price of or market for our Shares.

We are subject to a broad range of risks, and we expect these risks to increase as we expand our operations into new countries. These risks include the following:

- ▶ unexpected changes in governmental laws and regulations;
- ▶ difficulties and costs of staffing and managing international operations;
- ▶ the ability of our management to deal with multiple and diverse regulatory regimes;
- ▶ potentially adverse tax consequences;
- ▶ uncertain protection for intellectual property rights;
- ▶ the risk of nationalisation and expropriation of our assets;
- ▶ currency fluctuation and regulation risks including imposition or tightening of foreign exchange controls or restrictions on repatriation of dividends or profits;
- ▶ social unrest or political instability; and/or
- ▶ adverse economic, political and other conditions

Any of these factors, many of which are outside our control, could have a material adverse effect on our business, profitability, results of operations and financial condition (See — “Risks Relating to Indonesia”).

We have operations in developing markets including Indonesia in which the legal and regulatory regimes may be uncertain

A substantial part of our operations, assets and sales are located in developing markets such as Indonesia. Indonesia is also the main market for our Branded Consumer Division. The legal and regulatory regimes in such markets are less certain than in more developed markets and may be subject to unforeseen changes. At times, the interpretation or application of laws and regulations is unclear; neither is the content of applicable laws and regulations always readily available to the public.

For example, Indonesia’s legal system is a civil law system based on written statutes in which judicial decisions do not constitute binding precedents and are not systematically published. The application of many Indonesian laws and regulations depends, in large part, upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy. Indonesian judges operate in an inquisitorial legal system and Indonesian court decisions may omit express articulation of the legal and factual analysis of the issues presented in a case. Indonesian authorities have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. As a result, the administration and enforcement of laws and regulations by Indonesian courts and governmental agencies may be subject to uncertainty and considerable discretion. While we endeavour to observe all applicable laws and regulations with respect to our business operations in Indonesia and other developing markets, we cannot provide the assurance that we have complied with all laws and regulations in these relevant jurisdictions. The breach of any law and regulations may have a material adverse effect on our business.

We expect to grow our business in such developing markets, including Indonesia, which may exacerbate the legal and regulatory risks to which we are already subject.

We may not be able to enjoy continued availability of government tax incentives and privileges

We enjoy government tax initiatives in some of the jurisdictions in which we operate.

For instance, the Company currently enjoys Global Trader Programme (“GTP”) status awarded by the International Enterprise Singapore, which entitles the Company to enjoy a reduced tax rate of 10% on the income derived from qualifying trading transactions of approved products, such as cocoa beans, cocoa powder, cocoa butter, cocoa liquor and cocoa cake. For the year ended 31 December 2003, GTP status resulted in our tax payments being reduced by US\$0.5 million. Our GTP status is valid for a period of five years from 1 June 2001 to 31 May 2006.

Our Thai subsidiary, Siam Cocoa Products Co., Ltd., has received promotional privileges from the Board of Investment of Thailand ("BOI") (in its capacity as a manufacturer of cocoa liquor, cocoa butter and cocoa powder). Such promotional privileges include corporate tax exemptions, exemption or reduction of import duty on imported machinery for use in Siam Cocoa Products Co., Ltd.'s manufacturing business as well as the right to own land. The BOI has the discretion to revoke such promotional privileges if the conditions within the promotional certificates issued to Siam Cocoa Products Co., Ltd. are not complied with and there can be no assurance that the BOI will not do so.

As and when the tax exemptions, reductions and incentives enjoyed by our Cocoa Ingredients Division expire or are not further renewed or are revoked, we will be subject to higher tax rates, which will have an adverse impact on our cash flow and net profit after taxation.

We are subject to guidelines and/or regulations relating to foreign investment restrictions in our business operations in Malaysia

Pursuant to the Malaysian Foreign Investment Committee ("FIC") Guidelines, the prior approval of the FIC is required for any proposed acquisition of 15% or more of the voting power of a Malaysian company by any one foreign interest or associated group, or the aggregate of 30% or more of the voting power of a Malaysian company by foreign interests. Accordingly, the acquisition of the entire issued and paid-up capital of Ceres Sime Marketing Sdn Bhd by Ceres Sime Confectionery Sdn Bhd is subject to FIC's approval.

The prevailing judicial opinion in Malaysia is that the FIC Guidelines have no force of law and non-compliance with the FIC Guidelines, on its own, would not result in any statutory penalties. Accordingly, we have not applied for FIC's approval in respect of our shareholding in Ceres Sime Marketing Sdn Bhd. While the courts in Malaysia have so far not been known to have invalidated transactions solely on grounds of non-compliance with the FIC guidelines, it is not certain whether such a position would be taken by the courts in Malaysia in future. In the event that the courts in Malaysia take the position that transactions which do not comply with FIC guidelines are to be invalidated then Ceres Sime Confectionery Sdn Bhd may be required to divest its shareholding interest in Ceres Sime Marketing Sdn Bhd. Under the new regime for compliance with the FIC Guidelines (with effect from 1 August 2004), the FIC may then require Ceres Sime Confectionery Sdn Bhd to divest its shares in Ceres Sime Marketing Sdn Bhd so that at least 30% of the shares in Ceres Sime Marketing Sdn Bhd is owned by ethnic Malaysians ("Bumiputeras").

In addition, it is possible that non-compliance with the FIC guidelines by Ceres Sime Marketing Sdn Bhd could affect our applications or dealings with other Malaysian statutory bodies or government departments or agencies (as the case may be (such as the Ministry of International Trade and Industry ("MITI"))) as the FIC Guidelines are effectively enforced through these institutions.

Both Delfi Cocoa (Malaysia) Sdn Bhd and Ceres Sime Confectionery Sdn Bhd hold a manufacturing licence from the MITI.

There is no assurance that the MITI manufacturing licences held by Delfi Cocoa (Malaysia) Sdn Bhd and Ceres Sime Confectionery Sdn Bhd will not be revoked or allowed to expire without renewal, by MITI. We also cannot guarantee that there will be no changes to the current regulations governing foreign ownership which will affect our investments in Delfi Cocoa (Malaysia) Sdn Bhd and Ceres Sime Confectionery Sdn Bhd. Any revocation of our MITI licences or any changes to the relevant regulations in the future could affect our investments in these companies and we may be required by the Malaysian authorities to restructure our equity interest in Delfi Cocoa (Malaysia) Sdn Bhd and Ceres Sime Confectionery Sdn Bhd. This may in turn affect our Malaysian business operations and profitability of our Group.

RISKS RELATING TO INDONESIA

A substantial part of our operations, assets and sales are located in Indonesia. Revenue from Indonesia accounted for 33.5% of our total revenue for the year ended 31 December 2003 and 32.4% of our total revenue for the six months ended 30 June 2004. Indonesia is also the main market for our Branded Consumer Division. As a result, future political, economic and social conditions in Indonesia, as well as certain actions and policies which the Indonesian government may, or may not, take or adopt may have a material adverse effect on our business, financial condition, results of operations and prospects.

Political and social instability may adversely affect us

Since the collapse of President Soeharto's regime in 1998, Indonesia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Indonesia's changing political landscape. These events that have resulted in political instability, as well as general social and civil unrest on certain occasions in the past few years.

For example, since 2000, thousands have participated in demonstrations in Jakarta and other Indonesian cities both for and against President Wahid and President Megawati, as well as in response to specific issues, including fuel tariff increases, privatisation of state assets, anti-corruption measures, decentralisation and provincial autonomy, actions of the former first family and the American-led military campaigns in Afghanistan and Iraq. Although these demonstrations were generally peaceful, some have turned violent. The Indonesian government was forced to drop or substantially reduce the proposed increases in fuel prices, electricity and telephone charges.

Recently, hostilities in the province of Aceh, Papua province (formerly Irian Jaya) and on the province of Maluku have intensified with military build-ups. Human rights violators, including those from high-ranking military positions, have recently begun to be more actively prosecuted in Indonesia, most notably with respect to Timor Leste (formerly, known as East Timor), Aceh, Papua and the Malukus. However, the success of these prosecutions has been mixed, and many public commentators and demonstrators have criticised the Indonesian government's failure to prosecute human rights violations in Indonesia more vigorously.

Political and related social developments in Indonesia have been unpredictable in the past, and we cannot assure you that social and civil disturbances will not occur in the future and on a wider scale, or that any of those disturbances will not, directly or indirectly, have a material adverse effect on our business, financial condition, results of operations and prospects.

Terrorist activities in Indonesia could destabilise the country, thereby affecting our business

In 2002, 2003 and 2004, several bombing incidents took place in Indonesia, most significantly in Bali in October 2002, a region of Indonesia previously considered safe from the unrest affecting other parts of the country. Other bombing incidents, although on a lesser scale, have also been committed in Indonesia on a number of occasions over the past few years, including at shopping centers and places of worship. In April 2003, a bomb exploded outside the main United Nations building in Jakarta, and in the same month, a bomb exploded at the domestic terminal at Jakarta International Airport. In August 2003, a bomb exploded at the JW Marriott Hotel in Jakarta and on 9 September 2004, a bomb exploded outside the Australian Embassy in Jakarta. Further terrorist acts may occur in the future. Terrorists acts may, for example, be directed at foreigners in Indonesia or in connection with the ongoing national general elections. Violent acts arising from, and leading to, instability and unrest have in the past had, and may continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, and may have a material adverse effect on our business, financial condition, results of operations and prospects.

A depreciation in the value of the Rupiah may adversely affect our financial condition and results of operations

One of the most important immediate causes of the economic crisis which began in Indonesia in mid-1997 was the depreciation and volatility of the value of the Rupiah, as measured against other currencies, such as the US dollar. Although the Rupiah has appreciated considerably from its low point of approximately Rp 16,150 per US dollar in June 1998, the Rupiah continues to experience significant volatility.

The Rupiah has generally been freely convertible and transferable (except that Indonesian banks may not transfer Rupiah to persons outside of Indonesia who lack a bona fide trade or investment purpose). However, from time to time, Bank Indonesia has intervened in the currency exchange markets in furtherance of its policies, either by selling Rupiah or by using its foreign currency reserves to purchase Rupiah. We cannot assure you that the current floating exchange rate policy of Bank Indonesia will not be modified, that additional depreciation of the Rupiah against other currencies, including the US dollar, will not occur, or that the Indonesian government will take additional action to stabilise, maintain or increase the value of the Rupiah, or that any of these actions, if taken, will be successful.

Modification of the current floating exchange rate policy could result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial

assistance by multinational lenders. This could result in a reduction of economic activity, an economic recession, loan defaults, price increases and declining consumer spending. As a result, we may also face difficulties in funding our capital expenditures and in implementing our business strategy in Indonesia. Any of the foregoing consequences could have a material adverse effect on our business, financial conditions, results of operations and prospects. In addition, a devaluation of the Rupiah would compel us to raise the prices of our chocolate confectionery products in Indonesia, since the prices of a large portion of our raw materials are denominated in US dollars. During the economic crisis that began in 1997, such price increases were not well received by customers and resulted in a material decline in volumes sold.

Economic changes in Indonesia may adversely affect our business

The economic crisis which affected Southeast Asia, including Indonesia, from mid-1997 was characterised in Indonesia by, among other effects, currency depreciation, negative economic growth, high interest rates, social unrest and extraordinary political developments. These conditions had a material adverse effect on Indonesian businesses.

Indonesia's gross domestic product ("GDP") grew at an annual rate of approximately 0.8% in 1999, 4.9% in 2000, 3.4% in 2001, 3.7% in 2002, and 4.2% in 2003 according to Indonesian government estimates. Commentators have pointed to strong oil prices and the weak Rupiah, which generally support exports, as two important factors contributing to recent GDP growth. The Indonesian government continues to have a large fiscal deficit and a high level of sovereign debt, its foreign currency reserves are modest, the Rupiah continues to be volatile and has poor liquidity, and the banking sector is weak and suffers from high levels of non-performing loans. Inflation has also remained high, with the consumer price index increasing by 11.9% in 2002 and 6.6% in 2003, according to Indonesian government estimates (see "Management's discussion and analysis of financial condition and results of operations — Inflation"). The economic difficulties faced by Indonesia during the Asian economic crisis that began in 1997 resulted in, among other things, significant volatility in interest rates, which had a material adverse impact on the ability of many Indonesian companies to service their existing indebtedness. The one-month SBI interest rate was 7.3% on 30 June 2004.

Indonesia also relies heavily on aid from the International Monetary Fund ("IMF"), loans from the World Bank and the members of the Paris Club, the Consultative Group for Indonesia ("CGI").

The inability of the Indonesian government to obtain adequate funding, in the event of a termination of the IMF program, a reduction or elimination of funding from the World Bank, or from the CGI or otherwise, could have adverse economic, political and social consequences in Indonesia, which, in turn, could have a material adverse effect on our business, financial condition, results of operations and prospects.

A loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the Indonesian financial markets and a slowdown or negative growth could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO SINGAPORE

Singapore law may not protect shareholders as extensively as other jurisdictions

The Company's corporate affairs are governed by our Memorandum and Articles of Association, by the laws governing corporations incorporated in Singapore and will be governed by the Listing Manual of the SGX-ST upon the Company's admission to the Official List of the SGX-ST. The rights of our shareholders and the responsibilities of our management and the members of our board of directors ("Board of Directors") under Singapore law may be different from those applicable to a company incorporated in another jurisdiction. Principal shareholders of Singapore companies do not have fiduciary duties to minority shareholders, as compared, for example, to controlling shareholders in the United States. Our public shareholders may have more difficulty in protecting their interests in connection with actions taken by our management, members of our Board of Directors or our principal shareholders than they would as shareholders of a company incorporated in another jurisdiction (See "General and Statutory Information — Summary of our Memorandum of Association and Selected Articles of Association" and "Description of Our Shares").

Corporate disclosure and accounting standards in Singapore may vary from those in other jurisdictions

There may be different publicly available information about Singapore public companies, such as ours, than is regularly made available by public companies in the United States and in other jurisdictions. These differences include the timing and content of disclosure of beneficial ownership of equity securities of officers, directors and principal shareholders; officer certification of disclosure and financial statements in periodic public reports; and disclosure of off-balance sheet transactions in management's discussion of results of operations in periodic public reports. In addition, the Company's financial statements are prepared in accordance with FRS, which differ in certain significant respects from US GAAP (See "Summary of Certain Differences between Singapore Financial Reporting Standards and US GAAP").

We have not quantified the effects of the aforementioned differences between FRS and US GAAP in this Prospectus. Accordingly, there can be no assurance, for example, that profit after taxation distributable by the Company and share capital and reserves reported in accordance with FRS would not be lower if determined in accordance with US GAAP.

Singapore law contains provisions that could discourage a takeover of the Company

The Singapore Code on Takeovers and Mergers contains certain provisions that may delay, deter or prevent a future takeover or change in control of the Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of our voting shares may be required to extend a takeover offer for our remaining voting shares in accordance with the Singapore Code on Takeovers and Mergers. A takeover offer is also required to be made if a person holding between 30.0% and 50.0% (both inclusive) of the voting rights in the Company (either on his own or together with parties acting in concert with him) acquires more than 1.0% of our voting shares in any six-month period. These provisions may discourage or prevent certain types of transactions involving an actual or threatened change of control of the Company. Some of our shareholders, which may include you, may therefore be disadvantaged as a transaction of that kind might have allowed the sale of Shares at a price above the prevailing market price (See "General and Statutory Information — Summary of Memorandum of Association and Selected Articles of Association of the Company" and "Description of Our Shares").

The Singapore securities market is relatively small which may cause the market price of our Shares to be more volatile

The SGX-ST is relatively small and may be more volatile than stock exchanges in the United States and certain other countries. On 30 June 2004, there were 439 and 145 companies listed and quoted on the Main Board of the SGX-ST and the SGX-ST Dealing and Automated Quotation System, respectively, and the aggregate market capitalisation of listed equity securities of these companies was approximately S\$410.9 billion. The relatively small market capitalisation of, and trading volume on, the SGX-ST, compared to certain other global stock exchanges, may cause the market price of securities listed on the SGX-ST, including our Shares, to fluctuate more than those listed on larger global stock exchanges.

Singapore taxes may differ from the tax laws of other jurisdictions

Prospective investors should consult their tax advisers concerning the overall tax consequences of acquiring, owing or selling our Shares. Singapore tax law may differ from the tax laws of other jurisdictions, including the United States (See "Taxation").

RISKS RELATING TO THE OWNERSHIP OF OUR SHARES

Our Shares have never been publicly traded and the Offering may not result in an active or liquid market for our Shares

Prior to the Offering, there has been no public market for our Shares. An active public market for our Shares may not develop or be sustained following the Offering. You may be unable to sell your Shares at or above the Offering Price or the Discounted Offering Price. Our prospects are intricately linked with the cocoa and chocolate industries and our businesses are to a great extent driven by trends in these

industries. Accordingly, the market price of our Shares may fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:-

- ▶ variations in our operating results;
- ▶ changes in securities analysts' estimates of our financial performance;
- ▶ announcements by our competitors or ourselves of gain or loss of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- ▶ departures of key personnel;
- ▶ fluctuations in the stock market;
- ▶ involvement in litigation; and
- ▶ general economic and stock market conditions.

Volatility in the price of our Shares may be caused by factors outside of our control or may be unrelated or disproportionate to our results of operation.

It may be difficult to assess our performance against either domestic or international benchmarks. Although it is currently intended that our Shares will remain listed on the SGX-ST, there is no guarantee of the continued listing of our Shares.

Any future sale or availability of our Shares may exert a downward pressure on our Share price

Any future sale or availability of our Shares may exert a downward pressure on our Share price. The sale of a significant number of our Shares in the public market after the Offering, or the perception that such sales may occur could materially adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described under the section "Plan of Distribution — Restrictions on Disposals and Issues of Shares", there will be no other restriction on the ability of the Substantial Shareholders to sell their Shares either on the SGX-ST Main Board or otherwise.

You will incur immediate dilution and may experience further dilution in the value of your Shares

Each of the Offering Price and the Discounted Offering Price for the Offering Shares is a multiple of the value of our NTA per Share based on our post Offering share capital. Investors who subscribe and/or purchase the Offering Shares will therefore experience immediate and significant dilution of S\$0.52 per Share and, if the Discount is applicable, S\$0.47 per Share (See "Dilution").

In addition, the Company may grant options to acquire new Shares under its Share Option Scheme to Executive and Non-Executive Directors (including our Independent Directors) and employees of our Company, our subsidiaries and our associated companies. If and when such options are ultimately exercised, to the extent that the exercise price of these new options is lower than the then existing net tangible asset per Share, there will be a dilution to the investors in the Offering. There will also be dilution to shareholders arising from the Shares awarded pursuant to the Share Incentive Plan.

Control by our existing shareholders may limit your ability to influence the outcome of decisions requiring the approval of shareholders

Upon the completion of the Offering, Fremont Investment Limited, McKeeson Investments Pte Ltd, McKeeson Holdings Limited, Berlian Enterprises Limited and Canzone Limited will beneficially own in aggregate approximately 62.2% of our Company's enlarged share capital, assuming the Over-Allotment Option is not exercised. As a result, these persons, if acting together, will be able to exercise significant influence over all matters requiring shareholders' approval including the election of directors and the approval of significant corporate actions. These persons will also have veto power, if they act together, with respect to any shareholder action or approval requiring a majority vote except where they are required by the rules of the Listing Manual to abstain from voting. No assurance can be given that their objectives as shareholders will not conflict with the business goals and objectives of the Company. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of the Company which may benefit the Company's shareholders.

We may be treated as a foreign personal holding company for US federal income tax purposes, which would subject US holders to certain adverse tax consequences

After the Offering, a substantial part of our Shares will be held directly or indirectly by a group of shareholders who are all related. If one or more of these shareholders becomes a US citizen or alien resident in the United States, the Company could be treated as a foreign personal holding company for US federal income tax purposes, and adverse tax consequences would apply to US holders.

The Company may not be able to pay dividends to its shareholders

The Company conducts a significant portion of its operations through its subsidiaries and associated companies. Historically, the Company has received management fees as well as fees under tolling arrangements (through which the Company supplies cocoa beans which it purchases centrally to its subsidiaries). However, in future, the Company might receive dividends and other distributions from its subsidiaries. Accordingly, an important source of the income, and consequently an important factor in the Company's ability to pay dividends on our Shares, may be the dividends and other distributions received from its subsidiaries and associated companies. These companies' ability to pay dividends and make other distribution may depend on their subsidiaries' and associated companies' earnings and cashflows and would be subject to laws and regulations (including tax laws) in each jurisdiction and any restrictive loan covenants applicable to them. In the event of a subsidiary's liquidation, there may not be sufficient assets for the Company to recoup its investment.

Market and economic conditions may affect the market price and demand for our Shares

Movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price and demand for our Shares. As our Shares will be quoted in Singapore dollars on the SGX-ST, dividends, if any, in respect of our Shares will be paid in Singapore dollars. Fluctuations in the exchange rate between the Singapore dollar and the US dollar or other currencies will affect, amongst other things, the foreign currency value of the proceeds which a shareholder would receive upon sale in Singapore of our Shares and the foreign currency value of dividend distributions (See "Exchange Rates").

Overseas shareholders may not be able to participate in future rights offerings or certain other equity issues the Company may make

If the Company offers or causes to be offered to holders of our Shares rights to subscribe for additional Shares or any right of any other nature, the Company will have discretion as to the procedure to be followed in making such rights available to holders of our Shares or in disposing of such rights for the benefit of such holders and making the net proceeds available to such holders. The Company may not offer such rights to the holders of our Shares having an address in a jurisdiction outside Singapore. For instance, the Company will not offer such rights to the holders of our Shares who are US persons (as defined in Regulation S) or have a registered address in the United States unless:

- ▶ a registration statement is in effect, if a registration statement under the Securities Act is required in order for the Company to offer such rights to holders and sell the securities represented by such rights; or
- ▶ the offering and sale of such rights or the underlying securities to such holders are exempt from registration under the provisions of the Securities Act.

The Company has no obligation to prepare or file any registration statement. Accordingly, shareholders who are US persons (as defined in Regulation S) or have a registered address in the United States may be unable to participate in rights offerings and may experience a dilution in their holdings as a result.

There may be difficulties in enforcing foreign judgments against us, our management as well as the Vendors and their directors

We are incorporated in Singapore. Most of our Directors and management, the Vendors and their directors and certain of the other parties named in this Prospectus reside outside the United States. All or a substantial portion of our and such persons' assets are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process upon us or such persons within the United States or other jurisdictions, or to enforce in the United States any judgement obtained in the United States courts against us, the Vendors or any of such persons, including judgments

predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory of the United States.

In particular, investors should be aware that judgments of the United States courts based upon the civil liability provisions of the federal securities laws of the United States are not enforceable in Singapore courts and there is doubt as to whether Singapore courts will enter judgments in original actions brought in Singapore courts based solely upon the civil liability provisions of the federal securities laws of the United States.

Use Of Proceeds

Our net proceeds from the issue of 113,500,000 New Shares (assuming the Over-Allotment Option in respect of the Company Additional Shares is not exercised) and after deducting our share of the commissions and part of the other estimated offering expenses payable in relation to the Offering, is estimated to be approximately S\$91.2 million (US\$54.0 million). These net proceeds will be converted into US dollars at the prevailing exchange rate.

We intend to use these net proceeds as follows:-

- (a) approximately US\$24.0 million (S\$40.6 million) to be used for expansion of production capacity, expenditure on plant, equipment and other fixed assets, and/or extension of the sales and marketing capabilities of our Cocoa Ingredients Division;
- (b) approximately US\$15.0 million (S\$25.3 million) to be used for expansion of production capacity, expenditure on plant, equipment and other fixed assets, and/or extension of the sales, marketing and distribution capabilities of our Branded Consumer Division;
- (c) approximately US\$11.0 million (S\$18.6 million) to be used for strategic investments, alliances and/or joint ventures; and
- (d) approximately US\$4.0 million (S\$6.7 million) for working capital and general corporate purposes.

See “Management Discussion and Analysis of Financial Condition and Results of Operations — Capital Expenditure — Planned Capital Expenditure”.

In the event that 113,500,000 New Shares and all of the 9,775,000 Company Additional Shares are issued as a result of the exercise of the Over-Allotment Option in respect of the Company Additional Shares, the net proceeds of the Offering to the Company are estimated to be approximately S\$99.5 million (US\$58.9 million). Any additional proceeds to the Company which arise as a result of the issuance of Company Additional Shares are expected to be utilised for working capital and general corporate purposes.

Pending the deployment of the net proceeds for the purposes mentioned above, the net proceeds may be placed in short-term deposits with banks or financial institutions or invested in short-term money market instruments, as our Directors may in their absolute discretion deem fit.

We expect that the timing and final amount of disbursement to be made for the foregoing purposes shall be determined by the Directors with a view to obtaining the optimum benefit for us. However, future events or developments, such as general market conditions, the level of demand for our products and the outlook for our industry, changes in social, political and economic conditions and the regulatory environment in the countries in which we conduct business and changes in our need for capital and the availability of financing and capital to fund these needs, may make a change in the use of the net proceeds from that specified above necessary or desirable, subject to the proper and timely public disclosure of such intended changes.

In addition, we may not be able to use the net proceeds to make certain acquisitions and investments if we are unable to identify suitable opportunities. Furthermore, even if our Directors are able to identify suitable opportunities, we may not be able to use the net proceeds to make certain acquisitions and investments that require prior shareholder and/or regulatory approval if it is not forthcoming. In any of these situations we expect to use the net proceeds earmarked for acquisitions and investments, towards working capital and general corporate purposes.

There is no minimum amount which, in the reasonable opinion of our Directors, must be raised by the Offering.

We will not receive any proceeds from the offer and placement of the Vendor Shares and the Vendor Additional Shares (in the event the Over-Allotment Option in respect of the Vendor Additional Shares is exercised) by the Vendors.

Exchange Rates

The following table sets forth, for the periods indicated, the average, high, low and period-end Noon Buying Rate between Singapore dollars and US dollars (in Singapore dollars per US dollar, rounded to two decimal places) for the periods indicated:

	High	Low	Average	End
Year/Month				
1999	1.74	1.66	1.70	1.67
2000	1.76	1.65	1.73	1.73
2001	1.85	1.73	1.79	1.85
2002	1.85	1.73	1.79	1.74
2003	1.78	1.70	1.74	1.70
January 2004	1.71	1.69	1.70	1.69
February 2004	1.70	1.67	1.69	1.70
March 2004	1.72	1.68	1.70	1.68
April 2004	1.70	1.67	1.68	1.70
May 2004	1.73	1.69	1.71	1.70
June 2004	1.72	1.70	1.71	1.72
July 2004	1.73	1.70	1.71	1.72
August 2004	1.72	1.71	1.71	1.71
September 2004 (through to 15 September 2004)	1.71	1.69	1.70	1.69
Period				
Six months ended 30 June 2003	1.78	1.72	1.75	1.76
Six months ended 30 June 2004	1.73	1.67	1.70	1.72

There are no exchange control restrictions in Singapore.

No representation is made that the Singapore dollar amounts actually represent such US dollar amounts or could have been or could be converted into US dollars at the rate indicated, any other rate or at all.

Fluctuations in the exchange rate between the Singapore dollar and the US dollar will affect the US dollar equivalent of the Singapore dollar price of our Shares on the SGX-ST and cash dividends paid by us in Singapore dollars.

Dividends

The Company paid a net dividend of US\$0.9 million for the year ended 31 December 2001 to the shareholders whose names were shown in the Register of Members on 30 May 2001.

The Company declared a special interim dividend of US\$4.0 million to the shareholders reflected in the Register of Members as at 3 June 2004.

Since the Company was founded, the policy of its directors has been to support the growth of the Company by reinvesting its earnings within the business, and, since its formation, only the foregoing two dividends have been declared.

The declaration and payment of dividends will be determined at the sole discretion of our Directors, subject to the approval of our Shareholders and Section 69 of the Companies Act. Our Directors may also declare an interim dividend. Future dividends will be paid by the Company as and when approved by our Shareholders and Directors.

You should note that all the following statements are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends and dividend payout ratio (including those proposed for the years ending 31 December 2004 and 2005) which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion.

The Directors' policy is to pay dividends consistent with their overall objective of maximising shareholder value.

Going forward, the Directors believe that the decision to propose dividends should depend on our earnings and financial position, our results of operations, our capital needs, our plans for expansion and other factors that the Directors may deem appropriate, and the Directors will consider these factors before proposing any dividends.

For the current year ending 31 December 2004, taking these factors into account and assuming that before the end of the year there are no significant negative developments, the Directors are targeting to declare a further dividend (in addition to the special interim dividend of US\$4.0 million), that will amount to approximately US\$3 million.

For the year ending 31 December 2005, taking these factors into account and assuming that before the end of that year there are no significant negative developments, the Directors will consider a target dividend payout ratio of approximately 40%.

See "Taxation" for information relating to taxes payable on dividends.

Capitalisation And Indebtedness

The following table, which should be read in conjunction with our consolidated financial statements and the related notes appearing elsewhere in this Prospectus and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, shows our unaudited consolidated capitalisation and indebtedness as at 31 July 2004:-

- ▶ as if the Restructuring-Acquisitions (as defined in “Share Capital — Restructuring Exercise”), the sub-division of our share capital into ordinary shares of S\$0.10 (the “Sub-division”) and the conversion of convertible bonds (the “Conversion”), each had occurred. These convertible bonds were issued to Canzone Limited and McKeeson Holdings Limited (as nominee of Fremont Investment Limited), pursuant to the subscription and investment agreement (the “Subscription and Investment Agreement”) dated 4 May 2001 entered into between the Company, Canzone Limited, Fremont Investment Limited, PT Sederhana Djaja, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang pursuant to which Canzone Limited and McKeeson Holdings Limited (as nominee of Fremont Investment Limited) subscribed to US\$15.0 million and US\$5.0 million respectively of the Company’s convertible bonds. The Restructuring-Acquisitions relates to the Company’s acquisition of 4.96%, 4.99% and 4.98% of the issued share capital of PT Perusahaan Industri Ceres, PT Nirwana Lestari and PT General Food Industries respectively (see “Share Capital”); and
- ▶ as adjusted to give effect to the issue of 113,500,000 New Shares (assuming the Over-Allotment Option in respect of the Company Additional Shares is not exercised) pursuant to the Offering and the estimated net proceeds from the issue of such Shares.

	As at 31 July 2004 (Unaudited) US\$’000	As adjusted for the Restructuring-Acquisitions, Sub-division and Conversion (Unaudited) US\$’000	As adjusted for the issue of the New Shares (Unaudited) US\$’000
Cash and cash equivalents	10,341	10,341	64,294
Current borrowings			
Bank overdrafts (secured)	21,843	21,843	21,843
Bank loans (secured)	26,721	26,721	26,721
Lease liabilities	149	149	149
Trade finance (secured)	58,092	58,092	58,092
	106,805	106,805	106,805
Non-current borrowings			
Bank loans (secured)	28,986	28,986	28,986
Lease liabilities	295	295	295
	29,281	29,281	29,281
Interests of shareholders of the Company			
Share capital	18,203 ⁽¹⁾	24,760 ⁽²⁾	31,476
Share premium	1,222	16,088	63,325
Convertible bonds	20,000	—	—
Foreign currency translation reserve	(4,889)	(4,889)	(4,889)
Retained earnings	36,508	36,508	36,508
General reserve	300	300	300
	71,344	72,767	126,720
Total capitalisation and indebtedness	207,430	208,853	262,806

⁽¹⁾ Based on 30,600,000 ordinary shares of par value S\$1.00 per share as at 31 July 2004.

⁽²⁾ Based on 418,777,000 ordinary shares of par value S\$0.10 per share as adjusted for the Restructuring-Acquisitions, Sub-division and Conversion.

Dilution

Dilution is the amount by which the price paid by the investors of our Shares in the Offering exceeds the net tangible asset ("NTA") value per Share immediately after the completion of the Offering. The NTA value per Share of our Group as at 30 June 2004, adjusted for the Restructuring-Acquisitions, Sub-division and the Conversion but before adjusting for our estimated net proceeds from the Offering, and based on the pre-Offering share capital of 418,777,000 Shares, was S\$0.24 per Share (see "Share Capital").

Pursuant to the Offering in respect of 113,500,000 New Shares at the Offering Price of S\$0.88 and the Discounted Offering Price, as applicable, of S\$0.83 per New Share, our Company estimates that our NTA per Share as at 30 June 2004 would have been approximately S\$0.36. This is after deducting our share of the commissions and part of the other estimated offering expenses payable in relation to the Offering. This represents an immediate increase in NTA per Share of S\$0.12 to our existing Shareholders and an immediate dilution in NTA per Share of S\$0.52 and S\$0.47 to our new investors who invest at the Offering Price and the Discounted Offering Price, respectively.

The following table illustrates this per Share dilution as at 30 June 2004 (assuming the Over-Allotment Option in respect of the Company Additional Shares is not exercised):-

	At the Offering Price of S\$0.88	At the Discounted Offering Price of S\$0.83
	(S\$)	(S\$)
NTA per Share as at 30 June 2004 adjusted for the Restructuring-Acquisitions, Sub-division and Conversion and based on the pre-Offering share capital of 418,777,000 Shares (but before adjusting for the Offering)	0.24	0.24
Increase in NTA per Share attributable to existing Shareholders	0.12	0.12
NTA per Share after the Offering	0.36	0.36
Dilution in NTA per Share to new investors	0.52	0.47
Dilution in NTA per Share to new investors (as a percentage of the Offering Price or the Discounted Offering Price as applicable)	59.1%	56.6%

Where there has been a substantial disparity between the Offering Price or the Discounted Offering Price and the average effective cash cost per Share to our Substantial Shareholders of Shares acquired by them directly from us during the period of three years prior to the date of this Prospectus, the following table summarises the total number of Shares acquired by the Company's Substantial Shareholders (adjusted for the Sub-division) during the period of three years prior to the date of this Prospectus, the total consideration paid by them and the average effective cash cost per Share to the Company's Substantial Shareholders, and to the Company's new investors pursuant to the Offering.

	Number of Shares acquired	Total Consideration (S\$)	Total Consideration (US\$)	Average effective cash cost per Share (S\$)
Substantial Shareholders				
Canzone Limited ⁽¹⁾	76,500,000	25,350,000	15,000,000	0.33
McKeeson Holdings Limited ⁽²⁾	25,500,000	8,450,000	5,000,000	0.33
New investors (at the Offering Price of S\$0.88)	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	0.88
New investors (at the Discounted Offering Price of S\$0.83)	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	0.83

⁽¹⁾ Canzone Limited subscribed to US\$15.0 million in principal amount of the Company's convertible bonds on 7 June 2001 pursuant to the Subscription and Investment Agreement. On 28 October 2004, Canzone Limited converted all its convertible bonds into 76,500,000 Shares.

⁽²⁾ McKeeson Holdings Limited, as nominee of Fremont Investment Limited, subscribed to US\$5.0 million in principal amount of the Company's convertible bonds on 30 August 2001 pursuant to the Subscription and Investment Agreement. On 28 October 2004, McKeeson Holdings Limited converted all its convertible bonds into 25,500,000 Shares.

⁽³⁾ The split between the new investors subscribing and/or purchasing the Offering Shares at the Offering Price and at the Discounted Offering Price is not available as at the date of this Prospectus.

In addition, our Independent Director (namely Mr Pedro Francisco Mata-Bruckmann) and our Non-Executive Director (namely Ms Josephine Price) were each granted 186,000 Shares and 55,000 Shares respectively (collectively, the Grant Shares as defined in “Share Capital — Restructuring Exercise”) pursuant to the Restructuring-Grants (See “Share Capital — Restructuring Exercise”). The Grant Shares were acquired by the aforesaid Directors as gifts without any consideration paid by them.

Selected Consolidated Financial Information

The following tables present our selected consolidated financial information as at and for the years ended 31 December 2001, 2002 and 2003 and as at and for the six months ended 30 June 2003 and 2004. The selected consolidated financial information as at and for the years ended 31 December 2001, 2002 and 2003 and as at and for the six months ended 30 June 2003 and 2004 should be read in conjunction with our consolidated financial statements and the related notes thereto which are included elsewhere in this Prospectus. Our audited consolidated financial statements for the years ended 31 December 2001 and 2002 were measured and presented using Singapore dollars as we were statutorily required to present our statutory accounts in Singapore dollars. Upon adoption of INT FRS 19 Reporting Currency—Measurement and Presentation of Financial Statements under FRS 21 and FRS 29 during the financial year ended 31 December 2003, we determined the United States dollar as the appropriate measurement currency for certain entities within our Group as for those entities the United States dollar best reflects the economic substance of the underlying events and circumstances relevant to them. To achieve comparability of the financial information presented, our consolidated financial information for the financial years ended 31 December 2001 and 2002 were remeasured on the same basis as for the financial year ended 31 December 2003 and presented using United States dollars.

Our consolidated financial statements have been prepared in accordance with FRS (See “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Significant Accounting Policies”). Certain differences between FRS and US GAAP are discussed in “Summary of Certain Differences between Singapore Financial Reporting Standards and US GAAP”.

CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December			Six months ended 30 June	
	2001 (US\$'000) (unaudited)	2002 (US\$'000) (unaudited)	2003 (US\$'000) (audited)	2003 (US\$'000) (unaudited)	2004 (US\$'000) (audited)
Revenue	145,212	231,790	321,840	147,481	183,724
Cost of sales	(110,618)	(181,066)	(267,707)	(122,461)	(149,297)
Gross profit	34,594	50,724	54,133	25,020	34,427
Other income	1,865	1,652	2,735	286	429
Selling and distribution costs	(11,004)	(15,515)	(16,451)	(5,518)	(10,994)
Administrative expenses	(9,993)	(12,357)	(13,096)	(6,497)	(7,733)
Other operating expenses	(1,463)	(1,987)	(2,202)	(640)	(1,195)
Profit from operations	13,999	22,517	25,119	12,651	14,934
Finance income	334	262	175	118	377
Finance costs	(4,817)	(6,571)	(8,320)	(3,997)	(3,730)
Share of results of associates	(251)	(281)	(375)	(162)	(267)
Profit before tax	9,265	15,927	16,599	8,610	11,314
Tax	(2,303)	(3,436)	(4,814)	(2,317)	(2,430)
Profit from ordinary activities after tax	6,962	12,491	11,785	6,293	8,884
Minority interest	(487)	(577)	(35)	(38)	97
Net profit	6,475	11,914	11,750	6,255	8,981
EBITDA ⁽¹⁾	17,993	27,297	31,467	15,140	19,643
Earnings per share ⁽²⁾					
— Basic	22 US cents	39 US cents	38 US cents	20 US cents	29 US cents
— Diluted	19 US cents	31 US cents	30 US cents	16 US cents	23 US cents

CONSOLIDATED BALANCE SHEETS

	As at 31 December			As at 30 June	
	2001 (US\$'000) (unaudited)	2002 (US\$'000) (unaudited)	2003 (US\$'000) (audited)	2003 (US\$'000) (unaudited)	2004 (US\$'000) (audited)
Current assets					
Cash and cash equivalents	13,076	12,394	8,832	10,528	10,739
Trade debtors	13,368	27,533	33,076	25,602	31,964
Due from associates					
— Trade	192	167	92	121	38
— Non-trade	30	573	23	350	22
Due from related parties					
— Trade	1,025	764	1,552	1,508	1,704
— Non-trade	224	293	258	—	—
Inventories	37,703	81,207	91,898	95,387	98,475
Other current assets	4,362	5,728	7,693	11,003	7,251
	69,980	128,659	143,424	144,499	150,193
Non-current assets					
Investments in associates	3,048	3,996	3,533	4,104	2,933
Property, plant and equipment	29,112	56,076	74,661	63,325	74,899
Intangibles	5,261	4,905	12,570	4,520	11,883
Deferred tax assets	214	888	466	791	1,336
Other non-current assets	62	201	284	391	191
	37,697	66,066	91,514	73,131	91,242
Total assets	107,677	194,725	234,938	217,630	241,435
Current liabilities					
Trade creditors	3,136	21,220	14,703	8,235	14,150
Due to associates					
— Trade	66	544	282	501	206
— Non-trade	39	254	—	99	—
Due to related parties					
— Trade	267	436	467	90	294
— Non-trade	63	72	74	76	66
Other payables	6,268	15,120	8,841	11,417	13,457
Current tax liabilities	1,153	2,748	1,933	2,096	2,472
Borrowings	47,678	77,182	105,697	108,198	108,403
	58,670	117,576	131,997	130,712	139,048
Non-current liabilities					
Borrowings	5,259	17,029	31,070	20,316	29,018
Accruals	830	1,128	1,739	1,779	1,812
Deferred tax liabilities	870	998	1,430	1,337	1,491
	6,959	19,155	34,239	23,432	32,321
Total liabilities	65,629	136,731	166,236	154,144	171,369
Net assets	42,048	57,994	68,702	63,486	70,066
Represented by:					
Share capital	18,203	18,203	18,203	18,203	18,203
Share premium	1,222	1,222	1,222	1,222	1,222
Convertible bonds	20,000	20,000	20,000	20,000	20,000
Foreign currency translation reserve	(5,976)	(3,665)	(2,768)	(2,508)	(4,872)
Retained earnings	6,179	18,093	29,543	24,348	34,524
General reserve	—	—	300	—	300
Interests of shareholders of the Company	39,628	53,853	66,500	61,265	69,377
Minority interests	2,420	4,141	2,202	2,221	689
	42,048	57,994	68,702	63,486	70,066

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 December			Six months ended 30 June	
	2001	2002	2003	2003	2004
	(US\$'000) (unaudited)	(US\$'000) (unaudited)	(US\$'000) (audited)	(US\$'000) (unaudited)	(US\$'000) (audited)
Cash flows from operating activities					
Profit before tax and share of profits less losses of associates	9,516	16,208	16,974	8,772	11,581
Adjustments for:					
Depreciation	3,451	4,470	5,987	2,427	3,969
Amortisation of intangibles	605	636	848	309	739
Negative goodwill write-off	—	—	(303)	—	—
Interest income	(145)	(262)	(175)	(118)	(109)
Interest expense	4,817	6,526	8,208	3,912	3,730
(Gain)/Loss on disposal of property, plant and equipment	(292)	78	139	184	(100)
Gain on disposal of an associate	(230)	—	—	—	—
Operating cash flow before working capital change	17,722	27,656	31,678	15,486	19,810
Change in operating assets and liabilities, net of effects from purchase of subsidiaries					
Receivables	11,331	(15,990)	(6,724)	(3,770)	1,786
Inventories	(11,279)	(43,504)	(9,939)	(14,180)	(6,577)
Payables	(21,379)	28,058	(13,441)	(16,577)	(120)
Trade finance	8,807	25,345	6,321	22,496	1,809
Cash from operations	5,202	21,565	7,895	3,455	16,708
Interest paid	(491)	(1,096)	(1,990)	(1,020)	(1,184)
Income tax paid	(1,401)	(2,568)	(4,837)	(2,617)	(2,569)
Net cash inflow/(outflow) from operating activities	3,310	17,901	1,068	(182)	12,955
Cash flows from investing activities					
Payments for purchase of subsidiaries, net of cash acquired	(671)	19	(573)	—	—
Payments for purchase of additional interest in a subsidiary	—	—	(1,921)	(1,921)	(1,449)
Payment for acquisition of business, net of cash acquired	—	—	(11,058)	—	—
Payments for property, plant and equipment	(10,982)	(29,351)	(21,336)	(8,625)	(5,873)
Payments for development expenditure	(67)	(19)	(20)	(9)	(18)
Proceeds from sale of associates	645	—	—	—	—
Payments for investment in associates	(3,041)	(861)	(25)	—	—
Interest received	145	262	175	118	109
Proceeds from sale of property, plant and equipment	487	263	211	60	237
Net cash outflow from investing activities	(13,484)	(29,687)	(34,547)	(10,377)	(6,994)
Cash flows from financing activities					
Net proceeds from issues of ordinary shares	13,128	—	—	—	—
Redemption of preference shares	(11,730)	—	—	—	—
Net proceeds from issue of Convertible bonds	20,000	—	—	—	—
Repayment of loans to immediate holding corporation	(4,683)	—	—	—	—
Net proceeds from bank loans	12,516	13,032	36,351	12,001	1,691
Repayment of lease liabilities — net	(664)	(463)	(105)	(93)	(133)
Interest paid	(4,326)	(5,430)	(6,218)	(2,892)	(2,546)
Dividends paid	(940)	—	—	—	—
Funds from minority interests	—	50	—	—	—
(Increase)/decrease in fixed deposits held as collateral with financial institutions	(1,389)	(643)	1,922	2,007	(874)
Net cash inflow/(outflow) from financing activities	21,912	6,546	31,950	11,023	(1,862)
Exchange difference on translation	213	624	(91)	(222)	(352)
Net increase/(decrease) in cash and cash equivalents held	11,951	(4,616)	(1,620)	242	3,747
Cash and cash equivalents at the beginning of the year	(23,986)	(12,035)	(16,651)	(16,651)	(18,271)
Cash and cash equivalents at the end of the year	(12,035)	(16,651)	(18,271)	(16,409)	(14,524)
Represented by:					
Cash and bank balances	13,076	12,394	8,832	10,528	10,739
Less: Fixed deposits held as collateral with financial institutions	(3,365)	(4,008)	(2,086)	(2,001)	(2,960)
Less: Bank overdrafts	(21,746)	(25,037)	(25,017)	(24,936)	(22,303)
	(12,035)	(16,651)	(18,271)	(16,409)	(14,524)

EBITDA AND PROFIT FROM OPERATIONS BY BUSINESS SEGMENTS

	Year ended 31 December						Six months ended 30 June			
	2001 US\$'000 (unaudited)	Percentage of total	2002 US\$'000 (unaudited)	Percentage of total	2003 US\$'000 (audited)	Percentage of total	2003 US\$'000 (unaudited)	Percentage of total	2004 US\$'000 (audited)	Percentage of total
EBITDA by business segments										
Cocoa Ingredients										
Division	9,312	51.7	15,067	55.2	16,317	51.9	7,813	51.6	10,496	53.4
Branded Consumer										
Division	8,681	48.3	12,230	44.8	15,150	48.1	7,327	48.4	9,147	46.6
	17,993	100.0	27,297	100.0	31,467	100.0	15,140	100.0	19,643	100.0
Profit from operations by business segments										
Cocoa Ingredients										
Division	6,238	44.6	11,659	51.8	12,005	47.8	6,381	50.4	7,569	50.7
Branded Consumer										
Division	7,761	55.4	10,858	48.2	13,114	52.2	6,270	49.6	7,365	49.3
	13,999	100.0	22,517	100.0	25,119	100.0	12,651	100.0	14,934	100.0

(1) We calculate our EBITDA by adding net interest expense, income tax, depreciation and amortisation expenses to net profit. EBITDA is not a standard measure under FRS. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(2) Based on 30,600,000 ordinary shares of par value S\$1.00 per share for each of the three financial years ended 31 December 2001, 2002, 2003 and each of the six months periods ended 30 June 2003 and 2004. Basic earnings per share is calculated by dividing the net profit for the financial period by the weighted average number of ordinary shares in issue during the financial period. The dilutive earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all the convertible bonds issued to Canzone Limited and McKeesons Holdings Limited (as nominee of Fremont Investment Limited) and the net profit is adjusted to eliminate interest net of tax.

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion should be read in conjunction with our audited consolidated financial statements and our unaudited consolidated financial statements, together in each case with the related notes thereto, all of which are included elsewhere in this Prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in "Risk Factors".

OVERVIEW

We are one of the world's major manufacturers and suppliers of cocoa ingredients, namely cocoa powder, cocoa butter and cocoa liquor. We also manufacture and/or distribute branded consumer products, primarily chocolate confectionery for which we are the market leader in Indonesia.

We produce cocoa ingredients in six countries and supply our products to customers in over 30 countries worldwide. These customers include leading international food and beverage companies such as Nestlé, Cadbury and the Mars Group. Our Cocoa Ingredients Division contributed 71.1% of our revenue for the year ended 31 December 2003, and 47.8% of our profit from operations for the same period. For the six months ended 30 June 2004, our Cocoa Ingredients Division contributed 71.1% of our revenue and 50.7% of our profit from operations. Revenue from our Cocoa Ingredients Division primarily consists of revenue derived from the sale of cocoa liquor, cocoa butter and cocoa powder. The total bean grind capacity of our cocoa processing plants for each of the three years ended 31 December 2003 was 82,000 mt, 100,000 mt and 200,000 mt respectively and for the six months ended 30 June 2004, was 200,000 mt.

Total revenue for our Cocoa Ingredients Division grew by a compound annual rate of 56.7% from US\$93.3 million for the year ended 31 December 2001 to US\$229.0 million for the year ended 31 December 2003, while profit from operations grew by a compound annual rate of 39.1% from US\$6.2 million to US\$12.0 million during the same period. For the six months ended 30 June 2004, revenue of our Cocoa Ingredients Division was US\$130.7 million, an increase of 22.3% over the corresponding period in 2003, and profit from operations of our Cocoa Ingredients Division was US\$7.6 million, an increase of 18.8% over the corresponding period in 2003.

We manufacture, distribute and/or sell branded consumer goods in Indonesia and other countries in Asia. Our portfolio of brands includes some products which are leaders in their categories. For example, our "SilverQueen" chocolate bar was first sold in the 1950s and is the dominant chocolate bar in Indonesia with a share of 25.1% of the urban grocery market for moulded/enrobed chocolate in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*). Our branded chocolate confectionery, together with the third party chocolate consumer products we distribute, commanded a share of 56.9% in the urban grocery market for chocolate confectionery in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*). We began selling products outside Indonesia in 1988 and now sell our own consumer products in 17 countries. We also distribute third party brands in Indonesia, Malaysia and Singapore, capitalising on our distribution channels. Revenue from sales of third party products comprised 19.2% and 17.5% of revenue of our Branded Consumer Division for the year ended 31 December 2003 and for the six months ended 30 June 2004, respectively. Our Branded Consumer Division contributed 28.9% of our revenue for the year ended 31 December 2003, and 52.2% of our profits from operations for the same period. For the six months ended 30 June 2004, our Branded Consumer Division contributed 28.9% of our revenue and 49.3% of our profit from operations.

Total revenue for our Branded Consumer Division grew by a compound annual rate of 33.7% from US\$51.9 million for the year ended 31 December 2001 to US\$92.9 million for the year ended 31 December 2003, while profit from operations grew by a compound annual rate of 29.9% from US\$7.8 million to US\$13.1 million during the same period. For the six months ended 30 June 2004, revenue of our Branded Consumer Division was US\$53.1 million, an increase of 30.5%, over the corresponding period in 2003 and profit from operations of our Branded Consumer Division, was US\$7.4 million, an increase of 17.5%, over the corresponding period in 2003.

We achieved total revenue of US\$321.8 million and profit before tax of US\$16.6 million for the year ended 31 December 2003. For the six months ended 30 June 2004, we achieved total revenue of US\$183.7 million and profit before tax of US\$11.3 million.

We are headquartered in Singapore and our principal operations are located in Singapore, Indonesia, Malaysia, the Philippines, Thailand, Brazil and Mexico. We have eight production facilities located in Indonesia, Malaysia, the Philippines, Thailand, Brazil and Mexico.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Cocoa Bean Prices

Substantially all our raw material costs comprise the price paid for cocoa beans which are used by our Cocoa Ingredients Division. The total global cocoa bean crop in recent years has typically been approximately three million metric tons per year (See — “Industry”). Factors affecting the price of cocoa beans include demand and supply, expectations of future demand and supply, as well as price speculation by commodities traders. Cocoa bean prices generally increase when there is reduced supply for reasons such as adverse weather conditions, disease or unstable political or social conditions in the countries in which they are grown, or an expectation of such shortages. For instance, the prices of cocoa beans increased significantly during the civil unrest in the Ivory Coast in 2002.

We generally protect ourselves against movements in cocoa bean prices through the purchase of futures contracts and/or by purchasing cocoa beans for delivery at a future date. Because the prices we set for sales of cocoa butter and cocoa liquor generally reflect the prices of cocoa beans at the time we contract to sell our cocoa ingredients products, the price of cocoa beans has a direct impact on our revenue. Our gross operating margin expressed as a percentage of revenue may vary depending on cocoa bean prices although our gross profit or operating profit may remain the same. As compared to a profitability margin expressed as a percentage of revenue, EBITDA per metric ton is a more appropriate measure of the performance of our Cocoa Ingredients Division. See “Six Months Ended 30 June 2004 compared to Six Months Ended 30 June 2003 — EBITDA; Year Ended 31 December 2003 compared to Year Ended 31 December 2002 — EBITDA and Year Ended 31 December 2002 compared to Year Ended 31 December 2001 — EBITDA”.

The main raw materials used by our Branded Consumer Division include cocoa liquor, cocoa butter, cocoa powder, packaging materials, milk and sugar. Of these, for the year ended 31 December 2003, cocoa ingredients accounted for 20.5% and packaging materials accounted for 16.2% of the cost of sales of our Branded Consumer Division. For the six month period ended 30 June 2004, cocoa ingredients accounted for 20.8% and packaging materials accounted for 17.5% of the cost of sales of our Branded Consumer Division. Prices of cocoa ingredients tend to fluctuate in accordance with cocoa bean prices, whereas prices of packaging materials have historically been relatively stable.

Pricing of our Cocoa Ingredients

We generally sell our cocoa ingredients by way of individual contracts for specific quantities of our product, with fixed delivery dates. We set our price for each contract based on a variety of factors, including the price of cocoa beans. We also factor in our assessment of the prices we believe we can achieve under current market conditions, the characteristics of the particular product and our relative bargaining power. In addition, we consider other factors such as our need to maximise capacity utilisation at our factories, the state of our order books and the cost of financing our purchase of cocoa beans (including our assessment of movements in interest rates).

Purchasers of cocoa butter usually buy cocoa butter six to 12 months forward. Any anticipation of a significant increase in cocoa butter prices or a tight supply of cocoa beans, generally results in cocoa butter customers trying to lock in the price of cocoa butter even further forward, sometimes as far as 18 months in advance. Movements in the price of cocoa butter and cocoa liquor usually bear a direct correlation with changes in cocoa bean prices. Cocoa butter and cocoa liquor constitute the most expensive and key ingredients required by chocolate manufacturers. Purchasers of cocoa powder generally buy cocoa powder much less in advance than cocoa butter since prices are usually less volatile than cocoa butter prices. Cocoa powder forms a small component of the raw materials required by users of the product, such as manufacturers of bakery products. In addition, cocoa powder is highly differentiated and is produced in accordance with customer specifications. Due to these factors, cocoa powder prices react to an increase in cocoa bean prices more slowly and to a lesser extent than cocoa butter prices.

Production Capacity

We have been increasing our production capacity since 1995 by expanding existing production facilities as well as building/acquiring new production facilities. The expansion of our production facilities has been driven by increases in demand from customers, our desire for geographical diversification, our estimates of the potential for additional demand and the locations of our customers' operations.

Any expansion in our production facilities has to be supported by potential additional demand for our products. For instance, we acquired Nestle's cocoa processing plants in Brazil and Mexico in connection with outsourcing arrangements we entered into with Nestle, and because we wanted a base from which to grow our South and North American markets in the longer term.

We aim to optimise our production capacity at all our production facilities to absorb our high fixed overhead costs. As we increase our capacity utilisation, our fixed overheads costs are spread over a larger volume of product, which leads to lower operating costs per metric ton produced. As a result, our capacity utilisation can affect our margins. The aggregate weighted average rate of utilisation of our cocoa processing plants for each of the three years ended 31 December 2003 and for the six months ended 30 June 2004 has been 86.5%, 93.9%, 87.1% and 85.8% respectively. Our capacity utilisation is affected by several factors including the volume of customer orders, production efficiencies and general market conditions. Utilisation rates can also be affected by equipment failure, manpower or raw material shortage during periods of increased demand and temporary production bottlenecks that arise as a result of new equipment installation. In addition, we usually experience lower weighted average utilisation rates during the initial commissioning of a new plant or line. For example, in 2003, the commissioning of our new plant in Johor, Malaysia resulted in a reduction in the aggregate weighted average utilisation rate of our cocoa processing plants.

Fluctuations in Exchange Rates

We conduct our operations in several countries and in several currencies and we report our financial results in US dollars. As such, we have both operational and accounting exposures to fluctuations in foreign exchange rates that can affect our reported results.

Our Cocoa Ingredients Division conducts transactions primarily in US dollars and Pounds Sterling. To the extent our sales, purchases and operating expenses are not denominated in the same currencies, we may be susceptible to movements in exchange rates. Where we have a material net exposure to a foreign currency, we enter into forward contracts to purchase that currency in order to fix the applicable US dollar exchange rate.

Substantially all our Branded Consumer Division's revenue and operating expenses are denominated in Rupiah, however, our key raw material purchases are generally denominated in US dollars or priced based on prevailing Rupiah and US dollar exchange rates. In addition, purchases for imported third party consumer products relating to our distribution business are primarily denominated in US dollars, Euros and Pounds Sterling. An appreciation of any of these currencies could result in an increase in the relative costs of our purchases of imported third party consumer products. As a result, the financial performance of our Branded Consumer Division may also be affected by fluctuations in foreign exchange rates.

We try to manage foreign exchange fluctuations in our branded consumer business by passing through any significant and prolonged increases in the cost of raw materials (in Rupiah terms) to our customers. In addition, we may modify existing products or introduce new products to combat any increase in our costs resulting from foreign exchange rate fluctuations. For instance, during the Asian financial crisis that began in mid-1997 the severe depreciation of the Rupiah resulted in a significant increase (in Rupiah terms) in the cost of raw materials for our Branded Consumer Division which we passed through to customers through sharp price increases. The price increases led to a substantial fall in demand for our products. Consequently, we introduced new, lower priced products into the market, such as enrobed chocolate wafers in smaller packages for which the cost of raw materials was lower and which we were able to sell at lower, more affordable prices.

Consumer Preferences

We are the market leader in chocolate confectionery products in Indonesia. Our leadership and potential for growth depends on continued consumer support. Our Branded Consumer Division conducts regular reviews of consumer preferences in Indonesia through the use of focus group-based research and also follows trends and consumer preferences overseas. We also depend on industry

reports for information on consumer preferences and competition in relation to our branded consumer business. We subscribe to retail audits carried out by independent consultants to benchmark the performance of our products against those of our competitors in Indonesia. We also assess consumer preferences through discussions with our distributors and the management or proprietors of the modern and traditional outlets in which our branded consumer products are sold. Our ability to operate profitably has depended upon, and will continue to depend upon, our ability to anticipate changes in consumer preferences and demographics as well as other factors, so that we can compete successfully with existing and new competitors.

Significant Changes in the Indonesian Economy and Political Climate

A significant proportion of our assets are located in Indonesia. We also conduct substantially all the operations of our Branded Consumer Division in Indonesia. Accordingly, our results of operations and the results of operations of most of the customers of our Branded Consumer Division are influenced by political and economic developments in Indonesia.

The economic crisis that affected Indonesia and other parts of Southeast Asia beginning in mid-1997 was characterised in Indonesia by, among other things, currency depreciation, negative economic growth, high interest rates, social unrest and political uncertainty. Since the crisis, we have grown from having four production facilities in three countries (including Indonesia) to having eight facilities in six countries, which has enabled us to diversify geographically in terms of markets and operations.

Subsequent to the crisis, Indonesia's GDP grew at an annual rate of approximately 0.8% in 1999, 4.9% in 2000, 3.4% in 2001, 3.7% in 2002 and 4.2% in 2003 according to Indonesian government estimates. Inflation has remained high, with the consumer price index increasing by 20.4% in 1999, 3.8% in 2000, 11.5% in 2001, 11.9% in 2002 and 6.6% in 2003 according to Indonesian government estimates. We believe that increasing affluence in Indonesia could result in increased demand for our branded consumer products in Indonesia. See "Risk Factors — Risks Relating to Indonesia".

Seasonality

Sales of our Branded Consumer Division are affected by festive seasons in Indonesia, in particular Lebaran (the end of the Muslim fasting period), and usually exhibit an increase in the months leading up to Lebaran celebrations. During these periods of high demand, we need to carry additional stocks of our branded consumer products. We start preparation for the festive sales a few months in advance, including building up inventories of raw materials and employing additional contract workers to cope with greater volumes. As the Muslim calendar follows the lunar cycle, this type of seasonality affects us slightly differently from year to year.

Cocoa Bean Processing Yields

Although the yield from cocoa beans tends to be fairly stable, a small fluctuation in the yield of the cocoa beans we process, when multiplied by the volume of cocoa beans we process, could have a significant impact on our profitability. We therefore monitor our cocoa bean yields closely. We try to maximise the yields of beans through rigorous sourcing for quality cocoa beans, as well as through our production processes.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Cocoa Ingredients Division

We derive revenue from the sale of cocoa liquor, cocoa butter and cocoa powder. Revenue comprises the invoiced value for the sale of goods, net of goods and services tax, rebates and discounts and the invoiced value of services rendered.

Branded Consumer Division

We derive revenue from the sale of our branded consumer chocolate products as well as from the distribution of third party food and beverage products. A significant portion of revenue is generated in Indonesia where we are the market leader for chocolate confectionery.

The table below shows our revenue and the principal sources (by business segment) of such revenue and also expressed as a percentage of total revenue for the periods indicated:

By Business Segments

	2001		2002		Year ended 31 December 2003		2003		Six months ended 30 June 2004	
	US\$ millions (unaudited)	%	US\$ millions (unaudited)	%	US\$ millions (audited)	%	US\$ millions (unaudited)	%	US\$ millions (audited)	%
Revenue										
Cocoa Ingredients Division	93.3	64.2	159.8	69.0	229.0	71.1	106.8	72.4	130.6	71.1
Branded Consumer Division	51.9	35.8	72.0	31.0	92.8	28.9	40.7	27.6	53.1	28.9
	145.2	100.0	231.8	100.0	321.8	100.0	147.5	100.0	183.7	100.0

Over the three years ended 31 December 2003, the proportion of revenue generated by our Cocoa Ingredients Division grew from 64.2% to 71.1% of our total revenue. For the six months ended 30 June 2004, the proportion of revenue generated by our Cocoa Ingredients Division was 71.1% total revenue. Sales volumes (in mt) from our Cocoa Ingredients Division (excluding sales for the year ended 31 December 2003 under processing arrangements in Brazil and Mexico) have grown at a compound annual rate of 16.4% over the three years ended 31 December 2003. However, revenue from our Cocoa Ingredients Division grew at a higher compound annual rate of 56.7%, as a result of higher average selling prices due to an increase in cocoa bean prices. For the six months ended 30 June 2004, sales volumes from our Cocoa Ingredients Division increased by 39.8% over the corresponding period in 2003. For the six months ended 30 June 2004, revenue from our Cocoa Ingredients Division increased by 22.3% over the corresponding period in 2003.

Revenue from our Branded Consumer Division grew at a compound annual rate of 33.7% over the three years ended 31 December 2003 mainly through increased volumes and, to a lesser extent, price increases from both our own chocolate products as well as third-party food and beverage products. For the six months ended 30 June 2004, revenue from our Branded Consumer Division increased by 30.5% over the corresponding period in 2003.

Over the three years ended 31 December 2003, we were able to expand our network of distributors and increase our coverage of traditional trade outlets throughout Indonesia. The increased penetration of traditional trade outlets was a key factor in our ability to generate higher revenue for our Branded Consumer Division. Another important element for the growth of our branded consumer business was the initiation of a re-packaging program for our in-house brands. This included a series of initiatives, implemented in conjunction with advertising and consumer promotions, to redesign product packaging across our brand portfolio in order to increase the appeal and image of our brands and products, and to introduce smaller pack sizes to increase the affordability of our branded consumer products.

The table below shows our revenue and the principal sources (by geographic locations of our customers) of such revenue and also expressed as a percentage of total revenue for the periods indicated:

By Geographical Markets

	2001		2002		Year ended 31 December 2003		2003		Six months ended 30 June 2004	
	US\$ millions (unaudited)	%	US\$ millions (unaudited)	%	US\$ millions (audited)	%	US\$ millions (unaudited)	%	US\$ millions (audited)	%
Revenue										
Indonesia	64.4	44.4	81.1	35.0	107.9	33.5	48.0	32.5	59.5	32.4
Singapore	4.2	2.9	6.9	3.0	16.7	5.2	9.5	6.4	11.6	6.3
The Philippines	9.7	6.7	18.8	8.1	22.7	7.0	10.3	7.0	11.0	6.0
Thailand	4.2	2.9	5.8	2.5	11.1	3.4	5.9	4.0	5.4	3.0
Malaysia	0.6	0.4	4.2	1.8	10.9	3.4	2.8	1.9	8.6	4.7
Other countries in										
Asia	22.2	15.3	28.3	12.2	45.7	14.2	18.5	12.5	27.1	14.7
Australia	14.5	10.0	19.6	8.5	35.0	10.9	19.0	12.9	16.8	9.2
Europe	5.8	3.9	45.6	19.6	35.7	11.1	15.6	10.6	27.5	15.0
North America	16.3	11.2	12.1	5.2	21.1	6.6	11.0	7.5	6.8	3.7
South America	3.0	2.0	8.0	3.4	10.0	3.1	4.2	2.9	7.9	4.3
Africa	0.4	0.3	1.6	0.7	5.1	1.6	2.6	1.8	1.5	0.7
	145.2	100.0	231.8	100.0	321.8	100.0	147.5	100.0	183.7	100.0

Our geographical segmentation of revenue is based on the countries in which our customers are located. Over the three years ended 31 December 2003 and for the six months ended 30 June 2004, we were able to increase our revenue with the exception of North America, Europe, Australia, Africa and Thailand. Revenue from North America declined for the year ended 31 December 2002 and for the six months ended 30 June 2004, while revenue from Europe and Africa declined for the year ended 31 December 2003 and for the six months ended 30 June 2004 respectively. The decline in revenue from North America in 2002 was offset by an increase in revenue from Europe in the same year. Conversely, the decline in revenue from Europe in 2003 was offset by an increase in revenue from North America in 2003. With respect to North America, Europe and Africa, the decline in revenue was caused by a drop in cocoa butter sales due to a decline in demand from trading houses who are our customers in those markets in the relevant periods. The decline in demand from trading houses resulted from a change in trading conditions at that time in those markets. The decline in revenue from Australia in the six months ended 30 June 2004 was due to lower volumes of cocoa butter shipped to a major customer in Australia which we believe, was due to higher inventory carried by that major customer in the six months ended 30 June 2004. Revenue from Thailand decreased in the six months ended 30 June 2004 due to lower average selling prices of our cocoa ingredients products stemming from lower cocoa bean prices. The increase in revenue from Indonesia was largely attributable to the growth of our Branded Consumer Division, while growth in revenue from other regions and countries was attributable mainly to our Cocoa Ingredients Division.

Cost of Sales

For each of the three years ended 31 December 2003, our cost of sales was US\$110.6 million, US\$181.0 million and US\$267.7 million respectively and US\$122.5 million and US\$149.3 million for the six-month periods ended 30 June 2003 and 30 June 2004 respectively.

Our cost of sales comprises mainly the following:-

- ▶ cost of raw materials such as cocoa beans, sugar, milk and packaging materials;
- ▶ purchase of third party food and beverage products relating to our distribution business;
- ▶ labour costs, which are primarily wages and salaries of our employees who are directly involved in the production process;
- ▶ depreciation of fixed assets;
- ▶ production overheads such as utilities, maintenance expenses and operating supplies and includes any cost associated with research and development activities.

We account for gains or losses from hedging activities relating to foreign currency exposures arising from the purchase of raw materials under cost of goods sold.

The table below sets forth our cost of sales for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2001 US\$ millions (unaudited)	2002 US\$ millions (unaudited)	2003 US\$ millions (audited)	2003 US\$ millions (unaudited)	2004 US\$ millions (audited)
Raw Materials					
Cocoa Beans	71.6	129.6	196.7	92.4	104.7
Other raw materials	28.0	36.0	44.0	19.5	26.6
Processing and other costs ⁽¹⁾	11.0	15.4	27.0	10.5	18.0
	110.6	181.0	267.7	122.4	149.3

Note:

⁽¹⁾ Includes purchases of third party brands.

Other Income

Other income includes write-back of allowance for doubtful debts and other miscellaneous income.

Selling and Distribution Expenses

Selling and distribution expenses comprise advertising and promotional expenses, freight and handling charges, staff costs relating to our sales and marketing personnel and other selling and distribution related costs. Such expenses are dependent mainly on the level of our sales and marketing activities.

Advertising and promotional expenses have been incurred to support the activities of our Branded Consumer Division and represented on average 41.1% of our selling and distribution expenses and 8.2% of our Branded Consumer Division's revenue for the three years ended 31 December 2003 and 40.0% of our selling and distribution expenses and 8.3% of our Branded Consumer Division's revenue for the six months ended 30 June 2004. Freight and handling charges relate to costs we incur in delivering goods sold to our customers and distributors. These charges accounted for on average 23.2% of our selling and distribution expenses for the three years ended 31 December 2003 while staff costs relating to our sales and marketing personnel accounted for on average 21.3% over the same period. For the six months ended 30 June 2004, these charges accounted for 23.8% of our selling and distribution expenses while staff costs relating to our sales and marketing personnel accounted for 25.5% over the same period.

Administrative Expenses

Administrative expenses include salary and payroll-related costs (including staff training costs, benefits and allowances) for administrative and management personnel, depreciation expenses relating to office equipment and motor vehicles, warehouse management fees, allowance for doubtful debts, professional fees and travelling expenses. Salary and payroll-related costs were the single largest component, accounting for on average, 39.9% of our administrative expenses for the three years ended 31 December 2003 and 53.0% of our administrative expenses for the six months ended 30 June 2004.

Other Operating Expenses

Other operating expenses include foreign exchange losses arising from translation of operating assets and liabilities and amortisation of goodwill.

Finance Income

Finance income includes primarily interest income derived from fixed deposits and foreign exchange gains relating to borrowings and bank balances.

Finance Costs

Finance costs comprise mainly interest expense relating to our bank borrowings, and foreign exchange loss on borrowings and bank balances. Finance costs, net of finance income, represented 32.0%,

28.0%, 32.4% and 22.5% of our profit from operations in 2001, 2002, 2003 and for the six months ended 30 June 2004 respectively.

Tax

Companies incorporated in Singapore are subject to income tax at the statutory tax rate which is currently 20%. However, our Company enjoys a reduced tax rate of 10% on income derived from qualifying transactions from the sale of cocoa ingredients under the Global Trader Programme (“GTP”) in Singapore. Our GTP status is effective for a period of five years from 1 June 2001. In the year ended 31 December 2003 and in the six months ended 30 June 2004, our GTP status resulted in tax savings of US\$0.5 million and US\$0.4 million respectively.

Our foreign subsidiaries are taxed in accordance with the prevailing tax regulations of the jurisdictions in which they are incorporated. Our subsidiaries in Malaysia and Thailand currently have the benefit of various tax concessions. Two of our Malaysian subsidiaries, Delfi Cocoa (Malaysia) Sdn Bhd and Ceres Sime Confectionery Sdn Bhd, enjoy investment tax allowance incentives of 60% of qualifying capital expenditure available to manufacturing companies. The investment incentives applicable to Delfi Cocoa (Malaysia) Sdn Bhd and Ceres Sime Confectionery Sdn Bhd are valid for five years commencing 17 November 2000 and 9 December 2000 respectively.

Our Thai subsidiary, Siam Cocoa Products Co., Ltd., has received promotional privileges from the Board of Investment of Thailand (“BOI”) in its capacity as a manufacturer of cocoa liquor, cocoa butter and cocoa powder. Such promotional privileges include corporate tax exemptions, exemption or reduction of import duty on imported machinery for use in Siam Cocoa Products Co., Ltd.’s manufacturing business as well as the right to own land.

See “Risk Factors — We may not be able to enjoy continued availability of government tax incentives and privileges”.

Our tax expense and effective tax rates for the years ended 31 December 2001, 2002 and 2003 and the six months ended 30 June 2003 and 2004 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2001 (unaudited)	2002 (unaudited)	2003 (audited)	2003 (unaudited)	2004 (audited)
Tax expense (US\$'000)	2,303	3,436	4,814	2,317	2,430
As a percentage of profit before tax	24.9%	21.6%	29.0%	26.9%	21.5%

Our tax expense may be higher or lower than the prevailing statutory tax rate in Singapore depending on factors such as the amount of income derived from our foreign subsidiaries and the tax rates to which such income is subject to, available tax concessions and the amount of expenses which are not deductible for tax purposes.

SIGNIFICANT ACCOUNTING POLICIES

Certain of our principal accounting policies are summarised below. See Note 2 on “Significant Accounting Policies” in our consolidated financial statements for a discussion of the principal accounting policies adopted in the preparation of our consolidated financial statements. Our financial statements, expressed in United States dollars and rounded to the nearest thousand, is prepared under the historical cost convention and in accordance with FRS issued by Singapore’s Council on Corporate Disclosure and Governance.

Revenue Recognition

Revenue comprises the invoiced value for the sale of goods or services, net of goods and services tax, rebates and discounts.

We recognise revenue from the sale of goods when significant risks and rewards of ownership of the goods are transferred to the buyer. For our Cocoa Ingredients Division this occurs when legal ownership of the goods passes to the customer and thus depends on the specific shipping terms of each individual sale. For our Branded Consumer Division this occurs when goods are delivered to the premises of, and are accepted by, our customers.

Revenue from the provision of services primarily comprises income generated through long term processing arrangements and is recognised at the time the service is provided.

Inventories

Inventories are stated at the lower of cost and net realisable value. We determine the cost of inventories on a weighted average basis and include all costs incurred in bringing each product to its present location and condition.

The cost of manufactured inventories includes all direct expenditure and production overheads based on the normal level of activity. The cost of manufactured inventories includes raw material cost, direct labour cost and production overheads based on a normal level of activity. The raw material cost, which comprises primarily cocoa beans, includes their purchase price, inward shipping costs and import duties and charges. Direct labour cost comprises primarily manufacturing staff costs. Production overheads comprise primarily utilities charges, rental costs, depreciation of plant and machinery and indirect labour costs related to the manufacturing of the inventories.

The cost of goods purchased includes their purchase price, inward shipping costs and import duties and charges.

Work-in-progress inventories include direct material cost and direct labour cost incurred to the date of the financial statements. The amount also includes an allocated amount of production overheads by applying an overhead rate to the estimated stage of completion.

Net realisable value is our estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

We make an allowance for obsolete, slow-moving or defective inventories when the inventory is not expected to realise a value in excess of its carrying cost. For further information on our inventories, see “Business — Inventory Management”.

Trade Debtors

Our trade debtors, who generally have 14 to 90 days payment terms, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts, if applicable.

We make an allowance for doubtful debtors when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. We would consider factors such as creditworthiness, financial position, payment patterns and the length of the business relationship when assessing the amount of doubtful debts. Bad debts are written off when identified. See “Credit Policy” for further information on our debtors.

Property, Plant and Equipment

We record all items of property, plant and equipment at historical cost less accumulated depreciation and impairment losses.

We do not provide for any depreciation on freehold land and construction work in progress. We amortise leasehold land evenly over the term of the lease.

Depreciation is calculated on a straight line basis to write off the cost of all other items of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Buildings and improvements	10-25 years
Machinery and equipment	10-15 years
Motor vehicles	5 years
Office equipment	5-10 years

We generally depreciate our buildings over 20-25 years.

Where an indication of impairment exists, we assess the carrying amount of the asset and write it down immediately to its recoverable amount.

Foreign Currency Translation

(a) Measurement Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the “measurement currency”). We have determined that the measurement currency is the United States dollar for the entities within the Cocoa Ingredients Division. For the Branded Consumer Division, we have determined that the measurement currency is the currency of the place of domicile of the entity within the Division.

(b) Transactions and Balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Exchange differences arising are taken to the income statement.

SIGNIFICANT CHANGES IN ACCOUNTING POLICY

Financial instruments

FRS 39 Financial Instruments: Recognition and Measurement, which was issued by Singapore’s Council on Corporate Disclosure and Governance is effective for financial periods beginning on or after 1 January 2005. This accounting standard establishes new principles for the classification, recognition, measurement and hedge accounting for financial instruments. Under the requirements of this accounting standard, certain financial assets, financial liabilities and all financial derivatives will be required to be recorded at fair value with the changes in fair value recorded either through the income statement or directly in shareholders’ equity. Strict hedge accounting criteria are prescribed in this accounting standard and hence certain transactions may not qualify for hedge accounting.

Share-based payments

In July 2004, Singapore’s Council of Corporate Disclosure and Governance announced the adoption of FRS 102 Share-based Payment (“FRS 102”), effective for financial statements covering periods beginning on or after 1 January 2004 for listed companies. Upon legislation of FRS 102, the fair value of employee services received in exchange for the grant of the options will be recognized as an expense. For equity-settled share-based payment transactions, the total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each option granted at the grant date and the number of options vested by vesting date, with a corresponding increase in equity.

SIX MONTHS ENDED 30 JUNE 2004 COMPARED TO SIX MONTHS ENDED 30 JUNE 2003

Revenue

Our revenue increased by US\$36.2 million, or 24.5%, from US\$147.5 million for the six months ended 30 June 2003 to US\$183.7 million for the six months ended 30 June 2004.

Revenue from our Cocoa Ingredients Division increased by US\$23.9 million, or 22.3%, from US\$106.8 million for the six months ended 30 June 2003 to US\$130.7 million for the six months ended 30 June 2004, as a result of higher sales volumes which was partially offset by lower average selling prices, which in turn was due to lower cocoa bean prices. Our average selling price decreased by 12.5% from US\$2,864 per mt for the six months ended 30 June 2003 to US\$2,506 per mt for the six months ended 30 June 2004 while sales volumes (excluding sales volumes under processing arrangements in Brazil and Mexico) increased by 39.8% over the same period. The average price that we paid for cocoa beans decreased by 19.0% from US\$1,983 per mt for the six months ended 30 June 2003 to US\$1,607 per mt for the six months ended 30 June 2004.

Revenue from our Branded Consumer Division increased by US\$12.4 million, or 30.5%, from US\$40.7 million for the six months ended 30 June 2003 to US\$53.1 million for the six months ended 30 June 2004. The increase was mainly due to higher sales volumes of our branded products and

distributed third party products as well as higher average selling prices. We increased prices for some of our products by approximately 4% to 5% in the second quarter of 2003 in order to pass on increases in our cost of sales. The increase in sales volume was attributable to our expanded distribution network and increased demand for our branded consumer products. We experienced increased demand for our branded consumer products due to an improved economic environment in the first half of 2004 as compared to the first half of 2003 during which the outbreak of SARS occurred and the effects of the Bali bombings were felt in Indonesia.

Cost of Sales

Our cost of sales increased by US\$26.8 million, or 21.9%, from US\$122.5 million for the six months ended 30 June 2003 to US\$149.3 million for the six months ended 30 June 2004. The increase was mainly due to higher volumes of cocoa beans purchased as a result of higher sales volumes made possible by an increase in our Cocoa Ingredients Divisions bean grind capacity. In the six months ended 30 June 2003, we ground 49,431 mt of cocoa beans and in the six months ended 30 June 2004, we ground 85,803 mt of cocoa beans which represents a 73.6% increase in the amount of cocoa beans ground.

Gross Profit

Overall, our gross profit increased by US\$9.4 million, or 37.6%, from US\$25.0 million for the six months ended 30 June 2003 to US\$34.4 million for the six months ended 30 June 2004. Of the US\$9.4 million increase, US\$4.2 million was contributed by our Cocoa Ingredients Division and US\$5.2 million by our Branded Consumer Division.

Other Income

Other income increased by US\$0.1 million, or 33.3%, from US\$0.3 million for the six months ended 30 June 2003 to US\$0.4 million for the six months ended 30 June 2004 arising from an increase in the sale of scrap, specifically, cocoa bean shells.

Selling and Distribution Costs

Selling and distribution costs increased by US\$5.5 million, or 100.0%, from US\$5.5 million for the six months ended 30 June 2003, to US\$11.0 million for the six months ended 30 June 2004. The increase was due mainly to higher advertising and promotional expenses, sales and marketing personnel related costs and freight and handling charges. We incurred higher advertising and promotional expenses which increased by US\$2.8 million or 182.0%, mainly due to an increase in advertising and promotional activities in the first half of 2004 as compared to the first half of 2003. In the first half of 2003, weak market sentiment resulting from the SARS outbreak had led to lower sales and a decrease in advertising and promotional activities. Sales and marketing personnel related costs increased by US\$1.3 million, or 90.4%, due to increased headcount mainly at PT Nirwana Lestari where we hired additional staff to service our traditional and modern sales channels. Our head count also increased as a result of the acquisition of new subsidiaries, Ceres Sime Marketing Sdn Bhd and Petra-SPT Marketing Pte Ltd. The latter was accounted for as an associate before it was converted to a subsidiary in the second half of 2003. We also incurred higher freight and handling charges which increased by US\$0.9 million, or 48.2%, mainly due to increased sales volumes of our Cocoa Ingredients Division.

Administrative Expenses

Administrative expenses increased by US\$1.2 million, or 18.5%, from US\$6.5 million for the six months ended 30 June 2003 to US\$7.7 million for the six months ended 30 June 2004. The increase was a result of higher salary and payroll related costs which rose by US\$0.7 million as we hired new administrative and management personnel for our head office in Singapore to support our increased business activities. We also hired new administrative and management personnel in the run-up to the commissioning of our new cocoa processing facility in Johor, Malaysia.

Other Operating Expenses

Other operating expenses increased by US\$0.6 million, or 100.0%, from US\$0.6 million for the six months ended 30 June 2003 to US\$1.2 million for the six months ended 30 June 2004. The increase was a result of goodwill amortisation arising from the acquisition of subsidiaries in second half of 2003.

Profit from Operations

Our Group profit from operations increased by US\$2.2 million, or 17.3%, from US\$12.7 million for the six months ended 30 June 2003 to US\$14.9 million for the six months ended 30 June 2004, due to higher profits from operations at both our business divisions. For the six months ended 30 June 2004, our Cocoa Ingredients Division contributed 50.7% of our Group profit from operations, compared to 50.4% for the six months ended 30 June 2003. Contribution from our Branded Consumer Division decreased marginally from 49.6% for the six months ended 30 June 2003 to 49.3% for the six months ended 30 June 2004.

Profit from operations for our Cocoa Ingredients Division grew by 18.8% from US\$6.4 million for the six months ended 30 June 2003 to US\$7.6 million for the six months ended 30 June 2004 due to higher gross profit achieved in the first half of 2004 which, in turn, was largely due to our new cocoa processing facility in Johor, Malaysia commencing operations in June 2003.

Profit from operations for our Branded Consumer Division increased by US\$1.1 million, or 17.5%, from US\$6.3 million for the six months ended 30 June 2003 to US\$7.4 million for the six months ended 30 June 2004 due to higher gross profit achieved in the first half of 2004 which was partially offset by increased advertising and promotional expenses and sales and marketing expenses. Advertising and promotional expenses increased in the first half of 2004 as compared to the first half of 2003, when weak market sentiment resulting from the SARS outbreak had led to lower sales and a decrease in advertising and promotional activities. As a result, the operating profit margin for our Branded Consumer Division declined from 15.4% for the six months ended 30 June 2003 to 13.9% for the six months ended 30 June 2004.

Finance Income

Our finance income increased by US\$0.3 million, or 300.0%, from US\$0.1 million for the six months ended 30 June 2003 to US\$0.4 million for the six months ended 30 June 2004, primarily due to a net foreign exchange gain.

Finance Costs

Our finance costs decreased by US\$0.3 million, or 7.5%, from US\$4.0 million for the six months ended 30 June 2003 to US\$3.7 million for the six months ended 30 June 2004, mainly due to a decline in our costs of borrowing which resulted from the refinancing of loan facilities in respect of our Indonesian operations in the second half of 2003. This decrease was partially offset by an increase in finance costs incurred in connection with our acquisitions in Brazil and Mexico and the expansion of capacity at our cocoa processing facility in Johor, Malaysia.

Share of Results of Associates

Our share of losses of associates increased by US\$0.1 million, or 64.8%, from US\$0.2 million for the six months ended 30 June 2003 to US\$0.3 million for the six months ended 30 June 2004.

Tax

Our tax expense increased by US\$0.1 million, or 4.9%, from US\$2.3 million for the six months ended 30 June 2003 to US\$2.4 million for the six months ended 30 June 2004. This increase was primarily due to higher pre-tax profits. However, our effective tax rate decreased from 26.9% in the first half of 2003 to 21.5% in the corresponding period in 2004 as a result of higher deferred tax benefits recognised in the first half of 2004.

Net Profit

Net profit increased by 43.6%, from US\$6.3 million for the six months ended 30 June 2003 to US\$9.0 million for the six months ended 30 June 2004.

EBITDA

EBITDA increased by 29.7%, from US\$15.1 million for the six months ended 30 June 2003 to US\$19.6 million for the six months ended 30 June 2004.

EBITDA generated by our Cocoa Ingredients Division increased by 34.3%, from US\$7.8 million for the six months ended 30 June 2003 to US\$10.5 million for the six months ended 30 June 2004. This

increase resulted from an increase of 39.8% in sales volume in the six months ended 30 June 2004, offset in part by a lower EBITDA per mt of sales volume of US\$200.0 per mt in the six months ended 30 June 2004 compared to US\$209.0 per mt in the six months ended 30 June 2003.

EBITDA generated by our Branded Consumer Division increased by 24.8% from US\$7.3 million to US\$9.1 million in the same period due to higher sales volumes of our branded products and third party products as well as higher average selling prices in the six months ended 30 June 2004.

YEAR ENDED 31 DECEMBER 2003 COMPARED TO YEAR ENDED 31 DECEMBER 2002

Revenue

Our revenue increased by US\$90.0 million, or 38.8%, from US\$231.8 million in 2002 to US\$321.8 million in 2003.

Revenue from our Cocoa Ingredients Division increased by US\$69.2 million, or 43.3%, from US\$159.8 million in 2002 to US\$229.0 million in 2003 as a result of both higher sales volumes and higher average selling prices, which was in turn due to higher cocoa bean prices. Our average selling price increased by 27.1% from US\$2,100 per mt in 2002 to US\$2,669 per mt in 2003 while sales volumes (excluding sales volumes under processing arrangements in Brazil and Mexico) increased by 12.8% over the same period. The average price that we paid for cocoa beans increased by 34.6% from US\$1,363 per mt in 2002 to US\$1,834 per mt in 2003.

Revenue from our Branded Consumer Division grew by US\$20.9 million, or 29.0%, from US\$72.0 million in 2002 to US\$92.9 million in 2003. The increase was mainly due to higher sales volumes of our branded consumer products and distributed third party products as well as average selling prices. We increased prices for some of our products by approximately 4% to 5% in the second quarter of 2003 in order to pass on increases in our cost of sales. In addition, the appreciation of the Rupiah against the US Dollar contributed to approximately 10.0% of this increase in revenue from our Branded Consumer Division. The increase in sales volumes was attributable to our improved and expanded distribution network, ongoing re-packaging initiatives for our portfolio of products and new product launches.

Cost of Sales

Our cost of sales increased by US\$86.6 million, or 47.8%, from US\$181.1 million in 2002 to US\$267.7 million in 2003. The increase was mainly due to a higher volume of purchases of cocoa beans as a result of higher sales volumes, made possible by an increase in our Cocoa Ingredients Division's bean grind capacity. In 2002, we ground 90,131 mt of cocoa beans and in 2003, we ground 128,502 mt of cocoa beans which represents a 42.6% increase in the amount of cocoa beans ground. The increase in cost of sales was also due to an increase in the sales volume of our Branded Consumer Division. Cocoa bean prices were driven up in 2003 due to the civil unrest in the Ivory Coast in late 2002 which had an impact on the cost of sales of both our Cocoa Ingredients and Branded Consumer Divisions.

Gross Profit

Overall, our gross profit increased by US\$3.4 million, or 6.7%, from US\$50.7 million in 2002 to US\$54.1 million in 2003. Of the US\$3.4 million increase, US\$1.2 million was contributed by our Cocoa Ingredients Divisions and US\$2.2 million by our Branded Consumer Division.

Other Income

Other income increased by US\$1.0 million, or 58.8%, from US\$1.7 million in 2002 to US\$2.7 million in 2003 primarily due to an increase of US\$0.6 million in write-back of allowance for doubtful debts due to reversals of provisions made in 2001. We provided for doubtful debts in 2001 as we added new customers, including customers from the Middle East where there was then heightened instability.

Selling and Distribution Costs

Selling and distribution costs increased by US\$1.0 million, or 6.5%, from US\$15.5 million in 2002 to US\$16.5 million in 2003. The increase was due mainly to higher freight and handling charges and sales and marketing personnel related costs which increased by US\$1.3 million and US\$1.0 million respectively, partially offset by lower advertising and promotional expenses which decreased by

US\$1.8 million or 24.9% primarily as a result of fewer product launches in 2003. We launched fewer products in 2003 due to the prevailing weak market sentiment resulting from the SARS outbreak and the Bali bombings in that year. Freight and handling charges increased by 41.1% due to increased sales volumes and a general increase in freight charges industry-wide because of increased traffic. Sales and marketing personnel related costs increased by 31.9% because our Branded Consumer Division's sales department hired additional staff to service our relationship with modern distribution channels such as supermarkets. In addition, sales and marketing personnel related costs increased due to annual increases in salary.

Administrative Expenses

Administrative expenses increased marginally by US\$0.7 million or 5.6% from US\$12.4 million in 2002 to US\$13.1 million in 2003. The increase was a result of higher salary and payroll related costs which rose by US\$1.0 million as we hired new administrative and management personnel for our new facility in Johor, Malaysia, which was commissioned in June 2003 and due to administrative expenses at our plant in Mexico which we acquired in 2003. In addition, we incurred administrative start-up costs of US\$1.0 million relating to our new manufacturing facilities in Johor and Klang, Malaysia. No allowance for doubtful debts was made in 2003 as compared to an allowance of US\$1.3 million made in 2002.

Other Operating Expenses

Other operating expenses increased by US\$0.2 million, or 10.0%, from US\$2.0 million in 2002 to US\$2.2 million in 2003, primarily as a result of goodwill amortisation charges resulting from our acquisition in Brazil.

Profit from Operations

Our Group profit from operations increased by US\$2.6 million, or 11.6%, from US\$22.5 million in 2002 to US\$25.1 million in 2003, primarily due to the higher profit from operations generated by our Branded Consumer Division. In 2003, our Cocoa Ingredients Division contributed 47.8% of our Group profit from operations, compared to 51.8% in 2002. Contribution from our Branded Consumer Division increased from 48.2% in 2002 to 52.2% in 2003.

Profit from operations for our Cocoa Ingredients Division grew by 2.6% from US\$11.7 million in 2002 to US\$12.0 million in 2003 due to higher gross profit achieved in 2003 which was partially offset by start-up losses of US\$2.1 million at our new manufacturing facility in Johor, Malaysia.

Profit from operations for our Branded Consumer Division increased by US\$2.2 million, or 20.2%, from US\$10.9 million in 2002 to US\$13.1 million in 2003. However, the operating profit margin for our Branded Consumer Division declined from 15.1% in 2002 to 14.1% in 2003 primarily as a result of our higher costs of sales due to the higher price of cocoa butter and cocoa liquor.

Finance Income

Our finance income decreased by US\$0.1 million, or 33.3%, from US\$0.3 million in 2002 to US\$0.2 million in 2003 primarily due to lower interest rates and balances in respect of our bank deposits.

Finance Costs

Our finance costs increased by US\$1.8 million or 27.7% from US\$6.5 million in 2002 to US\$8.3 million in 2003 due to higher borrowings to finance higher levels of inventory due to increased grinding capacity at a Group level and the higher prices of cocoa beans. In addition, we took loans to finance our acquisitions of Nestle's cocoa processing plants in Brazil and Mexico and to finance construction of our cocoa processing facility in Johor, Malaysia.

Share of Results of Associates

Our share of losses of associates increased by US\$0.1 million, or 33.3%, from US\$0.3 million in 2002 to US\$0.4 million in 2003 due to the losses incurred at Petra-SPT Marketing Pte Ltd which was accounted for as an associate before it was converted to a subsidiary on 10 September 2003. Petra-SPT Marketing Pte Ltd incurred losses due to a strengthening of the Euro against the Singapore dollar in 2003, as a large proportion of its expenses (mainly chocolate confectionery purchases) were denominated in Euros, whilst revenue was denominated in Singapore dollars.

Tax

Our tax expense increased by US\$1.4 million, or 41.2%, from US\$3.4 million in 2002 to US\$4.8 million in 2003. This increase was primarily due to higher pre-tax profits. However, our effective tax rate increased from 21.6% in 2002 to 29.0% in 2003 primarily as a result of a lower proportion of income qualifying for tax concessions, higher profit contribution from our foreign subsidiaries which are subject to higher tax rates, and a higher amount of non-tax deductible expenses.

Net Profit

Net profit decreased marginally from US\$11.9 million in 2002 to US\$11.8 million in 2003.

EBITDA

EBITDA increased by 15.4% from US\$27.3 million in 2002 to US\$31.5 million in 2003.

EBITDA generated by our Cocoa Ingredients Division increased by 7.9% from US\$15.0 million in 2002 to US\$16.3 million in 2003. This increase resulted from an increase of 12.8% in sales volumes in 2003, offset in part by a lower EBITDA per mt of sales volume of US\$190 per mt in 2003 compared to US\$198 per mt in 2002.

EBITDA generated by our Branded Consumer Division increased by 24.6% from US\$12.2 million to US\$15.2 million in the same period primarily due to higher sales volume of our branded consumer products and distributed third party products as well as higher average selling prices.

YEAR ENDED 31 DECEMBER 2002 COMPARED TO YEAR ENDED 31 DECEMBER 2001

Revenue

Our revenue increased by US\$86.6 million, or 59.6%, from US\$145.2 million in 2001 to US\$231.8 million in 2002.

Revenue from our Cocoa Ingredients Division increased by US\$66.5 million or 71.3% from US\$93.3 million in 2001 to US\$159.8 million in 2002 due to both higher sales volumes and higher average selling prices. Sales of our Cocoa Ingredients Division increased in volume terms by 20.1%, made possible by increased capacity at our plants in Thailand and Indonesia. Average selling prices for our cocoa ingredients products increased by 42.7% from US\$1,472 per mt in 2001 to US\$2,100 per mt in 2002, mainly due to higher cocoa bean prices. The average price that we paid for cocoa beans increased from US\$904 per mt in 2001 to US\$1,363 per mt in 2002. As a result, revenue contribution from our Cocoa Ingredients Division grew from 64.2% in 2001 to 69.0% in 2002.

Revenue from our Branded Consumer Division grew by US\$20.1 million, or 38.7%, from US\$51.9 million in 2001 to US\$72.0 million in 2002. The increase was due to higher sales volumes as well as higher selling prices. We increased prices across the range of our branded consumer products, by approximately 4% to 5% in the second quarter of 2001 in order to pass on increases in our cost of sales. Our previous general price increase occurred in 1999. The increase in sales volumes was attributable to a more extensive distribution network and the introduction of new products and smaller pack sizes to increase the affordability of our branded consumer products. However, as a result of the significantly higher growth in revenue from our Cocoa Ingredients Division, revenue contribution from our Branded Consumer Division decreased from 35.8% in 2001 to 31.0% in 2002.

Cost of Sales

Our cost of sales increased by US\$70.4 million, or 63.7%, from US\$110.6 million in 2001 to US\$181.0 million in 2002. The increase was mainly due to higher raw material prices, in particular the average price that we paid for cocoa beans which increased from US\$904 per mt in 2001 to US\$1,363 per mt in 2002, and higher purchase volumes commensurate with the growth of our business activities.

Gross Profit

Our gross profit increased by US\$16.1 million or 46.5% from US\$34.6 million in 2001 to US\$50.7 million in 2002. US\$7.2 million of the increase was attributable to our Cocoa Ingredients Division and US\$8.9 million was attributable to our Branded Consumer Division.

Selling and Distribution Expenses

Selling and distribution expenses increased by US\$4.5 million, or 40.9%, from US\$11.0 million in 2001 to US\$15.5 million in 2002. The majority of this increase was due to higher advertising and promotional expenses which increased by US\$2.1 million, or 41.1%, to support new product launches of our Branded Consumer Division and an increase in consumer promotions to raise awareness of our brands. We also incurred higher freight and handling charges which increased by US\$0.8 million or 33.1% and staff costs relating to sales and marketing personnel to support our increased business activities.

Administrative Expenses

Administrative expenses increased by US\$2.4 million, or 24.0% from US\$10.0 million in 2001 to US\$12.4 million in 2002. This increase was largely as a result of write-offs of investments in an associate amounting to US\$0.6 million, an increase of US\$0.5 million in allowance for doubtful debts which we provided for as we added new customers including customers from the Middle East where there was then heightened instability, an increase in depreciation of US\$0.4 million mainly due to write-offs of property, plant and equipment in the Philippines subsidiary, Cocoa Specialities Inc., warehouse management fees of US\$0.2 million and travelling expenses of US\$0.2 million. In addition, salary and payroll related costs increased by US\$0.5 million.

Other Operating Expenses

Other operating expenses increased from US\$1.5 million in 2001 to US\$2.0 million in 2002. The increase of US\$0.5 million, or 33.3%, was largely due to higher foreign exchange losses incurred in relation to translation of operating assets and liabilities of our Group.

Profit from Operations

Our profit from operations increased by US\$8.5 million, or 60.7%, from US\$14.0 million in 2001 to US\$22.5 million in 2002, as a result of higher profits from operations at both our business divisions. For 2002, our Cocoa Ingredients Division contributed 51.8% of our profit from operations, compared to 44.6% in 2001. Contribution from our Branded Consumer Division decreased from 55.4% in 2001 to 48.2% in 2002.

Profit from operations for our Cocoa Ingredients Division increased by US\$5.5 million, or 88.7%, from US\$6.2 million in 2001 to US\$11.7 million in 2002. The increase in our profit from operations was primarily due to our higher sales volumes as well as an increase in the average selling prices of our cocoa ingredients products relative to the underlying raw material cost. The average selling prices of cocoa ingredient products increased at a faster rate than cocoa bean prices because of a perception among cocoa ingredient purchasers of a potential shortage in supply.

Profit from operations for our Branded Consumer Division increased by US\$3.1 million, or 39.7%, from US\$7.8 million in 2001 to US\$10.9 million in 2002. Operating profit margin also increased from 14.9% in 2001 to 15.1% in 2002 as the impact of the general price increases we instituted in the second quarter of 2001 was seen for the full year in 2002.

Finance Costs

Our finance costs increased by 36.4% from US\$4.8 million in 2001 to US\$6.6 million in 2002. The increase was primarily due to higher borrowings incurred to finance increased raw material purchases and a higher level of inventories (due to increased bean grind capacity in both our cocoa processing plants in Thailand and Indonesia) which were the subject of trade finance arrangements.

Tax

In 2002, our tax expense increased to US\$3.4 million from US\$2.3 million in 2001. However, our effective tax rate decreased from 24.9% in 2001 to 21.6% in 2002 primarily as a result of tax concessions relating to our GTP status, which were obtained in June 2001 (See “— Principal Income Statement Components — Tax”).

Net Profit

Net profit increased by 84.0% from US\$6.5 million in 2001 to US\$11.9 million in 2002.

EBITDA

EBITDA increased by 51.7% from US\$18.0 million in 2001 to US\$27.3 million in 2002. The EBITDA generated by our Cocoa Ingredients Division increased by 62.4% from US\$9.3 million in 2001 to US\$15.1 million in 2002. This increase resulted from an increase in EBITDA per mt of sales volume of US\$198 in 2002 compared to US\$147 per mt of sales volume in 2001 and a 20.1% increase in sales volumes in 2002.

EBITDA generated by our Branded Consumer Division increased by 40.2% from US\$8.7 million in 2001 to US\$12.2 million in 2002 primarily due to higher sales volumes as well as higher selling prices of our branded consumer products.

LIQUIDITY AND CAPITAL RESOURCES

Our operations have been funded through a combination of cash generated from our operations, borrowings from banks and financial institutions and proceeds from an issue of convertible bonds.

As at the Latest Practicable Date, our material sources of unused liquidity are our cash and bank balances of US\$5.3 million and our unutilised banking facilities of US\$105.1 million.

Cash Flow Data

The following table summarises our statements of cash flows for the periods presented:

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Profit before tax and share of profits less losses of associates	9,516	16,208	16,974	8,772	11,581
Net increase in working capital	(12,520)	(6,091)	(23,783)	(12,031)	(3,102)
Other adjustments	6,314	7,784	7,877	3,077	4,476
Net cash (outflow)/inflow from operating activities	3,310	17,901	1,068	(182)	12,955
Net cash outflow from investing activities	(13,484)	(29,687)	(34,547)	(10,377)	(6,994)
Net cash inflow/(outflow) from financing activities	21,912	6,546	31,950	11,023	(1,862)
Exchange difference on translation	213	624	(91)	(222)	(352)
Net increase/(decrease) in cash and cash equivalents held	11,951	(4,616)	(1,620)	242	3,747
Cash and cash equivalents at the beginning of the financial year/period	(23,986)	(12,035)	(16,651)	(16,651)	(18,271)
Cash and cash equivalents at the end of the financial year/period	(12,035)	(16,651)	(18,271)	(16,409)	(14,524)
Represented by:					
Cash and bank balances	13,076	12,394	8,832	10,528	10,739
Less: Fixed deposits held as collateral with financial institutions	(3,365)	(4,008)	(2,086)	(2,001)	(2,960)
Less: Bank overdrafts	(21,746)	(25,037)	(25,017)	(24,936)	(22,303)
	(12,035)	(16,651)	(18,271)	(16,409)	(14,524)

We had positive annual operating cash flow from 2001 to 2003, due to profit before taxes in each year. For the six months ended 30 June 2004, we had net cash generated by operating activities of US\$13.0 million, due primarily to profit before taxes of US\$11.6 million.

Six months ended 30 June 2004

In the six months ended 30 June 2004, we generated operating cash flow before working capital change of US\$19.8 million. Net cash utilised for working capital purposes amounted to US\$3.1 million, due primarily to increases in inventories of US\$6.6 million which was partially offset by a decrease in

receivables of US\$1.8 million and an increase in trade finance facilities amounting to US\$1.8 million. The increase in working capital was principally to support our higher level of business activities in relation to Delfi Cocoa (Malaysia) Sdn Bhd's cocoa processing facility in Johor, Malaysia which commenced operations in June 2003. We also paid interest and income taxes of US\$1.2 million and US\$2.6 million respectively. As a result, net cash generated from operating activities was US\$13.0 million.

Net cash outflow from investing activities in the six months ended 30 June 2004 was US\$7.0 million. This was largely due to the addition of equipment to expand capacity at Delfi Cocoa (Malaysia) Sdn Bhd's cocoa processing facility in Johor, Malaysia and our chocolate confectionery production facilities in Bandung, Indonesia.

Net cash outflow from financing activities amounted to US\$1.9 million in the six months ended 30 June 2004. This was primarily due to an interest payment of US\$2.6 million and an increase in fixed deposits held as collateral with financial institutions of US\$0.9 million which was partially offset against net proceeds from bank loans of US\$1.7 million.

As a result, cash and cash equivalents held increased by US\$3.7 million and as at 30 June 2004, we had cash and bank balances of US\$10.7 million, fixed deposits held as collateral with financial institutions, of US\$3.0 million and bank overdrafts of US\$22.3 million.

Six months ended 30 June 2003

In the six months ended 30 June 2003, we generated operating cash flow before working capital change of US\$15.5 million. Net cash utilised for working capital purposes amounted to US\$12.0 million, due primarily to increases in receivables and inventories of US\$3.8 million and US\$14.2 million respectively, and a decrease in payables of US\$16.6 million, which was partially offset by an increase in trade finance facilities amounting to US\$22.5 million. The increase in working capital was principally due to higher cocoa bean prices as well as to support our higher level of business activities. We also paid interest and income taxes of US\$1.0 million and US\$2.6 million respectively. As a result, net cash outflow from operating activities was US\$0.2 million.

Net cash outflow from investing activities in the six months ended 30 June 2003 was US\$10.4 million. This was largely due to construction of Delfi Cocoa (Malaysia) Sdn Bhd's cocoa processing facility in Johor, Malaysia which was completed in June 2003, the addition of new equipment to expand capacity at our chocolate confectionery production facilities in Bandung, Indonesia and Klang, Malaysia and an increase in our investment in Siam Cocoa Products Co., Ltd.

Net cash inflow from financing activities amounted to US\$11.0 million in the six months ended 30 June 2003. This was primarily due to an increase of US\$12.0 million in borrowings to finance the aforementioned capital expenditures and a decrease in fixed deposits held as collateral with financial institutions of US\$2.0 million which was partially offset by interest payments of US\$2.9 million.

As a result, cash and cash equivalents held increased by US\$0.2 million and as at 30 June 2003, we had cash and bank balances of US\$10.5 million, fixed deposits held as collateral with financial institutions of US\$2.0 million and bank overdrafts of US\$24.9 million.

2003

In 2003, we generated operating cash flow before working capital change of US\$31.7 million. Net cash utilised for working capital purposes amounted to US\$23.8 million, due primarily to increases in receivables and inventories of US\$6.7 million and US\$9.9 million respectively, and a decrease in payables of US\$13.4 million, which was partially offset by an increase in trade finance facilities amounting to US\$6.3 million. The increase in working capital was principally due to higher cocoa bean prices as well as to support our higher level of business activities. We also paid interest and income taxes of US\$2.0 million and US\$4.8 million respectively. As a result, net cash generated from operating activities was US\$1.1 million.

Net cash used for investing activities in 2003 was US\$34.5 million. This was largely due to the construction of Delfi Cocoa (Malaysia) Sdn Bhd's cocoa processing facility in Johor, Malaysia, which was completed in June 2003, as well as our acquisitions of Nestle's cocoa processing facility in Mexico and Delfi Cacau Brasil Ltda and the addition of new equipment to expand capacity at our chocolate confectionery production facilities in Bandung, Indonesia and Klang, Malaysia.

Net cash inflow from financing activities amounted to US\$32.0 million in 2003. This was primarily due to an increase of US\$36.4 million in borrowings to finance the aforementioned capital expenditures and decrease in fixed deposits held as collateral with financial institutions of US\$1.9 million, which was partially offset by interest payments of US\$6.2 million.

As a result, cash and cash equivalents held decreased by US\$1.6 million and as at 31 December 2003, we had cash and bank balances of US\$8.8 million, fixed deposits held as collateral with financial institutions of US\$2.1 million and bank overdrafts of US\$25.0 million.

2002

In 2002, we recorded an operating cash flow of US\$27.7 million before working capital change. Net cash utilised for working capital purposes amounted to US\$6.1 million, due primarily to increases in receivables and inventories of US\$16.0 million and US\$43.5 million respectively, which was partially offset by increases in payables and utilisation of trade finance facilities of US\$28.1 million and US\$25.3 million respectively. The increase in working capital was primarily due to higher raw material prices as well as our increased level of business activities. We also paid interest and income taxes of US\$1.1 million and US\$2.6 million respectively. This resulted in net cash generated from operating activities of US\$17.9 million.

Net cash used for investing activities in 2002 was US\$29.7 million. This was mainly due to payments for fixed assets purchases and the construction of Delfi Cocoa (Malaysia) Sdn Bhd's cocoa processing facility in Johor, Malaysia.

We recorded a net cash inflow of US\$6.5 million from financing activities in 2002. Proceeds from bank loans of US\$13.0 million were partially offset by interest payments of US\$5.4 million, the repayment of lease liabilities amounting to US\$0.5 million and increase in fixed deposits held as collateral with financial institutions of US\$0.6 million.

As a result, cash and cash equivalents held decreased by US\$4.6 million and as at 31 December 2002, we had cash and bank balances of US\$12.4 million, fixed deposits held as collateral with financial institutions of US\$4.0 million and bank overdrafts of US\$25.0 million.

2001

In 2001, we recorded an operating cash flow of US\$17.7 million before working capital change. Net cash utilised for working capital purposes amounted to US\$12.5 million, due primarily to an increase in inventories of US\$11.3 million and a decrease in payables of US\$21.4 million, which was partially offset by a decrease in receivables of US\$11.3 million and an increase in utilisation of trade finance facilities of US\$8.8 million. The increase in inventories and trade financing was primarily to support our increased business activities, while the decrease in receivables and payables was due mainly to elimination of inter-company balances upon consolidation of two subsidiaries acquired in 2001. We also paid interest and income taxes of US\$0.5 million and US\$1.4 million respectively. As a result, net cash generated from operating activities was US\$3.3 million.

Net cash used for investing activities in 2001 was US\$13.5 million. This was primarily due to the addition of new cocoa processing capacity at our plants in Chachoengsao province, Thailand and Bandung, Indonesia, construction of a new warehouse in Jakarta for our distribution business and our investment in PT Ceres Meiji Indotama.

Net cash inflow from financing activities amounted to US\$21.9 million in 2001. This was primarily due to increases in shareholders' equity (including the convertible bonds issued to Canzone Limited and McKeeson Holdings Limited (as nominee of Fremont Investment Limited)) and bank loans, where aggregate proceeds amounted to US\$45.6 million. However, this was partially offset by the refinancing of shareholders' loans by their conversion into convertible bonds amounting to US\$4.7 million, interest and dividend payments of US\$4.3 million and US\$0.9 million respectively, the repayment of lease liabilities amounting to US\$0.7 million, the redemption of preference shares amounting to US\$11.7 million and increase in fixed deposits held as collateral with financial institutions of US\$1.4 million.

As a result, cash and cash equivalents held increased by US\$12.0 million and as at 31 December 2001, we had cash and bank balances of US\$13.1 million, fixed deposits held as collateral with financial institutions of US\$3.4 million and bank overdrafts amounting to US\$21.7 million.

Capital Commitments

We had the following outstanding capital commitments in respect of the purchase and construction of plant and machinery and leasehold properties subsequent to each relevant balance sheet dates:

	As at 31 December			As at 30 June
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2004 US\$'000 (audited)
Expenditure for property, plant and equipment, contracted for	10,821	5,520	1,942	1,747
Approved by the directors but not contracted for	19,878	4,553	1,238	8,506
	30,699	10,073	3,180	10,253

Commitments in relation to operating leases contracted for at the following dates but not recognised as liabilities, are payable as follows:

	As at 31 December			As at 30 June
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2004 US\$'000 (audited)
Not later than one year	359	394	695	1,002
Later than one year but not later than five years	295	205	837	799
Later than five years	84	82	216	199
	738	681	1,748	2,000

As at the Latest Practicable Date there has been no material change to our capital commitment since 30 June 2004.

As at 30 June 2004, we had no significant contingent liabilities.

CAPITAL EXPENDITURE

Capital Expenditure

The majority of our capital expenditure has been on plant, property and equipment to upgrade and expand our production capacity. Set out below are details of our capital expenditure for the three years ended 31 December 2003 and the six month periods ended 30 June 2003 and 30 June 2004:

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Land, buildings and improvements	279	1,872	2,274	14	22
Machinery and equipment	3,891	703	2,294	289	1,169
Construction in progress ⁽¹⁾	5,691	25,349	14,897	7,677	4,213
Others	1,188	1,515	1,891	654	488
	11,049	29,439	21,356	8,634	5,892

Note:

⁽¹⁾ Construction in progress relates to buildings, machinery and equipment under construction. These are reclassified upon completion.

As at the Latest Practicable Date there has been no material change to our capital expenditure.

We have not made any material divestments for the three year period ended 31 December 2003.

Planned Capital Expenditure

Our plans depend on numerous factors, including general market conditions, the level of demand for our products and the outlook for our industry, changes in social, political and economic conditions and the regulatory environment in the countries in which we conduct business and changes in our need for capital and the availability of financing and capital to fund these needs (See "Risk Factors — Risk Relating to Our Business and Industry — We may not be able to successfully develop new operations").

Our Group's planned capital expenditure is set forth in the table below and is expected to be funded through a portion of the net proceeds of the Offering and cash from operations.

Planned Capital Expenditure

	Year ending 31 December		Total
	2004 ⁽¹⁾ US\$ millions	2005 US\$ millions	
Land and buildings ⁽²⁾	1.2	4.1	5.3
Machinery and equipment ⁽³⁾	14.0	18.1	32.1
Motor vehicles and office equipment	1.3	0.6	1.9
	16.5	22.8	39.3

Notes:

- (1) Includes actual capital expenditure for the six months ended 30 June 2004.
- (2) Includes capital expenditure in respect of a modern warehouse and office building in Bandung, Indonesia for PT Perusahaan Ceres and a warehouse in Jakarta for PT Nirwana Lestari.
- (3) Includes capital expenditure in respect of machinery and equipment to create proposed additional capacity at our existing cocoa processing facilities in Johor, Malaysia, Mexico and Brazil and at our chocolate confectionery facilities and to upgrade machinery and equipment at our plants in Mexico and Brazil.

WORKING CAPITAL

Our Directors are of the opinion, after taking into account our cash position and present credit facilities, that we have sufficient working capital for our present requirements.

INDEBTEDNESS

As at 30 June 2004, our Group had banking facilities amounting to approximately US\$242.2 million granted by various financial institutions of which US\$137.0 million was utilised as at 30 June 2004. 67.4% of our borrowings as at 30 June 2004 were denominated in US Dollars with the remaining 32.6% denominated mainly in Rupiah and Pounds Sterling.

As at 30 June 2004 our short-term debt comprised bank overdrafts, short-term bank loans, the current portion of long-term loans, lease liabilities and structured trade finance facilities. These borrowings have been utilised primarily to finance our raw material purchases and for general working capital purposes.

As at 30 June 2004 our long-term debt comprised the non-current portion of term loans obtained to finance the construction of our cocoa processing plant in Malaysia and our acquisition of cocoa processing facilities in Mexico and Brazil as well as general capital expenditure of the Group and finance lease liabilities.

All of our borrowings bear interest at floating rates. The weighted average interest rate of our borrowings was 10.8%, 8.9%, 7.2% and 5.4% for the years ended 31 December 2001, 2002, 2003 and for the six month period ended 30 June 2004 respectively. The weighted average interest rate of our borrowings is arrived at by computing the total amount of interest expense paid over the relevant year and dividing that amount by the average of the total outstanding balance of all borrowings as at the start and the end of the relevant year.

All our borrowings (other than lease liabilities) are secured by a combination of pledged deposits, trade receivables, assignments of moveable and fixed assets, mortgages over properties, plant and equipment, corporate guarantees from our Company (in the case of borrowings by subsidiaries) and personal guarantees from Messrs John Chuang, Joseph Chuang and William Chuang. We are in the process of consolidating a number of our debt facilities by entering into a US\$110.0 million trade finance facility (with a US\$11.0 million working capital sub-facility) (the "US\$110.0 million facility") which we expect to complete by the end of the last quarter of 2004. The US\$110.0 million facility is expected to have a three-year tenor. The rate of interest payable on the US\$110 million facility is expected to range from the cost of funds plus 1.5% per annum to the cost of funds plus 2.0% per annum. The credit facilities are expected to be secured by a combination of inventory and trade receivables.

INVENTORY ANALYSIS

Cocoa Ingredients Division

Our average inventory turnover for our cocoa beans and finished cocoa ingredients products for each of the past three years ended 31 December 2003 and for the six months ended 30 June 2004 are as follows:-

	Year ended 31 December			Six months ended 30 June
	2001	2002	2003	2004
Average Inventory Turnover (Days)	103	137	134	133

Our average inventory turnover increased from 103 days in 2001 to 137 days in 2002 because we increased stocks of cocoa beans in anticipation of a shortage in the supply of cocoa beans resulting from the civil unrest in the Ivory Coast in 2002. The decrease in our average inventory turnover between 2002 and 2003 resulted from the resumption to normal levels of cocoa bean stocks which was partially offset by additional cocoa bean stocks at our new cocoa processing plants in 2003.

Our provisions for inventory obsolescence made for our Cocoa Ingredients Division in each of the last three years ended 31 December 2003 and in the six month period ended 30 June 2004 were less than 1% of our Group's total inventory.

Branded Consumer Division

Each factory is responsible for managing inventories of raw materials in our branded consumer business. Our inventories are managed on a "first-in, first-out" basis. Based on sales projections, contracts for raw materials (such as sugar and milk), except for cocoa ingredients, are generally entered into up to 12 months ahead of the actual production. Cocoa ingredients are contracted for 12-18 months ahead of the actual production date.

Our average inventory turnover for our branded consumer products for each of the past three years ended 31 December 2003 and for the six months ended 30 June 2004 was as follows:-

	Year ended 31 December			Six months ended 30 June
	2001	2002	2003	2004
Average Inventory Turnover (Days)	67	68	66	63

Our provisions for inventory obsolescence made for our Branded Consumer Divisions in each of the last three years ended 31 December 2003 and in the six months ended 30 June 2004, are immaterial.

See "Business — Inventory Management".

CREDIT POLICY

Customers

We normally grant credit terms ranging between 30 to 90 days to the customers of our Cocoa Ingredients Division, save for cocoa butter where payment terms are cash against presentation of title documents. Credit terms for our distributors and customers of our Branded Consumer Division are normally 14 to 30 days in Indonesia and 30 to 60 days in other countries in keeping with the market practice in these countries.

We regularly review the credit terms and limits granted to our customers based on the customer's financial standing, payment history, transaction volume and the strength of our business relationship with the customer. We also monitor closely any overdue trade debts and take steps to recover any outstanding debts.

Our average receivable days in each of 2001, 2002 and 2003 and the six months ended 30 June 2004 were as follows:

	Year ended 31 December			Six months ended 30 June
	2001	2002	2003	2004
Average receivable days	35	32	34	32

Suppliers

The payment terms granted by our suppliers depend on factors such as the volume of our purchases, pricing and the strength of our business relationship. Payment for cocoa bean purchases is primarily due upon presentation of title documents which generally occurs soon after the cocoa beans purchased are loaded for shipment. Payment for other purchases is generally due between 30 and 90 days after delivery.

Our average payable days in each of 2001, 2002 and 2003 and for the six months ended 30 June 2004 were as follows:

	Year ended 31 December			Six months ended 30 June
	2001	2002	2003	2004
Average payable days	12	24	24	18

MARKET RISKS

We are exposed to various types of market risks, including the risks discussed below. Our risk management strategy aims to minimise the adverse effects of financial risk on our financial performance. To this extent, financial instruments are used to cover commercial exposures and are not held for trade or speculative purposes.

We are subject to:

▶ Foreign Exchange Risk

Our Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Singapore dollar, Pounds Sterling, Australian dollar, Rupiah, Baht, Philippines peso, Mexican peso and Real. We are subject to both translation risk and transaction risk (See — “Significant Factors Affecting our Results of Operations — Fluctuations in Exchange Rates” and “Risk Factors — We are exposed to foreign exchange rate fluctuations and translation losses”). We mitigate our transaction risk by hedging our net position arising from foreign currency exposures by borrowing in matching currencies and through the use of foreign currency forward contracts.

Our foreign currency translation reserve as at 31 December 2001, 2002 and 2003, and as at 30 June 2004 which was recorded as part of our shareholders’ equity, was as follows:

	As at 31 December			As at 30 June
	2001 US\$’000 (unaudited)	2002 US\$’000 (unaudited)	2003 US\$’000 (audited)	2004 US\$’000 (audited)
Foreign currency translation reserve ⁽¹⁾	(5,976)	(3,665)	(2,768)	(4,872)

Note:

⁽¹⁾ The foreign currency translation reserve represents the net exchange differences arising on translation of financial statements of foreign subsidiaries.

▶ Interest Rate Risk

Our Group’s income and operating cash flows are exposed to changes in market interest rates. As at 30 June 2004, all of our borrowings were subject to floating rates of interest. Through 31 December 2003, our Group’s practice was not to hedge interest rate risk. However, our Board has recently sanctioned a proposal to hedge the interest rate exposure of up to US\$50 million of our borrowings. As at 30 June 2004, we had entered into interest rate caps in respect of

US\$30 million of our borrowings to partially hedge our underlying debt obligations. Under the terms of the interest rate caps we have entered into, should interest rates rise above certain specified levels, we would not be fully hedged.

▶ *Liquidity Risk*

Due to the dynamic nature of our underlying business, we adopt prudent liquidity risk management policies in maintaining sufficient credit facilities, including the use of structured or trade finance for our raw material (cocoa bean) purchases.

▶ *Commodity Price Risk*

The manufacturing of our products requires raw materials, principally, cocoa beans. The value of our Group's open sales and purchase commitments and inventory of raw material changes continuously in line with movements in the prices of cocoa beans. We use commodity futures and commodity forward contracts to manage such price risks (See "Risk Factors — We may not be able to hedge effectively against the volatility of cocoa bean prices").

As a strict policy, we do not engage in the speculation of cocoa bean prices. Instead, our policy is to protect ourselves against changes in cocoa beans prices by hedging our sales either through direct purchases of beans or through futures contracts on the commodity exchanges. We also monitor the amount of cocoa powder that the cocoa beans purchased would produce, upon processing, so as not to exceed our estimates of potential demand for or future sales of cocoa powder. We also factor in these estimates in determining the amount of cocoa butter to be produced and the quantity of cocoa beans to be purchased. The prices on the commodity exchanges are quoted up to two years forward.

In the course of hedging our sales either through direct purchases of beans or through futures contracts on the commodity exchanges, we are also exposed to the potential risk of unauthorised and speculative trading activities conducted by our trading personnel. In order to manage such risk exposure, our commercial team is not permitted to trade on futures in the terminal market without reference to physical trades. Additionally, no individual's remuneration in our Group is based on bean futures trading activities, thereby minimising any incentive to undertake speculative trading. All trading activities are also closely monitored by the management team of our Cocoa Ingredients Division, and to date, there has not been any incidence of unauthorised trading that we have become aware of.

▶ *Credit Risk*

We have no significant concentrations of credit risk. We have policies in place to ensure that appropriate credit terms are granted, commensurate with each customer's credit history.

INFLATION

Historically, inflation has not had a material impact on the results of our operations. Our branded consumer product prices have not always moved in tandem with inflation in Indonesia. However, a substantial proportion of our Branded Consumer Division's expenses are denominated in US dollars and other currencies.

The consumer price index in Indonesia increased by 11.5%, 11.9% and 6.6% during 2001, 2002 and 2003 respectively according to Indonesian government estimates. Inflation in Indonesia (or in the other countries in which we have operations) would adversely affect our net income and cash flow to the extent we are unable to increase our revenue to cover any material increases in our operating expenses resulting from inflation. We may be constrained in our ability to raise prices of our branded consumer products in response to inflation because of consumer price resistance and competitive pressures, among other factors.

PROSPECTS

Our results of operations for the six months ended 30 June 2004 have been driven by an increase in sales volumes as a result of an increase in production capacity when compared against the same

period in 2003 and strong demand for our chocolate confectionery products in Indonesia. Our results of operations for the full financial year will be influenced by the following:

- ▶ the prices of cocoa beans, which comprises most of our cost of sales;
- ▶ cocoa ingredients sales and prices;
- ▶ the strength of the Indonesian rupiah, particularly against the US dollar;
- ▶ economic conditions in Indonesia, our main market for our Branded Consumer Division;
- ▶ consumption of our branded consumer products staying strong;
- ▶ no material adverse change in interest rates occurring; and
- ▶ our ability to maintain operating costs at current levels.

Industry

INTRODUCTION

The cocoa and chocolate industry can generally be segmented into the following six separate activities:

- ▶ Cocoa bean farming;
- ▶ Sourcing or trading of cocoa beans;
- ▶ Conversion or processing of cocoa beans (the production of cocoa ingredients, namely cocoa liquor, cocoa butter and cocoa powder);
- ▶ Supply of cocoa ingredients;
- ▶ Manufacture of industrial chocolate;
- ▶ Manufacture of chocolate products.

The involvement of business organisations in the cocoa and chocolate industry in these activities varies greatly, with some specialising in a narrow segment and others, fully-integrated participants involved across all activities. While most organisations are engaged in several of these activities, the core activities of participants differ from organisation to organisation, with factors such as history, technology and expertise affecting the choice of focus. Cocoa farming is concentrated in the rainforest zones of the world and the majority of world production is grown by small-scale cocoa farmers.

COCOA BEANS AND THEIR DERIVATIVES

Cocoa bean production is concentrated in seven countries which in aggregate account for over 75% of global production, namely Ivory Coast, Ghana, Indonesia, Nigeria, Brazil, Cameroon and Ecuador. Approximately three million metric tons of cocoa beans are grown globally each year.

The following tables set out the annual production volume of the top three cocoa bean producing countries in the year 2003 and the world cocoa bean production by volume for the period from 1999 to 2003:

Country	Annual production volume (2003)
	('000 mt)
Ivory Coast	1,225
Ghana	475
Indonesia	426

Year	World Cocoa Bean Production
	('000 mt)
1999	3,195
2000	3,419
2001	3,183
2002	3,107
2003	3,257

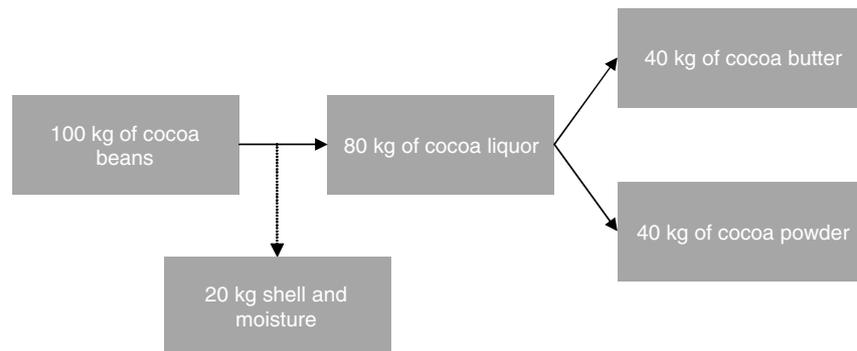
Cocoa bean production is sensitive to weather conditions and diseases and in certain producer countries, other factors such as civil conflicts or political uncertainty may have an impact on production and consequently, world cocoa bean prices.

The quality and grade of cocoa beans are generally characterised by, among other things, their country of origin, defects, moisture content, size and uniformity and purity.

Cocoa Liquor

Cocoa beans are de-shelled and then ground to produce cocoa liquor, which is used in the manufacture of chocolate as well as a raw material for further processing. Cocoa liquor, also known as cocoa mass, imparts to chocolate its unique physical characteristics such as flavour and colour and hence, is the most critical ingredient for a chocolate manufacturer. Cocoa liquor can be further processed to produce two co-products, namely cocoa powder and cocoa butter.

An example of the approximate yield of cocoa liquor, powder and butter from the processing of cocoa beans is provided below:



Cocoa Butter

Cocoa butter is used primarily in the manufacture of chocolate and represents a significant portion of the raw material cost of chocolate. Chocolate is made by combining cocoa liquor with cocoa butter, sugar and, for milk chocolate, with milk powder. Chocolate made without cocoa liquor is white chocolate. Cocoa butter is a key ingredient as its unique melting point, which is the same as our body temperature, gives most chocolates their distinctive taste and mouth-feel. However, unlike cocoa powder, cocoa butter is less differentiated and hence competition is primarily based on price considerations, although reliability of supply, quality and manufacturing standards are also important considerations, particularly for international food manufacturers.

Cocoa Powder

Cocoa powder has a wide variety of applications in the food and beverage industry and with consumers as a flavouring and colouring agent. The major purchasers of large quantities of cocoa powder are food and beverage companies. It is also purchased by consumers for use as an ingredient in food and beverage products. Demand for cocoa powder has primarily been application-driven and is to a large extent, dependent on the consumption trends and growth in the packaged food industry. Cocoa powder offers greater scope for product differentiation as it can be produced in a wide range of colours and flavours and also offers a variety of other characteristics such as solubility in a dairy product or stability in a bakery or beverage product mix. Quality and variety are therefore key considerations relative to pricing. Cocoa powder is generally manufactured to meet specific customer requirements.

Cocoa powder is available in different categories distinguished by its colour, fat content and pH value. For instance, natural cocoa powder is typically a yellowish shade of brown with a 10-12% fat content and pH value of less than 6.0. Natural cocoa powder is used in the manufacture of confectionery, candy fillings, compound coatings, ice cream toppings, among other consumer confectionery products. Dark brown cocoa powder may have the same fat content as natural cocoa powder but has a pH value ranging from 7.8-8.5 and is normally used in the manufacture of cereal products, bakery products and colouring ingredients.

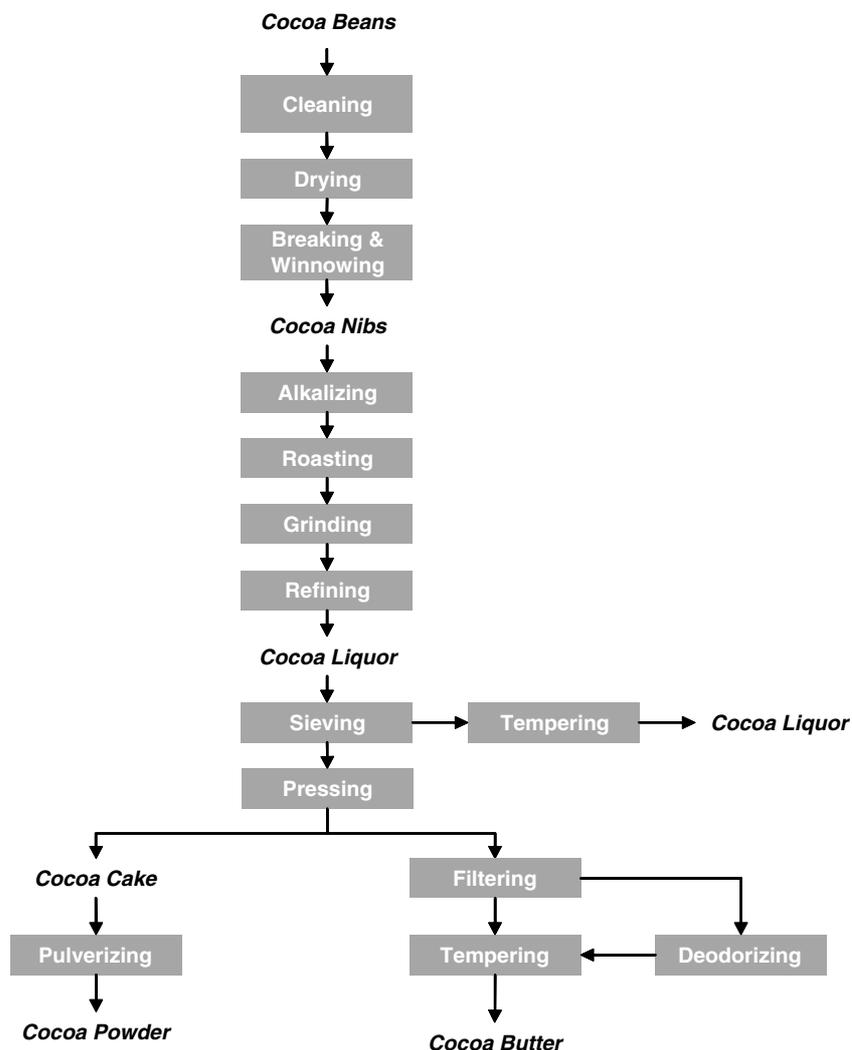
COCOA BUTTER AND POWDER PRICES

As a result of their differing uses and characteristics, cocoa butter and cocoa powder are subject to different demand and pricing dynamics. Cocoa butter prices tend to be directly related to cocoa bean prices. This is because it is a more homogenous product as compared to cocoa powder.

Cocoa cake, from which cocoa powder is produced, has traditionally been regarded by cocoa processors as an excess product in the manufacture of cocoa butter. However, with the increasing applications that cocoa powder can be put to in the food and beverage industry and consequent increase in demand for cocoa powder, cocoa powder has become an important product for cocoa processors today. Cocoa powder forms a small component of the raw materials required by users of the product, such as manufacturers of bakery products. In addition, cocoa powder is highly differentiated and is produced in accordance with customer specifications. Due to these factors, cocoa powder prices react to an increase in cocoa bean prices more slowly and to a lesser extent than cocoa butter prices.

COCOA INGREDIENTS MANUFACTURING PROCESS

The following is an illustration of the cocoa manufacturing process, through which cocoa beans are processed into cocoa liquor or cocoa powder and cocoa butter:



► Cleaning

Cocoa beans are sampled and analysed to ensure they meet specifications before going through a cleaning process to remove physical impurities such as strings, plastic, nails, wire and stones, using sieves and magnets.

► Drying, breaking and winnowing

After the cocoa beans have been cleaned, they are passed through infrared dryers to remove excess water content. The cocoa beans are then subject to infrared radiant heat to break and loosen the shell from the nib. The shells are then cracked between rollers, and winnowed away using currents of air. Shell content is kept as low as possible so as to prevent the shell content from detrimentally affecting the quality, flavour and microbiological content of the finished products. The nibs are then stored in nib silos to await further processing.

► Alkalisiation and roasting

Alkalisiation is a process by which the pH value, colour and flavour of the cocoa powder and cocoa liquor are developed and customised. All cocoa nibs, regardless of whether they undergo the process of alkalisiation, go through roasting to destroy pathogens and further develop flavour.

► Grinding and refining

The roasted nibs are ground into a paste called cocoa liquor. The cocoa liquor is subsequently passed through sieves and over strong magnets to remove any remaining coarse cocoa or metal particles.

▶ Pressing

After heat treatment, cocoa liquor undergoes pressing by means of high pressure hydraulic presses. Cocoa butter is subsequently squeezed out of the cocoa liquor and is collected separately. The solid residue that remains is cocoa cake.

▶ Pulverising

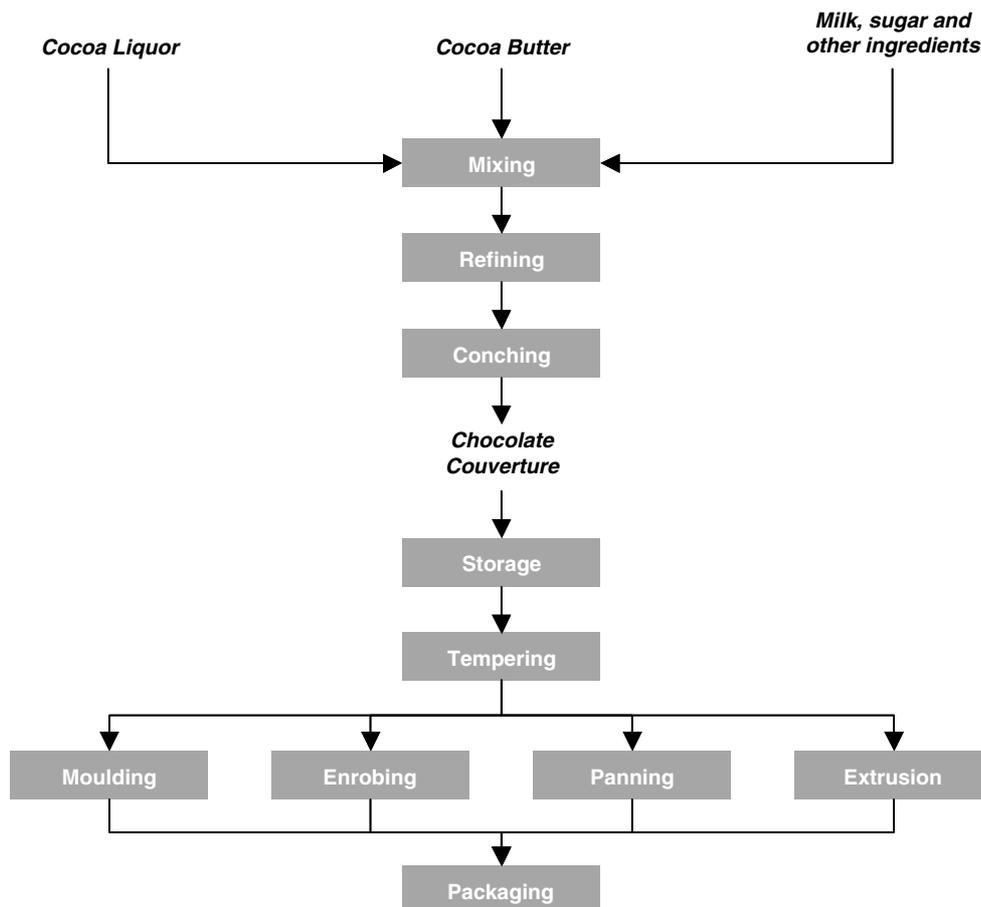
The cocoa cake subsequently goes through a process of grinding into cocoa powder.

▶ Filtering, tempering and deodorising

The cocoa butter from the presses is filtered and stored. Depending on the customers' specifications, cocoa butter can be partly or wholly deodorised to achieve the desired flavours. Delivery of cocoa butter can either be in liquid or solid form.

CHOCOLATE PRODUCTS MANUFACTURING PROCESS

Generally, cocoa liquor and cocoa butter form the two main ingredients for the production of chocolate products. Varying amounts of cocoa liquor, cocoa butter, milk and sugar are added to make chocolates of different tastes. The manufacturing process for each type of product tends to be different. The following is an illustration of a simplified manufacturing process for chocolate products:-



▶ Mixing

The proportions of cocoa liquor, cocoa butter and other ingredients such as milk and sugar to be placed in the mixer will depend on the type of chocolate being made.

▶ Refining

Refining improves the texture of the chocolate and consists of running the chocolate paste through a series of rollers.

- ▶ Conching

Conching involves homogenisation of the chocolate paste and the extraction of volatile acids so as to improve the flavour and taste of the chocolate.
- ▶ Storage

Subsequent to the conching process, the couverture is stored in storage tanks before it is sent for tempering.
- ▶ Tempering

Tempering involves the conditioning and stabilisation of chocolate crystals.
- ▶ Processing

The chocolate is subsequently processed into various forms, depending on the type of product that is being produced. The chocolate may be processed in the following ways:

 - ▶ Moulding

The chocolate is placed in moulds to obtain a desired shape. The process involves depositing, cooling and demoulding.
 - ▶ Enrobing

Wafers, biscuits and other composite products are covered with a thin layer of chocolate and are subsequently cooled.
 - ▶ Panning

A chocolate, sugar and colour coating is built around nuts, raisins, biscuits or chocolate centres in a rotating pan, using cool air to dry and even out the coating. This is followed by a polishing process to provide a glossy coating
 - ▶ Extrusion

The desired chocolate shape is formed through a compression process, and is subsequently cooled and sieved.
- ▶ Packaging

All processed chocolate confectionery products are sent to different packaging machines, depending on the form of the finished chocolate confectionery product.

COCOA INGREDIENTS AND TRENDS TOWARD OUTSOURCING

Cocoa ingredients are supplied to consumer product manufacturers in the food and beverage industry as well as industrial chocolate manufacturers. Consumer chocolate manufacturers produce branded chocolate and chocolate confectionery products. Industrial chocolate manufacturers supply couverture and other chocolate products to chocolate manufacturers as well as to food and beverage manufacturers who use industrial chocolate as an ingredient, such as in biscuits, ice-cream and baking products.

Historically, the majority of chocolate manufacturers were vertically-integrated and had cocoa processing operations. Large consumer chocolate companies integrated upstream to secure raw materials and protect the secrecy of their recipes. However as global competition placed greater demands on branding, marketing and product innovation, these vertically integrated chocolate manufacturers faced increasing pressure to focus on their core consumer businesses.

Many such companies have progressively reduced or stopped further investments in cocoa processing, gradually withdrawing from upstream activities and outsourcing the production of cocoa ingredients to specialised cocoa processing companies. The production of cocoa ingredients like cocoa powder and cocoa butter is highly capital intensive and becoming increasingly sophisticated, requiring continual investments in research and development and manufacturing know-how in order to keep pace with competition.

Outsourcing such activities helps free up cash flow which can then be invested more profitably in product development and promotional campaigns for their core consumer businesses. The emergence of specialised and cost-efficient cocoa processors that are able to supply cocoa ingredients which meet

stringent quality and consistency requirements of large chocolate manufacturers has also contributed to the trend of outsourcing.

For cocoa processors, the need to gain scale in order to be more cost efficient has led to a period of consolidation. We believe that as a result of mergers and acquisitions that have taken place over the last decade, a number of large scale companies have been formed and have raised the barriers to entry in the cocoa processing industry.

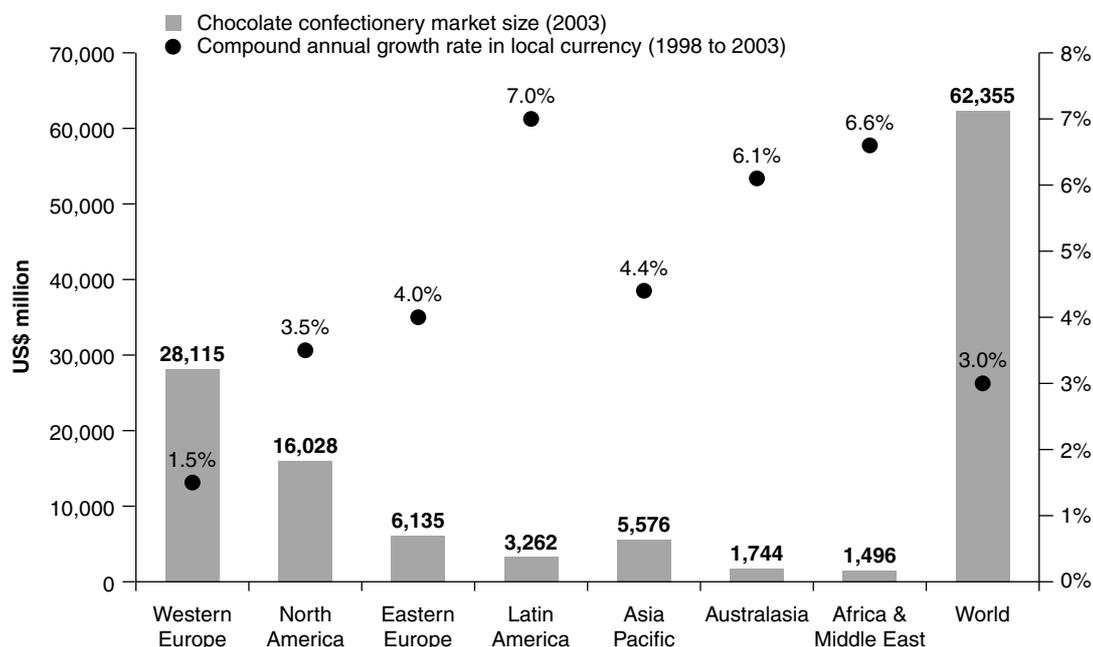
GLOBAL CONSUMER CHOCOLATE CONFECTIONERY MARKET

According to Euromonitor International, the global market for chocolate confectionery in 2003 was approximately US\$62.4 billion, accounting for more than 50% of global confectionery sales in terms of retail sales value.

Over the five-year period from 1998 to 2003, global chocolate confectionery sales have experienced compound annual growth rates of 3.0% in value terms and 1.5% in volume terms (*Source: Euromonitor International*). Consumption of chocolate confectionery has traditionally been concentrated in developed markets such as Western Europe and North America. Sales and consumption of chocolate confectionery in developing markets have generally been inhibited by poor retail infrastructure, climate as well as affordability.

Rising affluence and disposable income and the rapid development of modern retail trade such as air-conditioned supermarkets and convenience stores has had a positive impact on the growth in consumption of chocolate confectionery in developing countries. In addition, product innovation and the development of products and packaging better suited to the climates in less temperate developing countries have also had a positive influence on consumption.

Global Sales and Growth of Chocolate Confectionery by Region (in Sales Value)



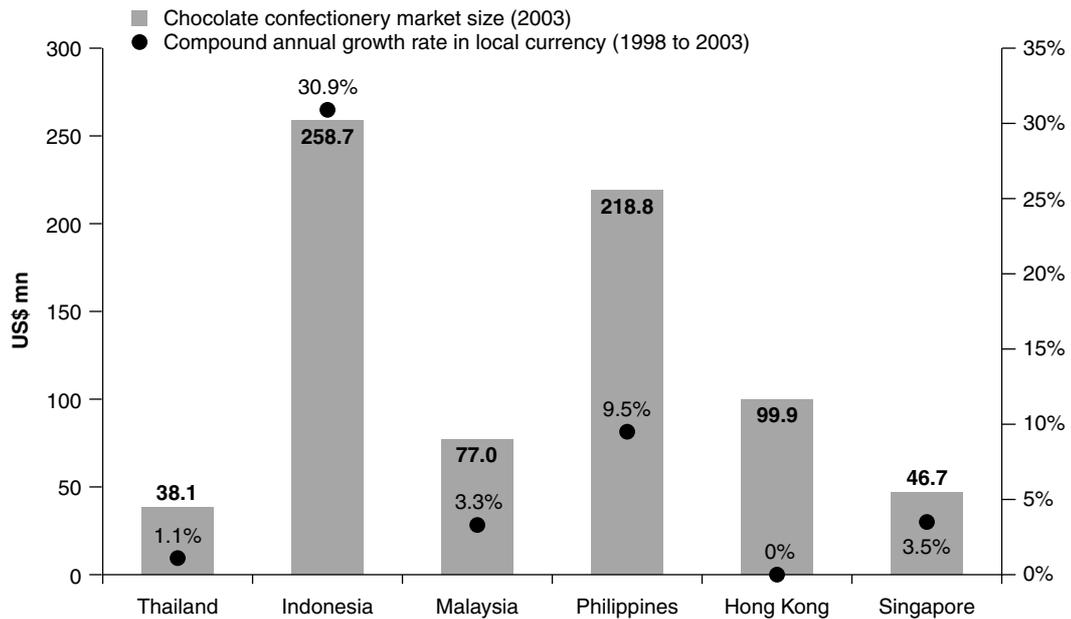
Source: Euromonitor International

Note: Australasia refers to Australia and New Zealand

CHOCOLATE CONFECTIONERY MARKET IN THE ASIA PACIFIC

The chocolate confectionery market in the Asia Pacific has experienced significant growth in the period from 1998 to 2003. Retail sales of chocolate confectionery in the Asia Pacific has grown from approximately US\$4.5 billion in 1998 to approximately US\$5.6 billion in 2003. The chocolate confectionery market in the Asia Pacific has grown at a compound annual rate of 4.4% in terms of sales value and 5.6% in terms of sales volume over the same period. (*Source: Euromonitor International*).

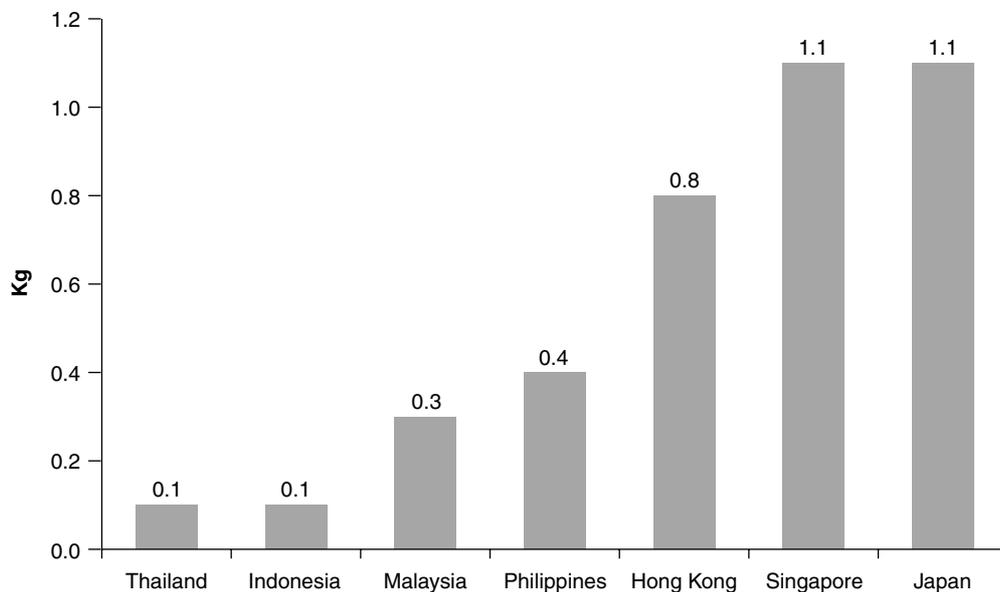
Sales and Growth of Chocolate Confectionery in Selected Asia Pacific Countries (in Sales Value)



Source: Euromonitor International

The following chart sets out the annual per capita consumption of chocolate confectionery in selected Asia Pacific countries:

Per Capita Consumption of Chocolate Confectionery in Selected Asia Pacific Countries (2003)

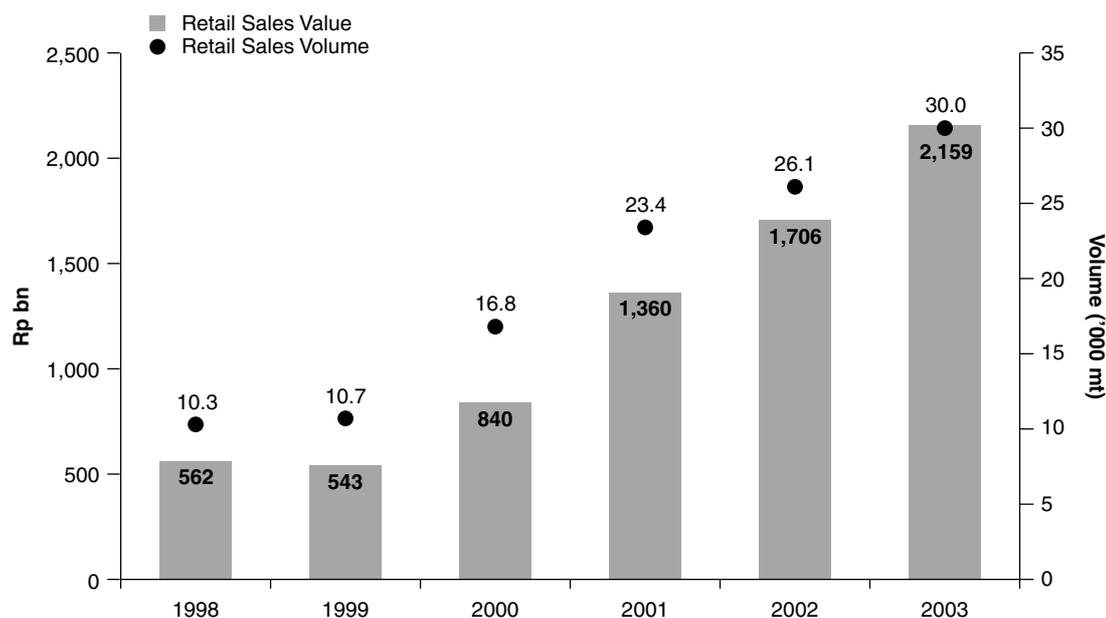


Source: Euromonitor International

CHOCOLATE CONFECTIONERY MARKET IN INDONESIA

The chocolate confectionery market in Indonesia has experienced significant growth in recent years. According to Euromonitor International, Indonesia was one of the fastest growing countries globally in terms of chocolate confectionery sales over the five year period from 1998 to 2003. Retail sales of chocolate confectionery in Indonesia was approximately Rp2.2 trillion in 2003 and has grown at a compound annual rate of 30.9% and 23.9% in local currency value and volume terms respectively over the period from 1998 to 2003.

Retail Sales Value of Chocolate Confectionery in Indonesia



Source: Euromonitor International

Consumer confectionery products are distributed in Indonesia through a variety of channels including traditional sales channels and modern sales channels. Traditional sales channels include third party distributors and sub-distributors who distribute consumer products to small, localised retailers and traditional corner stores. Distribution through modern channels in Indonesia involves distribution of consumer products to modern retailers comprising hypermarkets, supermarkets, large wholesalers and chain stores.

The rapid expansion of the modern trade, such as hypermarkets, supermarkets and convenience stores (more commonly known as mini-marts in Indonesia) has been a significant factor in the growth of the Indonesian chocolate confectionery market as increased accessibility, coupled with improvements in shelving and storage methods such as air-conditioned systems, have had a positive impact on the distribution of chocolate confectionery products. Other factors which we believe have positively influenced consumption growth in Indonesia, which has a population of approximately 220 million, include the increasing availability and affordability of chocolate confectionery products

While the growth of the modern trade has helped spur chocolate confectionery sales, the traditional trade continues to be an equally important channel of distribution. Due to the scattered nature of these outlets, building an effective distribution network is difficult but crucial to gain access to the majority of consumers.

KEY BRANDS AND COMPETITION IN THE CHOCOLATE CONFECTIONERY MARKET IN INDONESIA

Chocolate confectionery products in the Indonesian market can generally be divided into three types:

- ▶ Moulded/Enrobed chocolate
- ▶ Dragees
- ▶ Specialties

The market shares of each of these types of chocolate confectionery products in Indonesia for the 12 month period ended March/April 2004 were as follows:

- ▶ Moulded/Enrobed chocolate: 82.7%
- ▶ Dragees: 11.5%
- ▶ Specialties: 5.8%

Source: ACNielsen

The Indonesian chocolate confectionery market comprises both foreign and local players including our Group, Cadbury, Nestlé, the Mars Group, Arnotts, Nabisco, PT Mayora Indah and PT Ultra Prima Abadi.

Our branded chocolate confectionery and third party chocolate consumer products collectively accounted for a share of 56.9% of the urban grocery market for chocolate confectionery in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*). The following table sets out the top four brands by value share of the urban grocery market for chocolate confectionery in Indonesia for the 12 month period ended March/April 2004:

Company	Brand	Value share % (12 month period ended March/April 2004)
PT Perusahaan Industri Ceres ⁽¹⁾	SilverQueen	20.8
PT Perusahaan Industri Ceres ⁽¹⁾	Delfi Top	16.0
PT Mayora Indah	Beng Beng	12.7
PT Perusahaan Industri Ceres ⁽¹⁾	Cha Cha	5.6

Source: ACNielsen

Note:

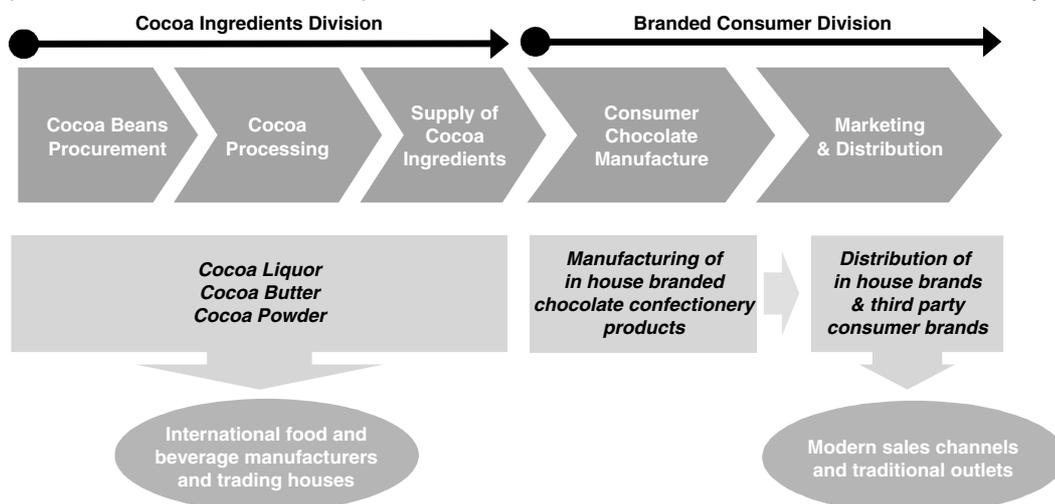
⁽¹⁾ Subsidiary of the Company.

Business

INTRODUCTION

We are one of the world's major manufacturers and suppliers of cocoa ingredients, namely cocoa powder, cocoa butter and cocoa liquor. We also manufacture and/or distribute branded consumer products, primarily chocolate confectionery for which we are the market leader in Indonesia.

Our capabilities extend across the spectrum of activities of the cocoa and chocolate industry:



We produce cocoa ingredients in six countries and supply our products to customers in over 30 countries world-wide. These customers include leading international food and beverage companies such as Nestlé, Cadbury and the Mars Group. Our ability to deliver high quality products, which consistently meet tight customer specifications, is a key factor in our success. We place strong emphasis on food safety. Our Cocoa Ingredients Division contributed 71.1% of our revenue for the year ended 31 December 2003, and 47.8% of our profit from operations for the same period. For the six months ended 30 June 2004, our Cocoa Ingredients Division contributed 71.1% of our revenue and 50.7% of our profit from operations.

We manufacture and distribute branded consumer goods in Indonesia and other countries in Asia. Our portfolio of brands includes some products which are leaders in their categories. For example, our "SilverQueen" chocolate bar was first sold in the 1950s and is the dominant chocolate bar in Indonesia, with a share of 25.1% of the urban grocery market for moulded/enrobed chocolate for the 12 month period ended March/April 2004 (*Source: ACNielsen*). Our branded chocolate confectionery and third party chocolate consumer products command a share of 56.9% in the urban grocery market for chocolate confectionery in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*). We began selling our products outside Indonesia in 1988 and now sell our chocolate confectionery products in 17 countries, including in Thailand, Japan, the Philippines, Hong Kong, Australia and China. We also distribute third party brands in Indonesia, Singapore and Malaysia, capitalising on our existing distribution channels. Revenue from sales of third party products comprised 19.2% and 17.5% of revenue of our Branded Consumer Division for the year ended 31 December 2003 and for the six month period ended 30 June 2004 respectively. Our Branded Consumer Division contributed 28.9% of our revenue for the year ended 31 December 2003, and 52.2% of our profits from operations for the same period. For the six months ended 30 June 2004, our Branded Consumer Division contributed 28.9% of our revenue and 49.3% of our profit from operations.

Our strategy is to continue to build on the strengths of both of our business divisions. We achieved revenue of US\$321.8 million and profits before tax of US\$16.6 million for the year ended 31 December 2003. For the six months ended 30 June 2004, we achieved revenue of US\$183.7 million and profits before tax of US\$11.3 million. We see potential to further enhance our position in the cocoa ingredients market by broadening and deepening our relationship with international food and beverage companies. In our Branded Consumer Division we aim to continue to build on our strong market position in Indonesia and to further grow our non-Indonesian business, principally in Asia.

We were incorporated as Petra Foods Pte Ltd in Singapore on 22 August 1984 as a private company limited by shares under the Companies Act. We changed our name to "Petra Foods Limited" upon our conversion to a public company limited by shares on 5 October 2004.

We are headquartered in Singapore and our principal operations are in Singapore, Indonesia, Malaysia, the Philippines, Thailand, Brazil and Mexico. We have six cocoa processing facilities located in Bandung (Indonesia), Bulacan (the Philippines), Chachoengsao province (Thailand), Bahia (Brazil), Mexico City (Mexico) and Johor (Malaysia). We also have two chocolate confectionery production facilities in Bandung (Indonesia) and Klang (Malaysia).

The Company's major shareholders represent interests of members of the Chuang family and Canzone Limited, a private company which is wholly-owned by a private equity fund managed by CLSA Private Equity Management Limited (see "Shareholders").

In 2003, we were awarded the top spot in the annual Singapore Enterprise 50 Award. This award recognises the contributions made by the fifty most enterprising, privately-held companies in Singapore and was established by Accenture and The Business Times, Singapore with support from the Economic Development Board and International Enterprise Singapore. In the same year, our "Ceres" brand received the "Superbrand Status" award following a selection process by the Indonesia Superbrands Council which is a part of the Superbrands Organization, a global, independent authority of branding.

HISTORY AND DEVELOPMENT

Our Company was established by our Chief Executive Officer, Mr John Chuang in 1984. Our Group was formed through a series of restructurings and acquisitions including that of PT Perusahaan Industri Ceres (established in 1950) and PT General Food Industries (established in 1969). PT Perusahaan Industri Ceres has been involved in the Indonesian chocolate confectionery industry for over 50 years and has, for many years, been a leader in Indonesian chocolate confectionery products ranging from chocolate bars to dragees. We have grown through a series of acquisitions and investments to become one of the world's major manufacturers of cocoa ingredients under the "Delfi" brand. In 1987, we commenced distributing third party brands in Indonesia taking advantage of our extensive distribution network in Indonesia, which we extended to Singapore thereafter.

Our international expansion began in 1988 and was driven by demand for our cocoa ingredients in certain markets. We built on our existing cocoa processing facility in Bandung, Indonesia, and established cocoa processing plants in Chachoengsao province, Thailand and Bulacan in the Philippines. We continued our international expansion with the construction of a new cocoa processing plant in Johor, Malaysia, which was completed in mid-2003 and through the purchase of cocoa processing plants in Mexico City, Mexico and Bahia, Brazil in the second half of 2003.

In addition to growth through acquisitions and investments, we have focussed on growing through partnerships with established businesses that complement our own. In 2001, we formed a joint venture company with Meiji Seika Kaisha, Ltd. of Japan to manufacture "Meiji" branded confectionery and biscuits in Indonesia. The joint venture brought together Meiji's well-established brands and technological expertise in biscuits and our chocolate manufacturing and distribution capability, and increased our range of consumer products targeted at younger consumers in Indonesia.

In June 2002, we established a joint venture with SD Holdings Berhad (a Sime Darby company in Malaysia) by taking a 60% stake in its subsidiary, Ceres Sime Confectionery Sdn Bhd, which owns a chocolate confectionery factory in Klang, Malaysia. This investment was part of our strategy to increase our presence in Malaysia. In July 2003, the Company also acquired a 100% shareholding interest in Ceres Sime Marketing Sdn Bhd through Ceres Sime Confectionery Sdn Bhd, to enhance our distribution capability in Malaysia and to complement Ceres Sime Confectionery Sdn Bhd's operations.

On 26 May 2003, the Company entered into an agreement with Nestlé Mexico S.A. De C.V. ("Nestlé Mexico") in which Nestlé Mexico agreed to sell and the Company agreed to buy Nestlé Mexico's factory and equipment used for the production of cocoa butter, liquor and powder in Mexico. The sale and purchase agreement was conditional upon the parties entering into a supply agreement for the supply by the Company to Nestlé of cocoa butter, liquor and powder to be manufactured by the Company in the same factory. The supply agreement was entered into on the same date as the sale and purchase agreement. On 20 August 2003 the Company entered into an agreement with Nestlé S/A, and Nestlé Brasil Ltda. (as intervening guarantor) (subsequently amended by the Amendment to the Stock Purchase Agreement dated 1 October 2003), in which the Company agreed to buy the shares of Alpha Cacao Brasil Ltda. ("Alpha"), the Nestlé company in charge of the production of cocoa butter, liquor and powder in Brazil. Nestlé S/A transferred 100% of the share capital of Alpha to Delfi Cacao Brasil Participações Ltda., which then merged with Alpha to become Delfi Cacao Brasil Ltda. On the same date that the Company entered into the agreement to buy the shares of Alpha, Nestlé Brasil Ltda

("Nestlé Brazil") and Alpha entered into an agreement for the supply by Alpha to Nestlé Brazil of cocoa butter, liquor and powder.

Our acquisitions of Nestlé's plants in Mexico and Brazil have also strengthened our relationship with Nestlé, as through these transactions, they have entered into arrangements to outsource their cocoa ingredients production in those countries to us.

As a result of these developments, our cocoa bean grind capacity has grown from approximately 54,000 mt in 1999 and 60,000 mt in 2000 to approximately 200,000 mt in 2003.

Our cocoa processing plant in Johor was partly funded through institutional investment. On 4 May 2001, the Company, Canzone Limited, a private company which is wholly-owned by a private equity fund managed by CLSA Private Equity Management Limited, and Fremont Investment Limited, among other parties, entered into the Subscription and Investment Agreement pursuant to which Canzone Limited and McKeeson Holdings Limited (as nominee of Fremont Investment Limited) subscribed to US\$15.0 million and US\$5.0 million respectively, of the Company's convertible bonds. Under the terms of the Subscription and Investment Agreement, Canzone Limited is entitled to nominate one non-executive director to the Board of Directors of the Company. The Subscription and Investment Agreement also requires the establishment of an audit committee and a remuneration committee, which have been put in place since 2001, and provides for the appointment of the non-executive director nominated by Canzone Limited to both committees. In addition, appointments to the audit and remuneration committees require the consent of the non-executive director nominated by Canzone Limited or, if no such director has been appointed by Canzone Limited, the consent of Canzone Limited itself. The Subscription and Investment Agreement shall terminate *inter alia*, upon the admission of the Shares to listing on the SGX-ST following the Offering. On 12 June 2001, Mr. Pedro Francisco Mata-Bruckmann and Mr Davinder Singh were appointed as Independent Directors of the Company, and Ms Josephine Price and Mr. Richard Owen Pyvis (alternate director to Ms Josephine Price) were appointed as non-executive directors of the Company.

COMPETITIVE STRENGTHS

We have two main business divisions, our Cocoa Ingredients Division and our Branded Consumer Division. Each division builds on our long-established core expertise in cocoa and its products, but operates in a different competitive environment. We believe that our complementary business divisions strengthen our overall business model through diversification. Each business has a different dynamic and may be affected by different external factors.

Cocoa Ingredients Division

The competitive strengths of our Cocoa Ingredients Division include the following:-

▶ *Established and long-standing relationships with international customers*

We are a supplier of cocoa ingredients to reputable, international food and beverage manufacturers such as Nestlé, Cadbury, the Mars Group, Arnott's, A.B Foods, Barry Callebaut and the Meiji Group. These seven customer groups accounted for 28.9% of the revenue of our Cocoa Ingredients Division for the year ended 31 December 2003 and 33.1% of the revenue of our Cocoa Ingredients Division for the six months ended 30 June 2004.

We have established good relationships with these customers and have been supplying them consistently over a long period of time. For example, we were first appointed as a supplier of cocoa powder to Nestlé in Thailand in 1992. Today, we sell cocoa ingredients to Nestlé in 18 countries, out of all our production facilities in six countries. We have received awards from some of our customers like the Nestlé group, for achieving high product quality. We believe that our willingness to work closely with our customers, to help them achieve their objectives and overcome challenges and our flexibility in changing our own practices to cater to their needs, helps to differentiate us from our competition.

▶ *High and consistent product quality under our Delfi brand*

We believe that our long-standing relationships with international food and beverage companies are also due to our ability to meet their stringent requirements in terms of product quality, consistency and delivery. These qualities are encapsulated under our well-known "Delfi" brand which we use for substantially all the sale of our cocoa ingredients products. We have been applying the "Delfi" brand to our cocoa ingredients products since 1990 and believe that the brand has acquired a strong reputation in the industry for quality products.

▶ *Internationally certified and high quality manufacturing processes*

We have made significant investments in quality assurance systems in order to consistently achieve high manufacturing standards. Our plants in Brazil and Mexico which were acquired from Nestlé in 2003 currently still follow the Nestlé quality standard which we believe, is based on Good Manufacturing Practice standards and HACCP (Hazard Analysis and Critical Control Point), among other quality standards. All of our other cocoa processing plants follow Good Manufacturing Practice standards and are HACCP certified. We have a policy of purchasing equipment which we believe to be the best of its kind, for our manufacturing facilities. We are selective in our choice of equipment and may choose a more expensive supplier if we believe that the quality of their product is superior.

Our plants are audited regularly by our major customers, most of whom have exacting quality assurance standards. We believe that our stringent quality assurance processes and our ability to deliver high quality products consistently are critical to our ability to continue servicing our existing client base and to meet the demands of prospective customers. For example, our products are used by customers for sale into the United States, the European Union and Japan, which impose stringent requirements for food products.

▶ *In-house technical and product development expertise*

We have established in-house technical and product development expertise. We design our own plants and, in some cases, fabricate and assemble machinery and equipment. We have in-house engineering and food technology capabilities. Our in-house process engineers design and implement processes and software for our production facilities, developing production techniques and process control systems to improve quality and efficiency.

Our expertise enables us to offer our customers a high degree of flexibility in meeting their needs and product specifications, whilst still meeting their stringent quality requirements and achieving cost efficiencies.

▶ *International manufacturing operations*

We have cocoa processing plants in Indonesia, Malaysia, Thailand, the Philippines, Brazil and Mexico. We believe that the international scale of our manufacturing operations and reputation set us apart from smaller players in the market and provides us with a competitive advantage when marketing to international customers. We believe that physical proximity to our markets is advantageous as we are better able to work closely with our customers, and to attract other customers to our products. We also reduce our exposure to any single location by spreading out our production facilities.

The production facilities we have across different countries also enable us to achieve cost efficiency by providing us with the flexibility to transfer semi-processed products from one plant to another plant within the Group for further processing as may be required to meet specific customer requirements. We expect our plants to eventually specialise in certain types of cocoa beans and/or cocoa powders. We expect specialisation to yield greater cost efficiency. For example, we would be able to reduce the varieties of beans we need to stock at each plant and transfer different types of cocoa cake between plants as required.

▶ *Benefits of economies of scale*

As one of the largest cocoa bean processors globally, we are able to spread our capital expenditure and fixed costs across the large volumes of cocoa ingredients that we produce, thus reducing our production cost per metric ton of product manufactured. We believe that the scale of our operations allows us to remain cost competitive and provides us with a competitive advantage over smaller players.

▶ *Experienced and proven management team*

Our Chief Executive Officer, Mr. John Chuang has over 25 years of experience and his involvement in the cocoa and consumer products business started in 1974 through his family-run business. Our Cocoa Ingredients Division is led by Mr Ee Kim Seng (President, Cocoa Ingredients Division), Mr Ng Sin Heng (Director, Commercial) and Ms Lim Seok Bee (Director of Quality Assurance, Technology and Operations) each of whom has over 20 years' experience in the cocoa and chocolate industry.

Our senior management team have a proven track record in running the Cocoa Ingredients Division and some of them have also previously worked for other major cocoa products companies. We place great emphasis on teamwork and close communication. We believe that our team possesses the appropriate mix of multi-disciplinary skills and experience necessary for us to grow the business in a competitive

environment. In particular we believe our team has strong technical skills, experience in quality assurance and the ability to provide effective customer solutions.

▶ *Track record of growth and financial performance*

We established our operations in Thailand and the Philippines in 1988 and 1989 respectively and started manufacturing cocoa ingredients for third party sale in 1991. Since then, our Cocoa Ingredients Division has grown significantly and we have also added manufacturing plants in Malaysia, Brazil and Mexico. Total revenue for the Cocoa Ingredients Division grew by a compound annual rate of 56.7% from US\$93.3 million for the year ended 31 December 2001 to US\$229.0 million for the year ended 31 December 2003, while profit from operations grew by a compound annual rate of 39.1% from US\$6.2 million to US\$12.0 million during the same period. For the six months ended 30 June 2004, revenue of our Cocoa Ingredients Division was US\$130.7 million, an increase of 22.3% over the previous corresponding period in 2003 and profit from operations of our Cocoa Ingredients Division, was US\$7.6 million, an increase of 18.8% over the previous corresponding period in 2003. We believe that our track record of operational growth positions us well to continue to realise future growth opportunities for our business.

Branded Consumer Division

The competitive strengths of our Branded Consumer Division include the following: -

▶ *Market leader for chocolate confectionery products in Indonesia*

We are the market leader for branded chocolate confectionery products in Indonesia. We have a leading share of 56.9% in the urban grocery market for chocolate confectionery in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*). Our top two products, "SilverQueen" and "Delfi Top", have a total share of 44.4% in the urban grocery market for moulded/enrobed chocolate in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*). We also have a share of 54.2% in the urban grocery market for dragees in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*).

▶ *Established portfolio of household brands in Indonesia*

We have an established portfolio of chocolate confectionery brands which are household names in Indonesia and which are familiar to generations of Indonesians. For example, our "SilverQueen" and "Ceres" brands were introduced in the 1950s, "Selamat" in the 1970s and "Delfi" in the 1980s. These brands continue to appeal to a large cross section of the Indonesian community, and in particular young adults, teenagers and children.

We also have a number of sub-brands for different product categories under the "Delfi" and "Selamat" master brands e.g. "Delfi Cha Cha" for dragee, "Delfi Top" for enrobed chocolate wafer and "Selamat Briko" for chocolate wafer. We believe that our use of master and sub-brands results in consumers associating new products that we introduce with the quality assurance of our established master brands. It also gives rise to the indirect promotion of other products under the master brand, through the promotion of a sub-brand. We have in total a portfolio of eight master brands and 19 key sub-brands.

▶ *In-house product and brand development expertise*

We have dedicated in-house product and brand development staff who regularly keep abreast of changing consumer preferences by conducting or monitoring market research in consumer preferences and industry trends. We also assess consumer preferences through discussions with our distributors and the management or proprietors of the modern and traditional outlets in which our products are sold. We use the information and market data that we receive to develop new products, sub-brands, packaging or product sizes to stimulate or meet consumer demand. We introduced over 97 new stock keeping units or SKUs in 2003 which included new products and different sizes and packaging for existing products, some of which have resulted in significant increases in sales.

We have also played a key role in promoting and significantly increasing the sales of some of the third party brands in the countries in which we distribute them. Our track record in helping to develop these brands is a key advantage in our efforts to add new brands to our portfolio.

▶ *Extensive sales and distribution network*

We have an extensive sales and distribution network covering the Indonesian archipelago, which we have established over many years. Based on data provided to us by our distributors, we believe we have

access through our distributors and sub-distributors to over 70,000 modern and traditional retail outlets. In addition, our distributors in turn supply our products to wholesalers, retailers and other distributors throughout Indonesia, thereby substantially increasing our reach. We had a total of 103 stock points as of 30 June 2004 across Indonesia. These stock points are principally owned by our distributors.

We also have a dedicated team which is focused on the distribution of our products to modern retail outlets in Jakarta and Bali. This team works closely with hypermarkets, supermarkets, minimarts and drugstores in these two cities. We believe our extensive sales and distribution network provides us with a distinct competitive advantage, in particular for the distribution of our products outside the urban markets.

We believe that our network represents a significant barrier to entry to new market entrants, and a challenge to existing confectionery producers who do not have the breadth of our distribution network across the Indonesian archipelago.

▶ *Well-known portfolio of third party brands*

We also distribute third party branded consumer food products in Indonesia, Singapore and Malaysia. In most cases, we are the exclusive distributors for these products in the countries in which we distribute them. These products are household names and include Fisherman's Friend (Indonesia), Toblerone (Indonesia), Guylian (Singapore, Indonesia and Malaysia), Loacker (Singapore and Indonesia), Tabasco (Indonesia), Lea and Perrins (Indonesia) and Walkers (Malaysia and Indonesia). We generally enjoy good gross margins for the distribution of these products, and leverage on our existing distribution networks to distribute these products. Our portfolio of third party brands allows us better access to modern trade outlets such as supermarkets and hypermarkets and enables us to maximise use of our extensive distribution network.

▶ *Experienced and proven management team*

The senior management team of our Branded Consumer Division, led by Messrs. Joseph Chuang (Executive Director and President, Branded Consumer Division) and William Chuang (Executive Director and President, Joint Ventures and Chief Operating Officer, Branded Consumer Division), Mr Susanto Purwo (Director, Manufacturing, PT Perusahaan Industri Ceres) and others, have extensive experience in the consumer chocolate business and have a proven track record in running the Branded Consumer Division. We believe that they also possess the appropriate mix of multi-disciplinary skills and experience necessary for us to grow the business in a competitive environment, particularly in the areas of continued marketing and product development activities as well as the identification of consumer preferences and industry trends.

▶ *Long established operations and track record of growth*

We have over 50 years of history and experience in the manufacture of chocolate products dating back to the Chuang family-run chocolate and cocoa business. Over the years, we have developed our engineering and manufacturing capabilities to produce a wide range of product types, which include moulded, enrobed, extruded and panned products, as well as wafers and biscuits. Our manufacturing expertise allows us to produce a large range of quality products consistently to cater to consumer preferences.

We have grown our business to become the market leader for chocolate confectionery in Indonesia. In tandem with our production growth, our revenue and profitability have also increased. Total revenue for the Branded Consumer Division grew by a compound annual rate of 33.7% from US\$51.9 million for the year ended 31 December 2001 to US\$92.9 million for the year ended 31 December 2003, while profit from operations grew by a compound annual rate of 29.9% from US\$7.8 million to US\$13.1 million during the same period. For the six months ended 30 June 2004, revenue of our Branded Consumer Division was US\$53.1 million, an increase of 30.5% over the previous corresponding period in 2003 and profit from operations of our Branded Consumer Division, was US\$7.4 million, an increase of 17.5% over the previous corresponding period in 2003. We believe that our long standing track record of business expansion and growth provides us with valuable experience to continue to realise future growth opportunities for our business.

GROUP STRATEGY

We aim to leverage on the existing international scale of our cocoa ingredients business and market leadership position for chocolate confectionery products in Indonesia to further grow our business. The principal elements of our strategy are:

- ▶ *Extend relationships with international food and beverage manufacturers and be the cocoa ingredients supplier of choice*

We intend to continue to build on our existing customer portfolio of international food and beverage manufacturers, both by increasing the number of our customers and the volumes and product ranges that we supply. We aim to capitalise on the increasing trend in the cocoa industry towards outsourcing of cocoa ingredients production to specialised cocoa processing companies. In this respect, we intend to encourage potential customers to outsource the production of their cocoa ingredient needs to us through close collaboration with them, including on research and development activities. This will enable us to understand their product needs and develop products in accordance with their specifications. In order to provide comprehensive solutions to our customers, our sales and technical teams will continue to work closely with our customers to enhance our understanding of their specific and potentially changing needs, so as to ensure that our products meet their stringent quality requirements.

We also aim to increase the number of countries in which we supply our key customers. To this end, we will continue to leverage our competitive advantages of product quality, reliability of supplies, customer service, partnership and flexibility. We believe that this will enable us to secure new customers, and retain and build on existing customer relationships.

- ▶ *Broaden and deepen the geographical markets that we sell to*

We plan to extend and deepen the geographical markets that we sell to in order to grow revenue and enhance the geographical diversification of our business.

We intend to invest in the production capacity of our recently acquired cocoa ingredients plants in Brazil and Mexico to acquire new customers. We believe that these two plants will provide a platform for further penetration into Brazil and Mexico, two of the largest economies in Latin America. In the longer term, we also see potential for these locations to support our plans for increased sales of cocoa ingredients into the South and North American market. In addition, we aim to capitalise on the increased outsourcing of cocoa ingredients production in the cocoa and chocolate industry which could lead to an extension and deepening of the geographical markets that we sell to.

We also intend to diversify our branded consumer business beyond Indonesia and to increase our sales in other Asian countries. We will continue to grow our branded consumer businesses in Malaysia and Singapore and in other countries which we believe have growth potential in respect of our branded consumer business, such as in China and Thailand.

Our immediate focus will be on extending the marketing and distribution network needed to introduce products and brands that have proven successful in Indonesia and to increase the proportion of sales outside Indonesia for the Branded Consumer Division. In more mature markets such as Malaysia and Singapore, we aim to identify gaps in product offerings currently in the market and to fill those niches with appropriate products from our range of chocolate confectionery products.

We intend to conduct market research in those countries we are contemplating growing our branded consumer business in with a view to ascertaining potential demand for our products and the position of our competitors in that market. We would first appoint local sales agents which we believe, will be a cost-efficient way to enter any market. In addition, sales agents can provide us with valuable country-specific expertise.

- ▶ *Leverage our market leadership position in Indonesia to further grow our business*

We intend to continue to leverage the leadership position of our brands in the Indonesian market to increase sales and our market share. We believe that there are significant growth prospects for chocolate confectionery in Indonesia given its huge population of approximately 220 million people, very low per capita consumption of chocolate confectionery of 0.1 kg per capita, compared with other more developed Asian countries, e.g. Singapore, with 1.1 kg per capita, and the potential for introduction of new chocolate confectionery products (See "Industry").

We will continue to extend our distribution capabilities in Indonesia and invest in marketing and advertising promotional activities to build on the strengths of our portfolio of well-established brands. We will also continue to place emphasis on brand, product and packaging development and innovation, and market research data in order to anticipate and meet changing consumer trends and preferences.

▶ *Pursue demand-led expansion of our manufacturing capacities*

We plan to expand our production capacity to meet the potential increase in demand for our products either from increased sales in the existing markets in which we operate or new markets which we may enter. Such expansion may be through locating a new production facility in a specific country or through increasing the number of production lines in our existing plants. For our cocoa processing plants, we will continue to build/acquire production facilities based on conservative estimates of the capacity required in order to avoid having under-utilised capacity at these facilities. However, we will continue to design our production facilities such that new production lines can be added commensurate with increased demand for our cocoa ingredients products. We will use the production facilities in one country to supply to other countries where it is cost efficient. In addition, we intend to continue to increase our operational efficiencies including through increasing the scale of our production.

▶ *Increase global market share through strategic alliances or acquisitions*

We plan to increase our global presence by continuing to identify potential parties to form strategic alliances with or by acquiring suitable targets which fit in with our overall group strategy. In particular, where and if the appropriate opportunities arise, we intend to acquire, invest in or form joint venture partnerships with suitable companies, in order to expand in Asia, and into Europe and North America. We believe such strategic alliances, acquisitions or joint ventures may provide us with a faster route to expand into new markets whilst providing us with valuable country-specific expertise and access to customers and business relationships.

COCOA INGREDIENTS DIVISION

We are one of the world's major manufacturers of cocoa ingredients, namely cocoa powder, cocoa butter and cocoa liquor. Our business extends from the procurement of cocoa beans to the manufacturing, marketing and distribution of cocoa ingredients. Our cocoa ingredients are sold primarily under the "Delfi" brand name and are exported to over 30 countries. Our Cocoa Ingredients Division is headquartered in Singapore whilst our manufacturing facilities are located in Indonesia, Malaysia, Thailand, the Philippines, Brazil and Mexico.

Products

Cocoa beans comprise the raw materials for the production of cocoa powder, cocoa butter and cocoa liquor. The cocoa beans we purchase are sourced through international traders and come mainly from Indonesia, the Ivory Coast and Ghana. See "Industry" for a description of the cocoa production process. Although the process of cocoa manufacturing is fairly standard throughout the industry, we differentiate ourselves through our process technology, which affects our costs as well as the quality and consistency of our products. Through years of experience, we have learnt to build and customise some of the equipment we use, to design our own software and engineer our own processes. We purchase what we believe to be the best equipment available in the market for our plants, and focus on constant maintenance.

For the year ended 31 December 2003, the sale of cocoa powder, cocoa butter and cocoa liquor contributed 46.9%, 48.4% and 4.7% respectively of the total revenue of our Cocoa Ingredients Division. In the same period, our Cocoa Ingredients Division accounted for 71.1% of our revenue. For the six months ended 30 June 2004, the sale of cocoa powder, cocoa butter and cocoa liquor contributed 42.0%, 47.7%, and 6.3% respectively of the total revenue of our Cocoa Ingredients Division. A processing fee relating to our Latin American operations accounted for the remaining total revenue of our Cocoa Ingredients Division for the six months ended 30 June 2004. In the same period, our Cocoa Ingredients Division accounted for 71.1% of our revenue.

► *Cocoa Powder*

We produce a wide range of cocoa powders which vary according to fat content, pH value and application as shown in the table below. In addition, we are able to further differentiate within each category of cocoa powder to meet the specific requirements of our customers.

Category	Colour	Fat %	pH	Applications
Natural Cocoa Powders	Yellowish Brown	10-12%	< 6.0	Confectionery, candy fillings, compound coatings, ice cream toppings, fat based syrups, pastes, icing and toppings.
Light Alkalisied Cocoa Powders	Light Brown	10-12% or 22-24% ⁽¹⁾	6.5-7.2	Dairy products (such as chocolate milk and ice cream), chocolate mousse, puddings, dry mixes for bakery products and drinking cocoa.
Medium Alkalisied Cocoa Powders	Brown to Reddish Brown	10-12% or 22-24% ⁽¹⁾	7.0-7.8	Dairy products (such as chocolate milk, desserts and ice cream), bakery products (biscuits and cookies), and cake mixes.
Red Alkalisied Cocoa Powders	Red to Dark Reddish Brown	10-12% or 22-24% ⁽¹⁾	7.5-8.5	Compound coatings, fillings for layer cakes, chocolate confectionery, bakery products and cake mixes, ice cream and ice cream powders, and cereal products.
Dark Brown Cocoa Powders	Dark Brown	10-12%	7.8-8.5	Cereal products, bakery products and colouring ingredients.
Specialty Cocoa Powder	Brownish Black to Black	10-12%	7.5-8.7	Bakery products, colouring ingredients and compound coatings.

Note:-

⁽¹⁾ The two different ranges of fat content are for low fat powder and high fat powder.

As cocoa powder provides the flavouring and colouring in many end products, quality, consistency (in terms of taste and colour) and high food-safety standards are important. Our key cocoa ingredient customers have very specific requirements for the powders they use to impart their products with the particular taste and appearance they are known for. Our emphasis on quality assurance has enabled us to build long-term relationships with our customers, which include international food and beverage groups such as A.B. Foods, Arnott's, Fuji Oil, Meiji and Nestlé (See — "Quality Assurance").

We believe that we are one of a few manufacturers worldwide that can produce such a range of powders/specifications. We are also one of the few who are able to consistently produce cocoa powder of the requisite low spore count necessary for producers of ready-to-drink chocolate milk-based beverages.

Cocoa Butter

Cocoa butter is more homogeneous than cocoa powder, however, we are also able to manufacture it in accordance with our customers' specifications. For example, we can produce natural, deodorised or partially deodorised cocoa butter. We are also able to produce de-gummed cocoa butter and to blend cocoa butters with different melting points.

We sell cocoa butter to international food and beverage companies like Cadbury and the Mars Group, as well as to commodity traders who on-sell it to chocolate manufacturers.

Cocoa Liquor

We sell cocoa liquor to chocolate manufacturing companies only. We are also able to manufacture cocoa liquor in accordance with our customers' specifications as to bean blends, pH level and other characteristics. We sell cocoa liquor to chocolate manufacturers like the Meiji Group.

Production Facilities And Capacity

The total production capacity and weighted average rate of utilisation of our cocoa processing plants (as indicated by our bean grind capacity) for the past three years ended 31 December 2003 and for the six months ended 30 June 2004 are shown in the table below:-

	Year ended 31 December			Six months ended 30 June
	2001	2002	2003	2004
Bean Grind Capacity (mt) ⁽¹⁾	82,000	100,000	200,000	200,000
Weighted Average Bean Grind Capacity (mt) ⁽²⁾	78,800	96,000	147,500	100,000
Bean Grind for the period (mt)	68,166	90,131	128,502	85,803
Weighted Average Rate of Utilisation (%) ⁽³⁾	86.5	93.9	87.1	85.8

Notes:

- (1) Bean grind capacity is calculated based on the full grinding capacity of our factories as at the end of each respective period. Our maximum grinding capacity for the period is based on the assumption that our factories operate for 7,920 hours a year.
- (2) The weighted average bean grind capacity is calculated based on the month in which the new capacity came on line.
- (3) The weighted average rate of utilisation is calculated based on our bean grind for the period and weighted average bean grind capacity.

We own and operate six cocoa processing plants. Our two largest plants are located in Indonesia and Malaysia, and the other plants are located in Brazil, Thailand, Mexico and the Philippines. Our largest plant in Indonesia accounts for more than one third of our bean grind capacity. The geographic dispersion of our plants brings several advantages which include proximity to our important customers, alternative sources of supply in the case of any disruption, and lower country risk associated with our investments and operations.

Major Customers

Most of the major customers of our Cocoa Ingredients Division are established international food and beverage companies. We target major food producers because they generally have stringent requirements as to the quality and consistency of the cocoa ingredients they purchase and are, therefore, a more stable and loyal customer base. These customers usually require their suppliers to undergo a qualification process which may take six to 18 months, depending on the customer concerned. Generally, the qualification process includes visits to our production facilities by the customer, who also takes samples of our products for testing and analysis. A trial production is the last stage of the qualification process, and may involve joint development work with the customer, in order to meet the customer's production specifications. After the initial qualification procedure, our major customers usually make an annual visit to our facilities as part of their quality assurance efforts. During these visits and during the initial qualification process, customers sometimes make requests for changes to our production process, which we endeavour to accede to wherever practicable.

The customers accounting for 5% or more of our Cocoa Ingredients Division's revenue during any of the past three years ended 31 December 2003 and the six months ended 30 June 2004 are listed below.

Percentage of Cocoa Ingredients Division's revenue (%)

	Year ended 31 December			Six months ended 30 June
	2001	2002	2003	2004
Nestlé Group	6.6	11.5	11.6	13.9
Unicom (International) B.V.	0.5	12.2	7.8	8.4
General Cocoa	6.6	5.6	7.7	2.7
Cadbury Group	5.0	5.0	7.1	6.9
Toshoku Group	8.7	5.5	7.0	8.0
The Mars Group	7.4	7.5	5.4	5.5
Theobroma B.V.	3.2	4.3	4.1	5.2
Itochu Group	5.2	3.0	3.7	2.5
Total	43.2	54.6	54.4	53.1

The Nestlé, Cadbury and Mars Groups have been our customers since 1992, 1993 and 1991 respectively. We supply cocoa ingredients to the Nestlé Group in 18 countries, to the Cadbury Group in 10 countries, and to the Mars Group in four countries.

Each of Unicom (International) B.V., General Cocoa, the Itochu Group, the Toshoku Group and Theobroma B.V. are trading houses. The Itochu and Toshoku Groups source items for major food and beverage companies in Japan. Each of Unicom (International) B.V., the Itochu Group and the Toshoku Group have been our customers since 1990 and General Cocoa has been our customer since 2000. Theobroma B.V. has been our customer since 1996. We supply cocoa ingredients to Theobroma B.V. in the Netherlands, Unicom (International) B.V. and General Cocoa in Europe and U.S.A., and to the Itochu and Toshoku Groups, in Japan.

As at 30 June 2004, we had approximately 160 customers for our cocoa ingredients products.

Major Suppliers

Cocoa beans are the key raw material which we purchase from suppliers for use in our cocoa ingredients production process. As part of our Company's strategy to ensure a steady supply of cocoa beans, we procure beans from well-established cocoa traders. Most of the cocoa beans we purchase are grown in Indonesia, the Ivory Coast and Ghana. We trade selectively with suppliers based on factors such as purchase terms, supplier reliability and quality of supplies. We centralise all our cocoa beans purchases in Singapore.

The following suppliers each accounted for 5% or more of the Cocoa Ingredients Division's purchases during any of the past three years ended 31 December 2003 and the six months ended 30 June 2004:-

Percentage of Cocoa Ingredients Division's purchases (%)

Suppliers	Year ended			Six months ended
	2001	2002	2003	30 June
Touton S.A	10.5	13.8	17.4	19.0
Olam International Ltd	11.5	8.5	13.6	22.4
Continaf B.V	2.0	19.9	12.6	3.6
Cocotique Pte Ltd	10.5	2.9	11.7	8.6
Noble Cocoa S.A	—	—	7.3	9.1
Agmark Pacific Ltd	7.6	6.1	6.6	8.2
Total	42.1	51.2	69.2	70.9

The major suppliers named above are commodity traders. The amount we purchase from each trader tends to fluctuate from year to year since our choice of supplier may depend on who can supply us the required amount and type of beans, whether they can meet our delivery requirements and their prices at the relevant time.

Sales And Marketing

In our Cocoa Ingredients Division, our sales and marketing strategy is based on building a strong relationship with our customers by working closely with them, understanding their needs and designing solutions and products to meet their requirements.

Our sales and marketing initiative is carried out by our sales and marketing team, which is headed by our Executive Officers, Mr Ee Kim Seng and Mr Ng Sin Heng and supported by five other marketing personnel. The team is managed globally out of our offices in Singapore, and works closely with our quality assurance, technology and operations team headed by our Executive Officer, Ms Lim Seok Bee. We also have a sales office in the United States. Our sales and technical teams work closely together in order to improve our understanding of our customers' problems and to provide innovative solutions, so as to ensure that our products meet the stringent quality and consistency requirements of our customers.

We serve our customers directly, other than in locations where we do not have a presence, where we rely on sales agents. We have an established network of sales agents located in places such as Australia, China, India, Japan, Korea, the Middle East, Pakistan, Taiwan and Vietnam.

Our marketing team and sales agents conduct regular field visits to both existing and prospective customers in order to maintain and expand our customer base.

Competition

We compete based on our strengths in the quality and consistency of our products, the cost of our products, the locations we have operations in, our customer service and customer relationships. Although there are many players in the cocoa processing industry, the core competencies and focus of other cocoa ingredients companies may differ greatly from those of our Group.

Our Cocoa Ingredients Division is positioned as a premier cocoa ingredients manufacturer. Our target customers are international food and beverage companies. Based on factors such as target market, geographic spread, product quality and product range, we believe that our major competitors are global cocoa ingredients manufacturers such as ADM Cocoa and Cargill Inc. In addition, we are exposed to competition from local and regional cocoa ingredient manufacturers in the Asian markets. However, we believe we have a particularly dominant position in the Asian market.

BRANDED CONSUMER DIVISION

Our Branded Consumer Division manufactures, markets and distributes chocolate confectionery products. We are currently the market leader in Indonesia, with a portfolio of established and well-recognised brands. Our two leading master brands, namely “Delfi” and “SilverQueen”, collectively accounted for a share of 46.2% of the urban grocery market for moulded/enrobed chocolate in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*).

We produce a comprehensive range of chocolate confectionery products such as chocolate bars, chocolate rice (or sprinkles), wafers and biscuits. Our confectionery production facilities are located in Indonesia and Malaysia. Most of our production capacity is presently located in Indonesia (approximately 30,750 mt in 2003). When fully commissioned, our confectionery production facilities in Malaysia are expected to have a production capacity of approximately 3,660 mt of products per year. We purchase our cocoa ingredients primarily from our Cocoa Ingredients Division.

For the 12 months ended 31 December 2003, 5.5% of the sales of our Branded Consumer Division were made in countries other than Indonesia. For the six months ended 30 June 2004, 5.9% of the sales of our Branded Consumer Division were made in countries other than Indonesia. Our goal is to take advantage of our strength in the Indonesian chocolate confectionery products market and to grow our market share, as well as to increase the distribution of our products to other countries. We have expanded our distribution reach through our investments in distribution capabilities and manufacturing facilities in Malaysia.

In Indonesia, our products are distributed through our extensive network of distributors and sub-distributors which we have built up over more than 40 years. We also have distribution capabilities in Singapore and Malaysia. We distribute our own, and third party food and beverage products, such as Fisherman’s Friend, Tabasco and Toblerone in Indonesia, Guylian and Walker’s in Malaysia and Loacker and Guylian in Singapore. These products complement and expand our own portfolio of chocolate confectionery product offerings, giving us better access to supermarkets and other purchasers and enabling us to maximise the use of our distribution network (See — “Our Distribution Capabilities”).

See “Industry” for a description of the chocolate manufacturing process.

Brands And Products

We have a portfolio of eight master brands and 19 key sub-brands covering a variety of product categories in the chocolate confectionery market. We believe that our brands have a broad spectrum of appeal to the different consumer groups within the Indonesian market. These brands together offer over 300 stock keeping units, or SKUs. For example, our “SilverQueen” moulded chocolate bars are sold in various flavours, sizes and with different nut and fruit combinations, each of which comprises a separate SKU. All our products are Halal-certified so that they are acceptable for consumption by Muslims.

The description of our Group's three key master brands and corresponding product categories are as follow:-

Master Brand	Sub-brand	Product Category
	▶ California	▶ Dragees
	▶ Cha Cha	▶ Dragees
	▶ Chic Choc	▶ Dragees
	▶ Choco Minis	▶ Dragees
	▶ Delfi	▶ Giftbox/Dragees
	▶ Delfi	▶ Chocolate bars
	▶ Express	▶ Drinking cocoa powder mix
	▶ Milky Snack	▶ Moulded chocolate
	▶ Mountain Bar	▶ Moulded chocolate
	▶ Neopolitans	▶ Moulded chocolate
	▶ Treasures	▶ Moulded chocolate
	▶ Take-It	▶ Moulded chocolate wafer/biscuit
	▶ Top	▶ Enrobed chocolate wafer

Initially a Swiss brand we used for the marketing of Swiss chocolate, "Delfi" is today the principal brand we use in our business. Substantially all our cocoa ingredient products are sold under the "Delfi" brand. It is also a master "umbrella" brand for our branded consumer chocolate confectionery products. We market our high-end moulded chocolate products such as chocolate bars, under the "Delfi" brand. We market a variety of less expensive chocolate confectionery like "Cha Cha" dragee and "Top" enrobed wafers under these sub-brands, but use the "Delfi" name on each package as well, to denote quality and to garner consumer recognition and acceptance. We believe that this approach of using a master brand and sub-brands collectively reinforces consumer recognition and brand acceptance and provides us with cross-selling advantages. Our range of "Delfi" products enables us to cater for different tastes and price points, so that we are better able to cover different segments of the consumer chocolate market.

Master Brand	Product Category
	▶ Moulded chocolate

"SilverQueen" was introduced in the 1950s and for the 12 month period ended March/April 2004, commanded 25.1% of the urban grocery market for moulded and enrobed chocolate bars in Indonesia (Source: ACNielsen). "SilverQueen" chocolates have been enjoyed by generations of Indonesians and consequently there is a high level of brand awareness in Indonesia. We believe that SilverQueen is a product that is uniquely Indonesian. Our best selling variety is the milk chocolate cashew nut bar, which combines the Indonesian preference for cashew nuts, with milk chocolate. Despite its long history, the "SilverQueen" brand is focussed on the youth and young adult segment of the chocolate consumer market. In order to ensure that "SilverQueen" remains a leading chocolate brand in Indonesia, we continue to invest in, adapt and develop "SilverQueen" to match changing consumer demographics and preferences, such as by introducing new flavours, nut varieties and sizes.

Master Brand	Product Category
	<ul style="list-style-type: none"> ▶ Chocolate rice/sprinkles ▶ Chocolate spread

"Ceres" chocolate rice (or sprinkles) was introduced in the 1950s and is another household name in Indonesia. Our "Ceres" chocolate rice products are widely accepted by Indonesians, who have adopted the Dutch tradition of sprinkling chocolate rice on buttered bread for breakfast. In the category of consumer chocolate rice, we believe "Ceres" has a commanding share of the market. We continue to develop the "Ceres" brand to cater to changing consumer demographics and preferences, such as through the introduction of different flavours, coloured chocolate rice, and different chocolate spread varieties and flavours.

Details of the other brands we own and products we manufacture are set out below.

Master Brands	Sub-brands	Product Category
	▶ Anytime	▶ Enrobed chocolate biscuits/Wafer
	▶ Briko	▶ Wafer
	▶ Choco Fingers	▶ Enrobed chocolate biscuit
	▶ Funtime	▶ Enrobed chocolate wafer
	▶ Selamat Biscuit	▶ Sandwich Biscuit
	▶ Selamat Wafer	▶ Wafer
	—	▶ Moulded chocolate
		—
		—
	—	▶ Moulded chocolate
	—	▶ Moulded chocolate

PT Perusahaan Industri Ceres has licensed the use of our “Tulip” logo which is registered as a copyright in Indonesia, to PT Freyabadi Indotama, a company in which certain of our Directors and Executive Officers have interests (see “Interested Person Transactions and Conflicts of Interest”). Under the licence agreement, the licence is for a period of 50 years from 1 October 1996, and only allows the logo to be applied to industrial chocolate. The licence arrangements pre-date the Company’s acquisition of PT Perusahaan Industri Ceres, which owns the “Tulip” brand.

In addition to chocolate confectionery products which we manufacture and market under our own brands, our Branded Consumer Division also markets and distributes third party brands such as Fisherman’s Friend, Toblerone, Guylian, Locker, Pez, Lea & Perrin, Tabasco, Post Cereal, Smuckers and Van Houten. We commenced distributing third party brands in 1987 in Indonesia, 1991 in Singapore and 2003 in Malaysia. Sales of third party brands accounted for 19.2% of total sales of our Branded Consumer Division for the year ended 31 December 2003.

The table below highlights some of the third party brands we distribute:

Brand	Product Type	Distribution Area	Distributor Since
Fisherman's Friend	Candy	Indonesia	1987
Loacker	Biscuit	Indonesia	1987
		Singapore	1995
Van Houten	Chocolate	Indonesia	1987
Pez	Candy	Singapore	1991
		Indonesia	1994
Toblerone	Chocolate	Indonesia	1994
Lea & Perrins	Grocery	Indonesia	1994
Tabasco	Grocery	Indonesia	1998
Guylian	Chocolate	Singapore	1992
		Indonesia	2000
		Malaysia	2003
Post Cereal	Breakfast	Indonesia	2001
Smuckers	Breakfast	Indonesia	2003

In most cases, we are the exclusive distributor of these brands in the relevant area. The terms of our distribution agreements vary from product to product, however in most cases we purchase the products at an agreed discount to the recommended retail price. Although volumes are low relative to our own brands, the gross margin for third party brand distribution for the year ended 31 December 2003 was 30.2% and for the six months ended 30 June 2004 was 35.1%. In certain cases, the gross margin may include payment to us for marketing the product, which we may be responsible for. Access to our extensive distribution network, particularly in Indonesia, is attractive to owners of third party brands. We have also demonstrated our ability to develop brands which are not our own, as illustrated by our marketing of the Toblerone brand in Indonesia which is now the top-selling imported moulded chocolate product in the urban grocery market for chocolate confectionery in Indonesia for the 12 month period ended March/April 2004 (*Source: ACNielsen*).

Our third party brand business also includes brands which we manufacture, market and distribute under licence (Van Houten chocolate products) or in joint venture with the brand owner (Meiji biscuits and chocolate confectionery).

Product Positioning and Market Share

We have a broad range of chocolate confectionery products which cover most of the main product categories, such as moulded chocolate, dragees, enrobed wafers and wafers and biscuits. Within each product category, we have products which target various price points and market segments, such as children, youth and the young adult market segments. For example, within the moulded chocolate category, we have the high-end "Delfi" bars, the "SilverQueen" bars which are targeted at the youth and young adult segment, and "value" priced compound chocolate bars like "Fonnut" and "Jago". Each of these products may in turn be sold in different weights or sizes, broadening their appeal and affordability to consumers. Our best selling bars are the "SilverQueen" bars, which for the 12 month period ended March/April 2004 had 25.1% of the urban grocery market for moulded and enrobed chocolate in Indonesia or 20.8% of chocolate confectionery sales for the period (*Source: ACNielsen*).

Our best-selling products are the enrobed wafers sold under the Delfi "Top" sub-brand. Our Delfi "Top" product comes in four sizes and in two flavours. Our recommended retail prices for Delfi "Top" range from Rp350 to Rp1,575 depending on the size of the Delfi "Top" product. For the 12 month period ended March/April 2004, Delfi "Top" captured 19.3% of the urban grocery market for moulded/enrobed chocolate in Indonesia, or 16.0% of total sales of chocolate confectionery in Indonesia's urban grocery market (*Source: ACNielsen*).

In the dragees chocolate category, our "Cha Cha" products captured approximately 49.1% of total sales of dragees in Indonesia's urban grocery market during the same period, and approximately 5.6% of total sales of chocolate confectionery in Indonesia's urban grocery market (*Source: ACNielsen*). We position this product at the middle segment of the market.

Production Facilities and Capacity

We operate two facilities for the production of our branded consumer products. These facilities are located in Bandung in Indonesia and Klang in Malaysia. These plants have production lines for moulding, chocolate rice products, dragees, Delfi “Top” products (enrobed chocolate wafer with rice crispies and caramel), “Twister” products (rolled wafers), Meiji biscuits, and other wafer products. The estimated average annual production capacity, output and utilisation rates of these manufacturing plants for the past three years and the six months ended 30 June 2004 are shown in the table below: -

	Year ended 31 December			Six months ended 30 June	
	2001	2002	2003 ⁽²⁾	2003 ⁽²⁾	2004 ⁽²⁾
Estimated Production Capacity (mt) ⁽³⁾	19,850 ⁽¹⁾	22,600 ⁽¹⁾	30,750 ⁽¹⁾	15,375	17,300
Production Output (mt) ⁽³⁾	15,270	17,000	21,300	10,174	12,911
Rate of Utilisation (%) ⁽³⁾	76.9	75.2	69.3	66.1	74.6

Notes:

- (1) Production capacity is calculated based on available capacity of each product line in each month of the year.
- (2) The production capacity, production output and rate of utilisation for our Malaysian plant have not been included as it was not fully commissioned at the end of 2003 and for the six months ended 30 June 2004, these were immaterial.
- (3) The production capacity, production output and rate of utilisation in relation to those products of ours that are repackaged only at our manufacturing plants have not been included.

Our Distribution Capabilities

We have sales and distribution capabilities in Indonesia, Singapore and Malaysia. Our most established distribution network is in Indonesia. In Indonesia, our distribution strength is based on our established infrastructure and distribution network across the Indonesian archipelago. We also sell our chocolate confectionery products in countries in which we do not have our own network, through the use of sales agents. These countries include Thailand (since 1987), Japan (since 1995), the Philippines (since 1999), Hong Kong (since 1993), Australia (since 2003) and China (since 2004). We believe that our strength and experience in the Indonesian market (particularly in relation to the modern trade channels such as supermarket chains and in dealing with owners of third party brands) provide us with a good base to strengthen our distribution capabilities in other Asian countries.

► *Indonesian Distribution Structure*

Our Indonesian distribution network is multi-layered and comprises our own direct distribution team and a network of third party distributors and sub-distributors across Indonesia. Third party distributors are closely managed and controlled by us and require our consent before they can appoint sub-distributors. Our third party distributors and sub-distributors have their own delivery vans and storage facilities, or stock points. Our distribution network covers all the provinces of Indonesia and most types of distribution channels. This enables us to effectively penetrate the consumer market across Indonesia.

We distribute our Branded Consumer Division’s products (which include third party brands) through these main channels, namely the modern trades (approximately 30% of our sales) and traditional outlets (approximately 70% of our sales). Some of our sales through traditional outlets (namely distributors) may also subsequently sell our products to the modern trades. Modern trades in Indonesia include hypermarkets, supermarkets, minimarts, and drugstores, which have proliferated in Jakarta and to a lesser extent, Bali.

We also distribute third party products (namely PT Freyabadi Indotama’s industrial chocolate) to professional food service businesses such as bakeries, hotels and restaurants throughout Indonesia. In addition, we have a food service team comprising eight professional chefs to provide value-added total food service solutions to our customers by providing consultancy services. The strength and coverage of our distribution network has been integral to the significant market share we enjoy in Indonesia.

► *Modern Sales Channel*

Our modern sales channel involves the distribution of products to modern retailers comprising hypermarkets, supermarkets, modern wholesalers and chain stores directly through our own distribution team in Jakarta and Bali, and through third party distributors elsewhere. Examples of our modern sales customers include Carrefour, Giant, Hero, Makro and Indomart. We generally receive payment for such supplies within 30 days of the date of delivery. In order to incentivise our customers,

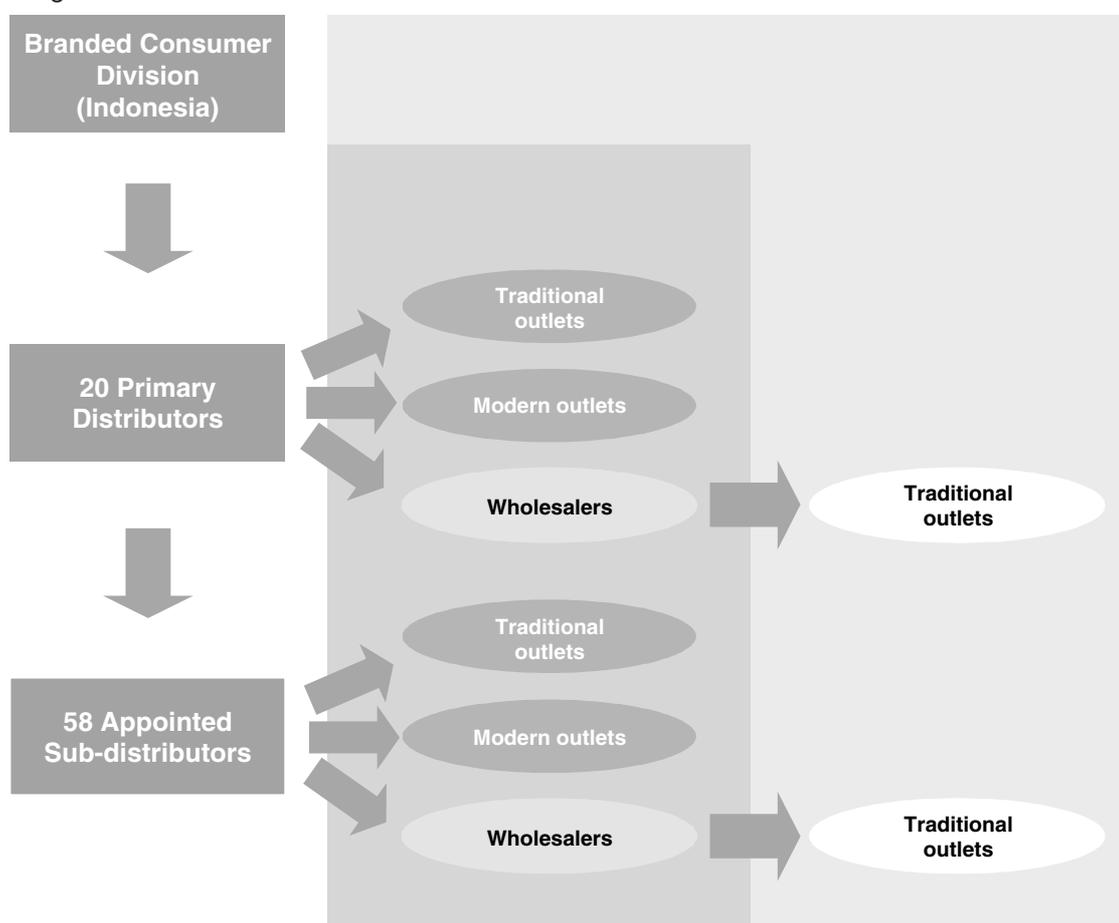
we offer sales incentives, bad stock allowances and rebates (which are generally linked to the volume purchased).

We allocate a key account manager to each of the major customers of our Branded Consumer Division who is responsible for managing the customer's entire distribution chain. For the Hero chain of supermarkets, we provide category and sub-category managers who manage the confectionery or chocolate confectionery shelves and turnover of chocolate confectionery for our customers. This arrangement enables us to better position our products and provides us with valuable direct information on customer behaviour and buying patterns.

▶ *Traditional Sales Channel*

Our traditional sales channel involves the distribution of products through third party distributors and sub-distributors to smaller, localised wholesalers and retailers and traditional corner stores. The Group's traditional distribution network was first established by PT Perusahaan Industri Ceres over 40 years ago and is operated across Indonesia. Most of our distributors are family concerns and we have long-standing relationships with a number of them across two or more generations. Our dedicated sales team is responsible for co-ordinating and motivating our network of distributors. A key account manager is responsible for managing and supervising the distributors in his/her area.

The diagram below illustrates the structure of our distribution network in Indonesia:



Based on data received from our distributors, as at 30 June 2004, we had access through our distributors and sub-distributors to over 70,000 modern and traditional outlets. This extensive coverage was supported by:

- ▶ 20 primary distributors and 58 appointed sub-distributors;
- ▶ a network of 103 stock points, which we intend to increase to 110 by the end of the 2004; and
- ▶ access to over 400 vans for sales and delivery.

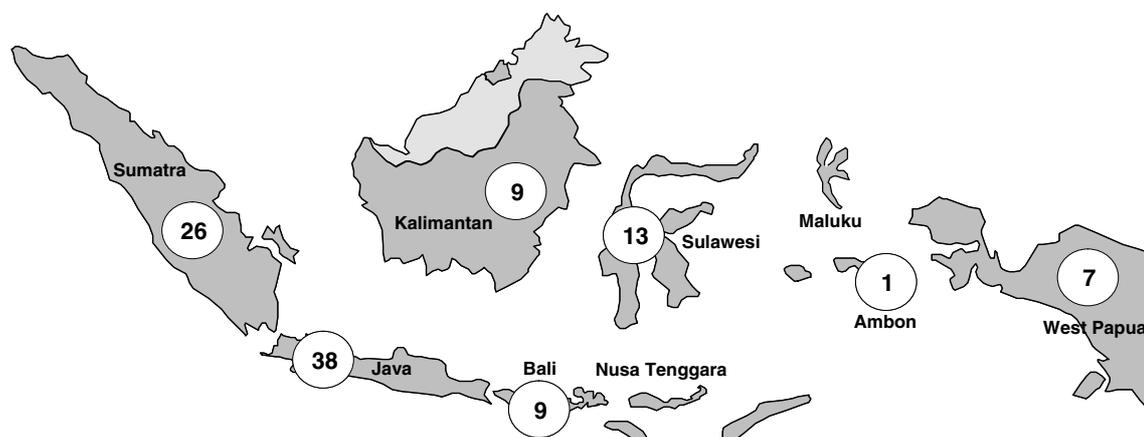
We are continually strengthening our existing long-term relationship with our distributors through frequent communication, delivery van purchase incentive programmes and sales performance incentives. In addition, the Company has implemented a "Good Distributor Practice" program, which

provides for clear objectives, sales targets, customer service levels and key performance metrics, so as to increase the performance and efficiency of our distributors. In order to further improve the efficiency of our network, we have commenced rolling out an electronic remote-connect ordering system, which enables our distributors to place orders with us electronically instead of by faxed order forms. This system will enable us to track sales more efficiently.

We sell products to our distributors at a discount to our recommended selling price. We effectively subsidise the cost of transporting our products to certain outlying areas in order to maintain fairly uniform selling prices throughout Indonesia. Our distributors are largely exclusive to us and generally distribute only our products and the third party brands we distribute. We allow our distributors to return a small percentage of damaged products, on the condition that our distributors have not contributed to the cause of damage. We have managed to minimise the level of damaged products returned by our distributors through regular inspections of our distributors' facilities as well as proper handling of our products. We also allow our distributors in Indonesia to return products that have festive packaging which we repack for re-sale, because our products have relatively long shelf-lives.

Our distributors are generally granted 14 to 30 day credit terms and modern trades, 30 days.

The chart below highlights the number and geographical spread of 103 stock points maintained primarily by our distributors as at 30 June 2004:



Our distribution network is divided geographically into four main regions: West Indonesia, Greater Jakarta, Central Indonesia and East Indonesia.

Our most established network and our largest number of distributors is on the island of Java, whilst our newest and smallest network is located in West Papua. We continue to review and re-configure our network in order to achieve optimal results. Our current focus is on the network in the Greater Jakarta area which is home to over 20 million people. We are considering ways of re-configuring current distribution areas and adding distributors in order to ensure our products reach as many outlets as possible, and to ensure that re-stocking delays are minimised.

Distribution Outside Indonesia

Outside Indonesia, we have developed distribution networks based on different models, as dictated by local conditions and opportunities. Our strategy is to have our own distribution capabilities in those countries where we have manufacturing facilities for chocolate confectionery products. We also have distribution capabilities in Singapore. We rely on agents to distribute our products in other countries, although we continue to monitor developments in each of our markets and may establish our own network if sales justify doing so.

In Singapore, we distribute directly to supermarkets and other stores. We have recently established a joint venture with Sime Darby Singapore Limited which is in the process of acquiring Sime Darby's wine, liquor and healthcare distribution business in Singapore. This proposed acquisition will contribute new distribution outlets to our business, such as hotels, bakeries and pharmacies (pharmacies in Singapore frequently stock chocolate confectionery products). In Malaysia, we have established a joint venture with the Sime Darby Group, in order to tap into their distribution network.

Major Customers

We supply all the major hypermarket, supermarket and minimarket chains in Indonesia. However, our largest customers by percentage of sales, are our main distributors for East Java, Sulawesi and North Sumatra.

The customers accounting for 5% or more of our Branded Consumer Division's revenue during any of the past three years ended 31 December 2003 and the six months ended 30 June 2004 are listed below.

Percentage of Branded Consumer Division's revenue (%)

	Year ended 31 December			Six months ended 30 June
	2001	2002	2003	2004
Customers				
Tang Geoff Budhi Kosasih	6.4	6.7	6.0	7.3
PT Kota Mas Permai	4.6	5.2	5.7	6.1
PT Fajar Lestari Abadi	5.5	5.4	5.3	6.3

The major customers named above are the main distributors of our chocolate confectionery products.

Major Suppliers

We produce our own cocoa ingredients. The key raw materials purchased from third party suppliers in the branded consumer business include sugar, milk powder, vegetable fat and packaging materials. We import sugar mainly from Thailand, milk from Australia and New Zealand and purchase packaging materials from a number of local suppliers.

The following suppliers (excluding inter-company purchases) accounted for 5% or more of the Branded Consumer Division's purchases during the past three years ended 31 December 2003 and six months ended 30 June 2004:-

Percentage of Branded Consumer Division's purchases (%)

	Types of Supplies	Year ended 31 December			Six months ended 30 June
		2001	2002	2003	2004
Suppliers					
PT Pura Barutama	Packaging materials	7.8	5.3	4.6	4.9
Fuji Oil Ltd	Vegetable fat	5.6	5.9	5.5	7.2

Marketing and Brand Development

We track the market share of our products through established survey companies such as ACNielsen. ACNielsen tracks market share in two categories, namely the key account index and the retail audit. The key account index is compiled based on information captured by bar code scanners of key modern trade outlets in Indonesia. The retail audit is compiled based on information gathered from a sample of various types of retail outlets in Indonesia.

We regularly keep abreast of changing consumer preferences by conducting focus group based market research on consumer preferences and industry trends. Our brand development and marketing team based in Jakarta is headed by Mr Joseph Chuang, who is supported by five executive personnel. Our team is experienced in assessing consumer habits. We aim to stimulate demand for our products through strategies such as designing innovative packaging, new products and developing different price structures. Over the last three years, our team has successfully developed and/or enhanced the product packaging of over 200 SKUs.

We strive to continually promote sales through adopting different price structures and price points in order to further penetrate the Indonesian market, which is a developing market with consumers of

different income levels, we adopt different price structures and price points to target the different market segments.

▶ *Developing new products and brand development*

Our brands are targeted at different consumer economic segments. For instance, our “SilverQueen” products are targeted at the general market segment, while our “Delfi” bars are targeted at the middle and upper classes of the Indonesian consumer population. In addition, we continually introduce and develop new products, new varieties of existing products and new packaging formats to cater for consumers’ tastes, preferences and demographics.

▶ *Raising the profile and awareness of our brands*

We aim to raise the profile and awareness of our brands through advertising and promotion campaigns. We advertise predominantly through the use of television advertisements. We develop consistent themes for each product which we believe will be attractive to that product’s main target customer segment.

We also use promotions in the marketing of our products. Our promotions may be aimed at customers or at the distributors or stores which carry our products. Examples of promotion events include competitions for cars, tickets to media events and the use of in-store promotion stands where our products may be sampled.

Our advertising and promotion expenses represented 9.8%, 10.0% and 5.8% of our Branded Consumer Division’s revenue for each of the last three years ended 31 December 2003 respectively.

Competition

In the chocolate confectionery products market, we face competition from both foreign and local producers in the markets in which we operate. As our primary market is Indonesia, our competitors include global brands such as Cadbury, Nestlé, the Mars Group, Arnott’s, Nabisco and local producers such as PT Mayora Indah and PT Ultra Prima Abadi.

Based on sales of our products, we believe we command significant market leadership in the Indonesian market. The global brands pose a greater threat to our sales through modern trade channels, where trade flow is faster and due to the proliferation of modern trades.

Nevertheless, approximately 30% of sales of our Branded Consumer Division’s products are distributed through these modern trade channels. However, in respect of sales through traditional channels we believe that we currently face less competition as many of our products are better suited to the local climate and can be stored at room temperature as compared with some of the global brands.

We also face competition for distribution rights for third party brands mostly in relation to the modern trade channels in Indonesia. However, our extensive distribution network in Indonesia and track record are strong competitive advantages (See “— Our Distribution Capabilities”).

QUALITY ASSURANCE

We are strongly committed to high levels of quality assurance in the manufacture of cocoa ingredients and the manufacture and distribution of branded consumer products. Quality assurance is an essential element of the production process in order to ensure that we are able to deliver products of consistent quality to our customers.

Our plants in Mexico and Brazil currently operate under the Nestlé quality management system which we believe, is based on Good Manufacturing Practice standards and HACCP, among other quality standards. We have developed a quality assurance system which governs the entire production process of the rest of our cocoa plants. We are in the process of implementing our quality assurance system in our plants in Mexico and Brazil.

We developed a quality assurance system based on the following standards of:

(i) Good Manufacturing Practice (“GMP”)

We follow the GMP, which was established by the Food and Drug Administration in the USA in 1967 under the authority of the Federal Food, Drug and Cosmetic Act. The GMP is based on international hygiene standards, and promotes a quality approach to manufacturing. The regulations are relatively general and allow us to decide individually how to implement the

necessary controls to achieve goals such as cleanliness, equipment verification and process validation. In doing this, we take into account the specific needs of our customers.

(ii) Hazard Analysis and Critical Control Point (“HACCP”)

The HACCP was adopted by our Group as a comprehensive step-by-step food safety program for our production process. Assessments of hazards applicable to microbiological, chemical and physical, food safety and quality standard risks are made. Subsequent to such hazard assessment, the critical control points (“CCP”) are determined within the production process to control identified hazards. Procedures for monitoring and corrective actions are established for each CCP. Therefore, any problem is traceable to the specific point in the production process and/or the specific raw material utilised. Our plants in Brazil and Mexico, which were acquired in 2003 currently follow the Nestlé quality system and we are working towards HACCP certification of these plants, which is expected by the end of 2005. All our other cocoa processing plants are HACCP-certified. Our chocolate manufacturing facility in Klang, Malaysia is also HACCP-certified. Our Indonesian chocolate manufacturing facility in Bandung is working towards HACCP certification, which is expected by the end of 2004.

We conduct process testing to ensure the quality and specifications of our cocoa products are consistent and meet the exacting standards of our customers. Such in-process testing involves performing tests on samples of products to determine if there are any quality defects. In addition, we conduct microbiological tests on samples to ensure that our strict specifications regarding microbiological content are adhered to so that our products are safe for human consumption.

Each delivery of products is given a unique lot identification code printed on the individual packing and accompanying documents which incorporates the date of manufacture. It can be used to trace the complete production history of the product starting from the source of cocoa beans. Any delivery breaching our quality standards can thus be identified and stopped before it is delivered to our customers.

(iii) International Organization for Standardization (“ISO”) certification

PT General Food Industries (which operates our cocoa processing plant in Bandung, Indonesia) and PT Nirwana Lestari (our modern trade distribution company) have received ISO 9001:2000 certifications (in respect of quality management and quality assurance). Delfi Cocoa (Malaysia) Sdn Bhd (which operates our cocoa processing plant in Johor, Malaysia) is working towards ISO 14000 certification (in respect of standards for environmental management) which is expected by December 2004.

In addition to these self-imposed quality standards, we are required to meet the standards set by our cocoa ingredients customers, who most often require their suppliers to pass their own stringent certification process (see “Business — Cocoa Ingredients Division — Major Customers”).

INVENTORY MANAGEMENT

Cocoa Ingredients Division

We have a logistics team performing a centralised logistics and planning function for the entire Cocoa Ingredients Division. This team is based in Singapore and is responsible for planning, production and shipment for all our cocoa factories in Asia and Latin America, and for managing inventories of raw materials and finished goods. The team communicates and coordinates the logistics details with our customers.

The central logistics team in Singapore coordinates and plans the receipt and delivery of cocoa beans at and to the various warehousing facilities owned by our Group. The central logistics team sets the delivery dates and holding period in the warehouses of each production facility taking into consideration the type of cocoa beans to be stored (based on country of origin) and any potential short supply of cocoa beans. Our central logistics team is responsible for ensuring that we maintain adequate stocks of cocoa beans in order to run our production facilities at optimal levels. The levels of stocks may fluctuate based on our assessment of factors such as the current availability of beans. The average life of a cocoa bean is one to two years.

We produce cocoa butter to order and we therefore carry minimal inventory. We try to minimise stocks of cocoa powder because of its limited shelf life of one to two years. Typically, we hold stocks of cocoa powder and/or cocoa cake for about two to three months. Cocoa liquor, like cocoa butter, is shipped

soon after production (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Inventory Analysis”).

Branded Consumer Division

Each of our chocolate factories is responsible for managing inventories of raw materials in our branded consumer business. Our inventories are managed on a “first-in first-out” basis. Based on sales projections, contracts for raw materials, except for cocoa products, are usually entered into up to 12 months ahead of the actual production date. Cocoa products are contracted for 12-18 months ahead of the actual production date.

RESEARCH AND DEVELOPMENT

Research and development activities are an inherent part of our business. Our product development efforts within our Cocoa Ingredients Division are focussed on developing new and customised products, often in partnership with our customers, to meet their specific application requirements. We also seek to improve the quality of existing products and to improve our production processes to achieve greater efficiency and lower costs. We have, for example, developed, fabricated and assembled our own machinery and parts, and written our own software for some of our production processes. Our Branded Consumer Division is involved in product development and continually introduces and develops new products, new flavours and new packaging formats to cater for a variety of consumer tastes, preferences and demographics. We do not account for research and development expenses separately.

IT SYSTEMS

We utilise the Oracle system to manage our financial reporting, Enterprise Resource Planning (ERP) and manufacturing processes. We commenced implementing the system in February 2002 and completed implementation in all our facilities and offices other than in Mexico and Brazil in April 2004, at a cost of US\$1.5 million. We expect to implement the system in Mexico and Brazil by the end of 2005.

We have recently introduced a standardised electronic remote-connect ordering system which permits our direct customers like supermarket chains and participating distributors to place orders with us more efficiently. Previously, all orders were sent to us by fax. We are also currently testing software for a reporting system by means of which our distributors and sub-distributors will send us monthly reports which will enable us to track movement of our consumer products through the distribution chain.

We have purchased a warehouse management software system which we are in the process of rolling out in our warehouses in Indonesia. This system enables us to plan and optimise space management at our warehouses. It allocates pallet locations, tracks inventory and directs the selection of stock when sales are made.

Most of our cocoa production equipment comes with inbuilt software although we sometimes develop or customise our own software, in order to meet our own specific requirements.

INTELLECTUAL PROPERTY

We seek to register trademarks for all our brands and sub-brands. As at the Latest Practicable Date, we have registered or applied for registration of trademarks for our portfolio of brands covering a variety of product categories in the chocolate confectionery market. In particular, in Indonesia, we have registered trademarks for our master brands, “Delfi” and “SilverQueen”. We intend to pursue additional registrations in other countries as we expand our operations. In addition, we have some registered copyrights in Indonesia.

We have not registered any patents and are not materially dependent upon any patent, patent rights, licences, or processes for our business.

EMPLOYEES

As at 30 June 2004, we had 3,722 employees in seven countries. Certain of our employees in Indonesia, Brazil, Mexico and the Philippines are members of trade unions. Certain of our employees in Indonesia are party to collective bargaining agreements. We believe that the relationship between our management and employees is good. We did experience a minor incident of work stoppage in Indonesia in the year ended 2000, when there was a general strike which also affected other employers in

Bandung. However, the strike did not affect our operations in a material way as our employees returned to work voluntarily after one day.

As at 31 December 2003, we had over 2,400 employees in our Branded Consumer Division and over 1,100 employees in our Cocoa Ingredients Division. Our Branded Consumer Division accounts for the larger share of our total number of employees as it is relatively more labour-intensive than the Cocoa Ingredients Division. As the consumption of products from our Branded Consumer Division is subject to some seasonality (see “Management’s Discussion and Analysis of Financial Conditions and Results of Operations — Significant Factors Affecting our Results of Operations — Seasonality”), we employ certain employees on a temporary basis. All our employees receive on the job training. We also offer opportunities to our technical staff for deployment to our production facilities in other countries in order to promote their career development as well as technology transfer.

The breakdown by activity of the number of employees as at the end of each of the past three years is as follows:-

Function	As at 31 December		
	2001	2002	2003
Administration and Management	81	77	87
Finance	95	114	122
Production	1,917	2,088	2,404
Information Technology	8	11	15
Quality Assurance	97	115	143
Marketing, Sales and Product Development	202	273	315
Customer Service and Technical Support	152	154	184
Others ⁽¹⁾	233	270	312
Total	2,785⁽²⁾	3,102⁽²⁾	3,582⁽²⁾

Notes:

(1) “Others” means other service personnel including but not limited to drivers and general workers.

(2) Includes contract (temporary) employees employed by our Group.

The breakdown by geographical location of our employees as at the end of each of the past three years is as follows:

Country	As at 31 December		
	2001	2002	2003
Singapore	67	76	109
Indonesia	2,424	2,652	2,805
Malaysia	10	75	227
Thailand	185	193	201
The Philippines	99	106	103
Mexico	—	—	40
Brazil	—	—	97
Total	2,785⁽¹⁾	3,102⁽¹⁾	3,582⁽¹⁾

Note:

(1) Includes contract (temporary) employees employed by our Group.

We do not employ a significant number of contract (temporary) employees other than in Indonesia. We employed 1,232, 997 and 837 such employees in Indonesia as at 31 December 2001, 2002 and 2003 respectively.

INSURANCE

We have fire and associated risks policies over each of our production facilities provided by various insurers. We also have a general and products liability policy and a “key man” life assurance policy for Mr John Chuang. We maintain several other insurance policies, including fire and associated risks policies over stocks of raw materials and finished products in certain of our warehouses and cocoa production facilities (See “Risk Factors — A fire, accident or other calamity at one of our key production facilities could adversely affect us; our insurance policies do not cover all our operating risks”).

PROPERTIES

The properties that we own or lease as at the Latest Practicable Date are set out in Appendix B of this Prospectus.

LITIGATION

We are not party to any legal proceedings or disputes that would, individually or in the aggregate, have a material adverse effect on our financial condition or results of operations, nor to our knowledge, have any such legal proceedings been threatened against us.

However, certain former employees of our subsidiary Cocoa Specialities Inc. brought an action on 4 July 2000 before the National Labour Relations Commission in the Philippines for illegal dismissal following their alleged illegal transfer of funds from Cocoa Specialities Inc. which remains pending on the date of lodgement of this Prospectus with the Authority. Cocoa Specialities Inc. are defending the claim and have filed counterclaims.

We are involved and may in the future, become involved in disputes or become the subject of allegations, particularly in relation to passing off the packaging of some of our branded consumer products as those of other chocolate manufacturers. In the past, we have been able to resolve such disputes amicably.

Regulations

We are subject to applicable national and local governmental regulations in the locations in which we operate and in which we sell our products. These regulations include relevant licensing requirements, food safety requirements and environmental requirements. We are also subject to laws governing our relationship with our employees, including minimum wage, overtime and worker's compensation requirements.

The following is a description of certain applicable regulations and material licences issued to our Company and its subsidiaries in order for us to carry out our business operations in various jurisdictions, apart from those pertaining to general business registration requirements:

Brazil

We hold licences for the manufacture of food products, including cocoa powder, cocoa butter, cocoa liquor and animal fat. These licences were issued by Centro de Recursos Ambiental (the state environmental agency), Instituto Brasileiro do Meio Ambiente e dos Recursos Renováveis (the federal environmental agency), the Municipality of Itabuna, and the Federal Police Department.

Indonesia

We hold licences for the manufacture of chocolate products, the conduct of business outside an industrial estate and the import of machinery and building materials for our own production. These licences were issued by Badan Koordinasi Penanaman Modal (the Capital Investment Coordinating Board), and the Regency of Bandung (the regional government). The products which we manufacture in Indonesia and those which we import from offshore have been registered at Badan Pengawasan Obat dan Makanan (the Board for the Supervision of Drugs and Food).

Under Indonesian law, investments by foreign shareholders in Indonesian companies (which are wholly foreign owned) are subject to a compulsory divestment of not less than 5%, within 15 years from the commencement of initial commercial production (the "divestment period"). The Company must therefore divest at least 5% of the issued shares of PT Perusahaan Industri Ceres, PT General Food Industries and PT Nirwana Lestari, before the expiry of the divestment period, the earliest of which is expected to occur in 2011.

Malaysia

We hold licences for manufacturing, buying, selling and exporting cocoa, grinding cocoa beans and a permit for the installation of machinery. These licences were issued by the Ministry of International Trade and Industry of Malaysia, the Malaysian Cocoa Board and the Department of Occupational Safety and Health.

Mexico

We hold environmental licences which permit the holder to discharge waste, handle hazardous waste, discharge gas, odour, liquid or solid particles as well as use land for industrial activities. These are issued by the Environmental Ministry of the Federal District, the Ministry of Environment and the Government of the Federal District.

The Philippines

We hold an Environmental compliance certificate, a Decision on Zoning, which is required for industrial buildings housing cocoa processing plants, a licence to operate as a food manufacturer, two permits to operate steam boilers, a Building Permit required for the construction of any building structure, a Certificate of Occupancy/Use, a Water Permit and a Permit to Operate Air Pollution Source and Control Installations. These are issued by the Department of Environment and Natural Resources — Region III, the Office of the Deputy Zoning Administrator, the Department of Health (Bureau of Food and Drugs), the Department of Labour and Employment, the Department of Environment and Natural Resources, the Municipality of Sta. Maria, Bulacan — Office of the Building Official, the Office of the Building Official, Makati City, the National Water Resources Board and the Department of Environment and Resources — Environment Management Bureau respectively. We also have an application for Permit to Operate Wastewater Treatment Plant that is still pending approval from the Department of Environment and Natural Resources.

Singapore

We hold a licence to operate a food establishment and a permit for the operation of a factory. These are issued by the Agri-Food & Veterinary Authority of Singapore and the Ministry of Manpower (Occupational Safety Department).

Thailand

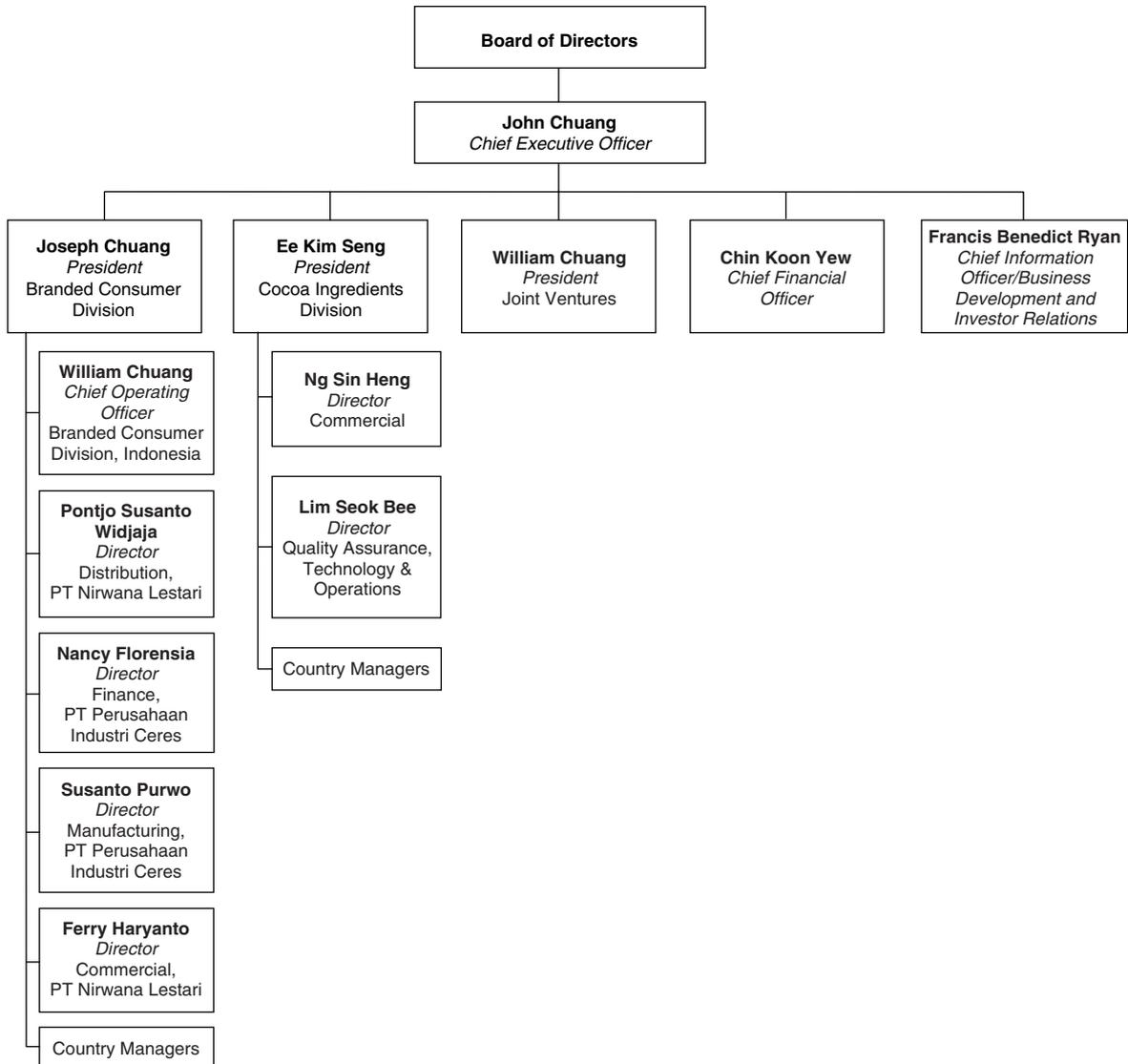
We hold a building use permit, a licence for factory operation, a licence for food production, a licence to import or order the food from foreign countries, and a certificate of food formula registration. These are issued by the Ministry of Interior of Thailand, the Ministry of Public Health of Thailand and the Ministry of Industry of Thailand.

As of the Latest Practicable Date, none of the aforesaid licences have been suspended or revoked and to the best of our knowledge and belief, there are at present no facts or circumstances which would cause such licences to be suspended or revoked or for any applications for, or for the renewal of, any of these licences to be rejected by the relevant authorities.

Management

OUR MANAGEMENT STRUCTURE

The following chart shows our management reporting structure as of the Latest Practicable Date.



DIRECTORS

Our Board is entrusted with the responsibility for the overall management of our Group. The Board meets on a quarterly basis at least, or more frequently as required, to review and monitor our financial position and operations. Our Articles of Association provide that our Board of Directors will consist of not fewer than two Directors. Our Directors' particulars as at the Latest Practicable Date are as listed below:-

Name	Age	Address	Occupation
Pedro Francisco Mata-Bruckmann	60	297 Greens Farms Road Greens Farms CT 06838, USA	President of MGS Mata Global Solutions
John Chuang	56	19 Tanglin Hill, Singapore 248052	Chief Executive Officer
Joseph Chuang	53	131 Duchess Avenue, Singapore 269161	Executive Director and President, Branded Consumer Division
William Chuang	45	15A Robin Road, Singapore 258196	Executive Director, President, Joint Ventures and Chief Operating Officer, Branded Consumer Division
Davinder Singh s/o Amar Singh	47	418 Tanjong Katong Road Singapore 437137	Chief Executive Officer of Drew & Napier LLC
Josephine Price	50	4A, Best View Court, 66 Macdonell Road, Mid Levels, Hong Kong	Managing Director of CLSA Private Equity Ltd
Richard Owen Pyvis	55	28 Hynes Road, Dalkeith 6009, Western Australia, Australia	Director of CLSA Private Equity Ltd

The working and business experience of our Directors are set out below:-

Mr Pedro Francisco Mata-Bruckmann was appointed as Chairman and Independent Director of our Company on 12 June 2001. He is responsible for the quality and timeliness of the flow of information between the Board of Directors and the management of the Group. Mr Mata-Bruckmann began his career at W.R. Grace & Co. in 1968 where he served as President and CEO of several divisions. Through a series of promotions, in 1989, he rose to the position of Chief Executive Officer of Grace Cocoa (subsequently acquired by Archer Daniels Midlands and renamed ADM Cocoa), a division of W.R. Grace & Co. Grace Cocoa was the world's leading and premier supplier of cocoa ingredients to the confectionery, dairy, bakery and beverage industries on a global basis. After leaving W.R. Grace & Co. in 1995, Mr Mata-Bruckmann established MGS Mata Global Solutions, advising companies on strategic growth and joint venturing. Mr Mata-Bruckmann is a senior advisor to Quad-C (a USA based private equity fund). Mr Mata-Bruckmann graduated from Cornell University with a Bachelor of Science in 1967 and Masters of Engineering in 1968.

Mr John Chuang is our Chief Executive Officer and was appointed to our Board on 20 November 1984. He resigned on 30 November 1985 and was subsequently reappointed on 1 November 1989. He is responsible for the overall strategic planning, management and business development of our Group and has over 25 years of experience in the cocoa and chocolate industry. Mr John Chuang started his career in 1974 in our predecessor businesses in Indonesia and Singapore. From 1979 to 1983, Mr John Chuang undertook the appointments of both Vice-Chairman of the Independence Bank of California and the President of Wardley Development Inc., California. Mr John Chuang established the Company in 1984 and was subsequently appointed as the Chief Executive Officer. Mr John Chuang graduated from the University of Liverpool, England with a Bachelor of Engineering (Honours) in 1973. He also obtained a Masters in Business Administration from Cranfield Business School in England in 1975.

Mr Joseph Chuang is our Executive Director and President, Branded Consumer Division, and was appointed to our Board on 2 March 1999. Mr Joseph Chuang is responsible for the overall management and business development of our Branded Consumer Division and has 25 years of experience in senior management positions within the cocoa and chocolate industry. From 1980 to 1983, he was appointed as the President of McCoa Inc., Philippines. From 1983 to 1984, Mr Joseph Chuang worked as a

Personal Assistant to the President of Allied Foods Management (Singapore). He joined PT Perusahaan Industri Ceres in 1984 and since then, has served in various senior executive positions within the Group. Mr Joseph Chuang obtained a GCE "A" level certification.

Mr William Chuang is our Executive Director; President, Joint Ventures and Chief Operating Officer of our Branded Consumer Division, and was appointed to our Board on 31 May 2001. Mr William Chuang is responsible for the overall business expansion of our Branded Consumer Division and has 20 years of experience within the cocoa and chocolate industry. Mr William Chuang started out as a Financial Analyst in W. R. Grace (New York, USA) from 1984 to 1985. He joined PT Perusahaan Industri Ceres in 1985 as a Technical Adviser (Manufacturing). From 1990 to 1991, he was appointed as the General Manager of Cocoa Specialities Inc. and subsequently served in various senior management positions in PT General Food Industries from 1991 to 1996. Mr William Chuang rose to the position of President Director of both PT General Food Industries and PT Ceres Meiji Indotama in 1997 and 2001 respectively. Mr William Chuang graduated from the California State University Long Beach in 1984 with a Bachelor of Science (Business Administration with Finance).

Mr Davinder Singh was appointed as an Independent Director of our Company on 12 June 2001. Mr Singh is the Chief Executive Officer of Drew & Napier LLC and has been a practising lawyer for over 20 years. Mr Singh's practice covers areas such as banking and corporate litigation, civil and commercial litigation, intellectual property, defamation, trust, tort and negligence. Mr Singh has also been appointed as an arbitrator and is an Accredited Mediator with the Singapore Mediation Centre. In 1997, Mr Singh was appointed as Senior Counsel. Mr Singh is also a Member of Parliament. Mr Singh graduated from the National University of Singapore with a Bachelor of Laws in 1982.

Ms Josephine Price was appointed as a Non-Executive Director of our Company on 12 June 2001. Ms. Price is Managing Director of CLSA Private Equity. She joined CLSA in 1995 to set up its private equity activities from NatWest Markets where she had been a regional corporate finance director. She has been based in Hong Kong for over 20 years. She is a graduate of the University of Kent at Canterbury, a member of the Law Societies of England & Wales and Hong Kong, a member of the Hong Kong Securities Institute, Fellow of the Hong Kong Institute of Directors and non-executive director of various public and private companies.

Mr Richard Owen Pyvis has studied and worked in the region since the early 1970's and was appointed as an alternate Director to Ms Josephine Price on 12 June 2001. He was formerly Chief Executive Officer of the CLSA Group and has a background in commercial banking, venture capital, and debt restructuring. He sits on a number of public and private boards. Mr Pyvis read Economics (Japanese Studies) at the University of Western Australia.

The Company intends to appoint an additional independent director to the Company's Board of Directors on or before the first anniversary of the Listing Date.

We have appointed Mr Pedro Francisco Mata-Bruckmann as our Independent Director. Our board is of the view that Mr Mata-Bruckmann is considered to be independent as he has demonstrated strong independent judgment in his deliberations in the interests of the Company notwithstanding that MGS Mata Global Solutions has, in the financial years ended 31 December 2001, 2002 and 2003, provided the Group with consulting services for an aggregate consideration of US\$267,000, US\$46,000 and US\$150,000 respectively. In this connection, the Company is of the view that Mr Mata-Bruckmann's participation on the Board will be beneficial to the Group given Mr Mata-Bruckmann's expertise and extensive experience in the cocoa industry, which includes his previous position as the Chief Executive Officer of Grace Cocoa (subsequently acquired by Archer Daniels Midlands and renamed ADM Cocoa), a division of W.R. Grace & Co. The Company also believes that Mr Mata-Bruckmann's experience in advising companies on strategic growth and joint venturing (through his establishment of MGS Mata Global Solution and his advisory role in Quad-C, a USA-based private equity fund) will serve to benefit the Group as Mr Mata-Bruckmann continues to provide his guidance and valuable input to the Board and management of the Company. Notwithstanding the Group's intention not to continue with the transactions it has entered into with MGS Mata Global Solutions after the Offering, Mr Mata-Bruckmann will abstain from any decision relating to the Group's choice of a third party to provide consulting services. Such services will be left solely for the management of the Group to decide (See "Interested Person Transactions and Conflicts of Interest — Past and Ongoing Interested Person Transactions").

Pursuant to the Subscription and Investment Agreement, Canzone Limited nominated Ms Josephine Price and Mr Richard Owen Pyvis (as alternate Director to Ms Josephine Price) as Non-Executive Directors of our Company (See "Business — History and Development").

Save for Mr John Chuang, Mr Joseph Chuang and Mr William Chuang, who are brothers, none of our Directors are related to each other or to the Executive Officers.

PRESENT AND PAST DIRECTORSHIPS OF OUR DIRECTORS

The list of present and past directorships held by our Directors in the last five years preceding the date of this Prospectus, excluding those held in the Company, are as follows:-

	Present Directorships	Past Directorships
Pedro Francisco Mata-Bruckmann	<p>Group companies</p> <p>Delfi Cocoa USA, Inc</p> <p>Other companies</p> <p>Chili Systems, Inc MGS Mata Global Solutions Transfair USA</p>	<p>Group companies</p> <p>—</p> <p>Other companies</p> <p>Kingdom Group LLC (wound-up) La Universal, S.A. A2R</p>
John Chuang	<p>Group companies</p> <p>Alsa Industries, Inc Ceres Sime Confectionery Sdn Bhd Cocoa Specialities Inc Delfi Cocoa Investments 1 Pte Ltd Delfi Cocoa (Malaysia) Sdn Bhd Delfi Cocoa USA, Inc. Delfi Foods, Inc Petra-SPT Marketing Pte Ltd Siam Cocoa Products Co., Ltd</p> <p>Other companies</p> <p>Aerodrome International Limited Berlian Enterprises Limited Fremont Investment Limited McKeeson Investments Pte Ltd</p>	<p>Group companies</p> <p>PT Perusahaan Industri Ceres</p> <p>Other companies</p> <p>Allied Cocoa Industries Pte. Ltd. <i>(dissolved on 20 August 2003 pursuant to a compulsory winding-up)</i></p>
Joseph Chuang	<p>Group companies</p> <p>Ceres Sime Confectionery Sdn Bhd <i>(alternate directorship)</i> Ceres Sime Marketing Sdn Bhd Petra-SPT Marketing Pte Ltd PT Ceres Meiji Indotama PT Nirwana Lestari PT Perusahaan Industri Ceres</p> <p>Other companies</p> <p>AFI Services Pte Ltd Euro-Asia Milk Products Pte Ltd Maple Gold Assets Ltd Savetsomphob Holdings Company Ltd</p>	<p>Group companies</p> <p>—</p> <p>Other companies</p> <p>Allied Cocoa Industries Pte Ltd <i>(dissolved on 20 August 2003 pursuant to a compulsory winding-up)</i></p>
William Chuang	<p>Group companies</p> <p>Delfi Cocoa Investments 1 Pte Ltd McKeeson Consultants Pte Ltd PT Ceres Meiji Indotama PT General Food Industries</p> <p>Other companies</p> <p>PT Freyabadi Indotama</p>	<p>Group companies</p> <p>—</p> <p>Other companies</p> <p>Wellinton Investment Pte Ltd <i>(struck off with effect from 31 December 2003)</i></p>

	Present Directorships	Past Directorships
Davinder Singh	<p>Group companies</p> <p>—</p> <p>Other companies</p> <p>Drew & Napier LLC Drewcorp Services Pte Ltd Freshfields Drew & Napier Pte Ltd Singapore Airlines Limited Singapore Technologies Pte Ltd Zagro Asia Limited</p>	<p>Group companies</p> <p>—</p> <p>Other companies</p> <p>DBS Vickers Securities Holdings Pte Ltd (formerly known as Vickers Ballas Holdings Limited)</p>
Josephine Price	<p>Group companies</p> <p>—</p> <p>Other companies</p> <p>Aria Equity Limited Beijing Tide Pharmaceutical Co., Ltd. Cantus Limited Canzone Limited China Fire Safety Enterprise Group Holdings Ltd CLSA Private Equity (China I) Ltd CLSA Private Equity Ltd CLSA Private Equity Management Ltd Flourishing International Ltd Haleton Development Ltd Hong Chi Association Jian Kang Ltd Jyothy Laboratories Limited Min You Holdings Ltd Sino Biopharmaceutical Limited Talent Bid Limited</p>	<p>Group companies</p> <p>—</p> <p>Other companies</p> <p>Chanson Limited SBSi Company Ltd. Supra Ltd.</p>

	Present Directorships	Past Directorships
Richard Owen Pyvis	<p>Group companies</p> <p>—</p> <p>Other companies</p> <p>Aria Equity Ltd</p> <p>Australian Market Research and Advisory Services Pty Ltd</p> <p>Beijing Tide Pharmaceutical Co Ltd</p> <p>Cantus Limited</p> <p>Canzone Limited</p> <p>China Fire Safety Enterprises Group Holdings Ltd</p> <p>CLSA B.V.</p> <p>CLSA Equity Capital Markets Ltd</p> <p>CLSA Investments Ltd</p> <p>CLSA Ltd</p> <p>CLSA Mezzanine Management Ltd</p> <p>CLSA Private Equity (China I) Ltd</p> <p>CLSA Private Equity Ltd</p> <p>CLSA Private Equity Management Ltd</p> <p>Jian Kang Ltd</p> <p>Margaret River Wines, Inc</p> <p>Margaret River Wines (Inq) Pty Ltd</p> <p>Min You Holdings Ltd</p> <p>PT CLSA Indonesia</p> <p>Quality HealthCare Asia Ltd</p>	<p>Group companies</p> <p>—</p> <p>Other companies</p> <p>Asterisk Nominees Ltd</p> <p>Chanson Limited</p> <p>CLSA Capital Ltd</p> <p>CLSA China Holdings Ltd</p> <p>CLSA Futures Ltd</p> <p>CLSA Guernsey Ltd</p> <p>CLSA India Ltd</p> <p>CLSA International Ltd</p> <p>CLSA Nominees (Singapore) Pte Ltd</p> <p>CLSA Philippines Inc</p> <p>CLSA Research Ltd</p> <p>CLSA (S.E.A.) Ltd</p> <p>CLSA Singapore Pte Ltd</p> <p>Equity Access Ltd</p> <p>Pacific Strategic (M) Ltd</p> <p>SBSi Company Ltd</p> <p>Supra Ltd.</p>

INTEREST IN SHARES

Our Independent Directors, who are eligible under applicable laws and regulations, will be given the opportunity to subscribe and/or purchase Reserved Shares (See “Management — Reserved Shares”).

The Shares held by the Directors of our Company do not carry different voting rights from the Offering Shares.

The Shares held by the Directors of our Company immediately before the Offering (as at the date of this Prospectus) and immediately after the Offering (assuming that the Over-allotment Option is not exercised) are set out below:

Name	Before the Offering				After the Offering			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Pedro Francisco Mata-Bruckmann ⁽¹⁾	186,000	0.04	—	—	186,000	0.03	—	—
John Chuang ⁽²⁾	—	—	320,018,000	76.42	—	—	308,768,000	58.01
Joseph Chuang ⁽³⁾	—	—	320,018,000	76.42	—	—	308,768,000	58.01
William Chuang	—	—	—	—	—	—	—	—
Davinder Singh ⁽⁴⁾	—	—	—	—	100,000	0.02	—	—
Josephine Price ⁽¹⁾	55,000	0.01	—	—	55,000	0.01	—	—
Richard Owen Pyvis	—	—	—	—	—	—	—	—

Notes:

⁽¹⁾ Mr Pedro Francisco Mata-Bruckmann and Ms Josephine Price were granted 186,000 Shares and 55,000 Shares respectively pursuant to the Restructuring-Grants.

⁽²⁾ Mr John Chuang’s deemed interest arises as he is the spouse of Mdm Lim Mee Len. Please see “Shareholders” for more details of Mdm Lim Mee Len’s deemed interest in the Shares.

(3) Mr Joseph Chuang is deemed to be interested in the Shares held by Fremont Investment Limited, McKeeson Holdings Limited, Berlian Enterprises Limited and McKeeson Investments Pte Ltd. Please see "Shareholders" for more details of Mr Joseph Chuang's deemed interest in the Shares.

(4) Assuming that Mr Davinder Singh takes up his allocation of the Reserved Shares.

Significant Changes in Percentage of Ownership

Name	As at 1 January 2001		As at the date of this Prospectus	
	Number of Shares of \$1.00 each (Direct Interest)	%	Number of Shares of \$0.10 each (Direct Interest)	%
Pedro Francisco Mata-Bruckmann	—	—	186,000	0.04
John Chuang	—	—	—	—
Joseph Chuang	—	—	—	—
William Chuang	—	—	—	—
Davinder Singh	—	—	—	—
Josephine Price	—	—	55,000	0.01
Richard Owen Pyvis	—	—	—	—

There have not been any changes in the direct shareholding interests and percentage of ownership of our Directors in the Company in the last three years prior to the date of this Prospectus amounting to more than 5.0% of the pre-Offering issued share capital of the Company.

DIRECTORS' REMUNERATION

The remuneration (including salary, bonus, CPF contribution, directors' fees and benefits-in-kind) paid by us to our Directors for services rendered by them in all their capacities to us for the years ended 31 December 2002 and 2003, and the estimated remuneration paid and payable to them for the year ending 31 December 2004 are as follows:-

Name	Year ended 31 December 2002 ⁽¹⁾	Year ended 31 December 2003 ⁽¹⁾	Estimated amount for year ending 31 December 2004 ^{(1),(2)}
Pedro Francisco Mata-Bruckmann	A	A	A
John Chuang	B	D	D
Joseph Chuang	B	C	C
William Chuang	A	B	B
Davinder Singh	A	A	A
Josephine Price ⁽³⁾	A	A	A

Notes:-

(1) Remuneration bands:-

"A" refers to remuneration below S\$250,000 (US\$148,000);

"B" refers to remuneration between S\$250,000 (US\$148,000) and S\$499,999 (US\$296,000);

"C" refers to remuneration between S\$500,000 (US\$296,000) and S\$749,999 (US\$444,000); and

"D" refers to remuneration between S\$750,000 (US\$444,000) and S\$999,999 (US\$592,000).

The US dollar amounts in this note (1) have been rounded to the nearest US\$1,000.

(2) For the purposes of this estimation, no account is taken of the bonus that our Executive Directors are entitled to under their respective service agreements, further details of which are set out under "Management — Service Agreements".

(3) Ms Josephine Price's compensation is paid to entities within the CLSA Group.

We have not set aside or accrued any amounts for our Directors to provide for pension, retirement or similar benefits, except as required for purposes of compliance with the relevant laws of the jurisdictions in which our Group operates.

SERVICE AGREEMENTS

On 22 September 2004, we entered into separate service agreements (the "Service Agreements") with Messrs John Chuang, Joseph Chuang and William Chuang (each, the "Appointee"). Under the Service Agreements, Mr John Chuang was appointed as the Chief Executive Officer, while Mr Joseph Chuang and Mr William Chuang were appointed as Executive Directors of our Company respectively for a fixed period of three years ("Initial Term") each with effect from the date of admission of our Company to the

Official List of the SGX-ST. After the Initial Term, the Service Agreements shall be automatically renewed from year to year.

The Company or Appointee may terminate the Service Agreement by giving six months' written notice of termination to the other party. However, the Service Agreements may be terminated by notice in writing by the Company immediately upon the occurrence of events such as if the Appointee (i) becomes mentally disordered; (ii) becomes a bankrupt; (iii) neglects his duties; (iv) deliberately misconducts himself; or (v) is incapacitated by ill-health or accident from performing his duties for a period or periods aggregating 120 working days or more in any period of 24 months.

Upon the termination of the Service Agreement (except if the termination is due to the Appointee's misconduct or neglect of his duties), the Appointee shall be paid a severance pay of an amount to be agreed between both the Appointee and/or his nominee and the Company, his salary and profit sharing incentive (if any) accrued to the date of termination, but the Appointee shall not be entitled to any other payment or compensation in respect of the termination.

The factors to be taken into consideration in determining the amount of the severance pay are (i) an Appointee's contributions to the Company, (ii) the cause of the termination of the Appointee's service agreement, and (iii) the Company's capacity to pay for a severance payment.

Under the Service Agreements, for the year ending 31 December 2004, Messrs John Chuang, Joseph Chuang and William Chuang are entitled to a base salary of US\$400,000, US\$310,000 and US\$200,000 respectively. This base salary is subject to review by the Remuneration Committee at the beginning of each financial year.

In addition to their base salary, each Appointee is entitled to a year-end performance-linked bonus based on the following approach:

The Remuneration Committee will determine at the beginning of the financial year the target profit after tax earnings for the year ("Target Earnings") for the Company and will set for the Appointees an individual pre-determined target bonus for the year ("Target Bonus").

Scenario A: If in the current financial year the Company's earnings are equal to the Target Earnings, the Appointee will be paid his Target Bonus.

Scenario B: If in the current financial year the Company's earnings exceed the Target Earnings, in addition to the Appointee's Target Bonus, the Appointee will receive a fixed percentage of the excess earnings.

The Appointees are entitled to the excess earnings as follows:

John Chuang	2%
Joseph Chuang	1%
William Chuang	1%

Scenario C: If in the current financial year the Company's earnings fail to meet the Target Earnings, but are equal to or not less than 80% of the previous financial year's earnings, the Appointee will be entitled to the same total compensation (inclusive of bonus and base salary) as in the previous financial year.

Scenario D: If in the current financial year the Company's earnings fail to meet the Target Earnings and are less than 80% of the previous financial year's earnings, the Appointee will be entitled to only his base salary.

Under the Service Agreements, our Company provides each of the Appointees with a car, the costs and expenses of which are fully borne by us. This benefit ceases should they leave the employment of the Company.

All travelling, hotel, entertainment and other out-of-pocket expenses reasonably incurred by the Appointees in the discharge of their duties will be borne by the Company, subject to the limits and guidelines established by the Remuneration Committee from time to time.

The Service Agreements contain confidentiality clauses which are effective during and at any time after the termination of the Appointee's employment. In addition, there are non-solicitation clauses under the Service Agreements which are effective during the Appointee's employment and for a further period of 12 months from the termination of the Appointee's employment.

Save as disclosed above, there are no existing or proposed service contracts entered or to be entered into by our Directors with our Company or any of our subsidiaries which provide for benefits upon termination of employment.

CORPORATE GOVERNANCE

Pursuant to the Code of Corporate Governance, at each annual general meeting, one-third of our Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office. However, this rule does not apply to our Chief Executive Officer, and he will not be taken into account in determining the number of our Directors to retire. A retiring Director shall be eligible for re-election.

Presently, our business and operations are under the management and close supervision of our Executive Directors who are assisted by a team of key Executive Officers. We recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders.

Audit Committee

Our Board of Directors established an audit committee on 6 July 2001 (the "Audit Committee") that is currently chaired by Ms Josephine Price, and includes Mr Pedro Francisco Mata-Bruckmann and Mr Davinder Singh. The Audit Committee is established to assist the Board of Directors in fulfilling its statutory and financial responsibilities. The Committee is authorised by the Board of Directors to investigate any activity within its terms of reference.

Responsibilities

The following are some of the functions performed by the Audit Committee:

- ▶ review the annual audit plans of the external and internal auditors;
- ▶ review the external and internal auditors' findings on their evaluation of the system of internal controls including accounting controls;
- ▶ review the scope and results of the internal audit procedures;
- ▶ review the full-year balance sheets and profit and loss accounts of our Group;
- ▶ review the assistance given by our Company's officers to the Audit Committee, external auditors and internal auditors, where applicable;
- ▶ review interested person transactions; and
- ▶ nominate our Group's external auditors.

Apart from duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of a Singapore law, rule or regulation which has or is likely to have a material impact on our operating results and/or financial position.

Remuneration Committee

The Remuneration Committee was set up on 6 July 2001 (the "Remuneration Committee") and comprises Mr John Chuang, Mr Pedro Francisco Mata-Bruckmann, Mr Davinder Singh and Ms Josephine Price. The Chairman of the Remuneration Committee is Mr Davinder Singh.

In the event that any member of our Remuneration Committee is interested in a decision to be made by the Remuneration Committee, he will abstain from participating in the decision-making process.

The Remuneration Committee is responsible for setting cash and long-term incentive compensation for our Executive Officers and other key employees and administering the Share Option Scheme and the Share Incentive Plan. As part of its responsibilities, the Remuneration Committee will review annually the remuneration of each of the Directors, Executive Officers and other employees who are related to the Substantial Shareholders and will make recommendations, in consultation with the Chairman of the Board, to the entire Board for approval. Our annual report will disclose the remuneration of the Directors, the top five key Executive Officers of our Company as well as of employees who are immediate family members of a Director or Chief Executive Officer and whose annual remuneration

exceeds S\$150,000. Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his remuneration package.

Nominating Committee

The Nominating Committee was established on 13 July 2004 (the “Nominating Committee”) and comprises Mr John Chuang, Mr Pedro Francisco Mata-Bruckmann, Mr Davinder Singh and Ms Josephine Price. The Chairman of the Nominating Committee is Mr Pedro Francisco Mata-Bruckmann. Our Nominating Committee will be responsible for (i) re-nomination of our Directors having regard to the Director’s contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director. The Nominating Committee will decide how the Board’s performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term shareholders’ value. The Board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as director.

EXECUTIVE OFFICERS

The day-to-day operations of our Group are entrusted to the Executive Officers responsible for the different functions of our Group. The particulars of our Executive Officers as at the Latest Practicable Date are set out below:-

Name	Age	Address	Current Occupation
Ee Kim Seng	53	No. 118 Wishart Road, Singapore 098746	President, Cocoa Ingredients Division
Chin Koon Yew	48	121 Sennett Avenue, Singapore 467120	Chief Financial Officer
Francis Benedict Ryan	55	2 Belmont Road #03-02 Singapore 269854	Chief Information Officer/ Business Development and Investor Relations
Pontjo Susanto Widjaja	54	Jalan Asem II Blok JI No. 237, Kepa — Duri Jakarta Barat, Indonesia	Director, Distribution PT Nirwana Lestari
Nancy Florensia	45	Jalan H. Kurdi No. 92, Bandung, Indonesia	Director, Finance PT Perusahaan Industri Ceres
Susanto Purwo	62	Jalan Taman Cibeunying Selatan No. 43, Bandung, Indonesia	Director, Manufacturing PT Perusahaan Industri Ceres
Ferry Haryanto	50	Taman Alfa Indah Blok F1 No. 37, Kelurahan Joglo, Kec Kebon Jeruk, Jakarta Barat, 11640 Indonesia	Director, Commercial PT Nirwana Lestari
Ng Sin Heng	54	Blk 115 Bukit Batok West Avenue 6, #18-198, Singapore 650115	Director, Commercial, Cocoa Ingredients Division
Lim Seok Bee	51	27 Mount Faber Road, Faber Lodge, #03-03, Singapore 099200	Director, Quality Assurance, Technology & Operations

The working and business experience of our Executive Officers are set out below:-

Mr Ee Kim Seng is our President, Cocoa Ingredients Division. He has been in charge of the sales and marketing operations of the Group’s Cocoa Ingredients Division since 2000 and has over 20 years of experience in the sales and marketing operations within the cocoa and chocolate industry. Mr Ee started his career in Allied Chocolate Industries Ltd as a sales manager from 1979 to 1982 and subsequently moved to Allied Cocoa Industries Pte Ltd to undertake the appointment of Sales Manager

from 1982 to 1984. From 1984 to 1989, Mr Ee was appointed as the Commercial Manager of the Cocoa Powder Division in De Zaan Far East (S) Pte Ltd. He joined the Company in 1989, where he rose to the position of Senior Manager (Cocoa Ingredients Division). Mr Ee was subsequently promoted to undertake the position of the Group's President (Cocoa Ingredients Division) in 2000. Mr Ee graduated from the University of Singapore with a Bachelor of Arts degree in 1975.

Mr Chin Koon Yew is our Group's Chief Financial Officer and is in charge of the Group's financial operations. Mr Chin was employed as an audit assistant from 1980 to 1981 in SGV Kassim Chan & Co (Kuala Lumpur), and joined Arthur Young & Co (Singapore) from 1981 to 1984, where his last position was Audit Manager. Mr Chin began his first foray in the cocoa industry in 1984, when he was employed by De Zaan Far East Pte Ltd as Chief Accountant for the cocoa processing facility in Singapore. In 1988, Mr Chin was transferred to W. R. Grace (Singapore) Pte Ltd, as Chief Financial Officer and was subsequently promoted to Country Manager for the operations in Singapore, Malaysia and Indonesia. Mr Chin rose to the ranks of Chief Financial Officer (South Asia) and Chief Financial Officer (Asia Pacific) in 1996 and 1998 respectively. In 2001, Mr Chin joined the Group as the Chief Financial Officer. Mr Chin graduated from Tunkul Abdul Rahman College (Kuala Lumpur) with a Diploma in Commerce in 1980 and obtained a Masters of Business Administration from Henley-Brunel University in 1996. In 1998, he attended the Program for Global Leadership organised by Harvard University. Mr Chin is a Chartered Certified Accountant (UK) and is also a member of the Association of Chartered Certified Accountants.

Mr Francis Benedict Ryan is our Group's Chief Information Officer/Business Development and Investor Relations and is responsible for the Group's information technology ("IT") functions, special projects and investor relations. Mr Ryan started his association with the cocoa and chocolate industry in 1976. Mr Ryan is trained and qualified as a Chartered Accountant with KPMG/Stokes Kennedy Crowley in Dublin, Ireland from 1967 to 1976. Mr Ryan subsequently worked for W.R. Grace & Co between 1976 and 1990 in various executive positions — in New York in the Cocoa Products Division from 1976 to 1982 and in the Specialty Chemicals Group from 1982 to 1985; and in Paris from 1985 to 1990 as Assistant Vice-President and Controller of W.R. Grace & Co in Paris. Between 1990 and 1992, Mr Ryan worked in Ireland as a Finance Director for Carrolls Seafood Ireland Ltd. Mr Ryan then rejoined Grace Cocoa (subsequently acquired by Archer Daniels Midlands and renamed ADM Cocoa) and worked in Berlin, Germany as the Chief Financial Officer of the Chocolate Division between 1993 and 1995 and in the Netherlands as Chief Information Officer of Grace Cocoa (subsequently acquired by Archer Daniels Midlands and renamed ADM Cocoa) from 1995 to 1998. Mr Ryan also worked for ADM International Ltd. in the United Kingdom from 1998 to 2000 as the Information Technology Manager, supporting Archer-Daniels-Midlands global IT systems. From 2000 to 2002, Mr Ryan undertook the appointment of Chief Financial Officer for Development Consultants International Ltd, a leading international development consulting group, before joining our Group in 2003. Mr Ryan was educated at Ampleforth College in Yorkshire, England and is a Fellow of the Institute of Chartered Accountants in Ireland (FCA).

Mr Pontjo Susanto Widjaja is our Director, Distribution for PT Nirwana Lestari and has over 20 years of experience in the operational aspects of the cocoa and chocolate industry. Mr Widjaja first started working as an Audit Supervisor in Drs H. Sudarmin AK, an audit firm, from 1973 to 1975. He subsequently moved to PT Naintex, where he undertook the position of Chief Accountant in charge of the finance and administrative aspects of its business from 1975 to 1978. Mr Widjaja joined PT General Food Industries in 1978 and has served in various capacities within our Group. Mr Widjaja obtained a Bachelor of Economics with a major in Business Administration from Parahyangan University, Bandung in 1977.

Mr Ferry Haryanto is our Director, Commercial for PT Nirwana Lestari and is responsible for the Group's sales and marketing operations for modern trades in Jakarta and Bali. Mr Haryanto was with PT Gitaswara Indonesia from 1981 to 1988 where he worked in various capacities including Promotion Representative and National Sales Manager. He then worked as a Marketing Manager in PT San Miguel Breweries Indonesia from 1988 to 1990. Mr Haryanto subsequently moved to PT Gunung Agung Trading where he undertook the position of General Manager (Commercial Division) from 1990. He was promoted to Director, Commercial in 1994. At the same time, he was also the Director of PT Gunung Agung Media from 1994 to 1995. Mr Haryanto joined PT Nirwana Lestari in 1995 as a Director, Commercial. Mr Haryanto obtained a Bachelor of Science (Honors) from the Academy of Economics, Jakarta in 1982. He also graduated from Indonesian European University with a Masters of Business Administration in 1993.

Ms Nancy Florensia is our Director, Finance, PT Perusahaan Industri Ceres. Ms Florensia started her career in PT Indocement as an Assistant Accountant from 1982 to 1986. She moved to PT Henoch Jaya as an Accounting Manager from 1986 to 1990. From 1990 to 1991, Ms Florensia rose to the position of Accounting and Financing Manager in the PT Kedaung Group. She joined PT Perusahaan Industri Ceres in 1991 as an Accounting Manager and was promoted to her current position in 1997. Ms Florensia graduated from Sekolah Tinggi Ilmu Ekonomi Indonesia with an accounting degree in 1986. She also obtained a Masters in Business Administration at the Indonesia Institute of Management in cooperation with the Pittsburg State University in the USA in 1989.

Mr Susanto Purwo is our Director, Manufacturing, PT Perusahaan Industri Ceres. He has over 30 years of experience in the technical, manufacturing and quality assurance aspects of the cocoa and chocolate industry. Mr Purwo started his career as a Plant Manager in PT General Food Industries from 1968 to 1979. He moved to Allied Food (Singapore) from 1979 to 1984 as a Technical Manager and subsequently shifted to New Zealand Food Group as a Production Director responsible for the development of new products such as granola bars. From 1988 to 1994, Mr Purwo worked as a Manufacturing Director in Sconza Candy (USA) and gained experience in sugar coating technology in candy manufacture. He joined PT Perusahaan Industri Ceres in 1994 as a Manufacturing Director for our Branded Consumer Division. Mr Purwo obtained a Bachelor of Science in Chemistry from the State University of Pajajaran, Bandung in 1968. Mr Purwo is also an Associate Member of the New Zealand Institute of Management and the Singapore Institute of Food Science and Technology, as well as a Professional Member of the New Zealand Institute of Food Science and Technology and the Institute of Food Technology (Illinois, USA).

Mr Ng Sin Heng is our Director, Commercial (Cocoa Ingredients Division) and is in charge of managing the Group's procurement and sales operations. He is also responsible for the risk-management aspects of the business. He has over 20 years of experience in the commercial aspects of the chocolate, confectionery and cocoa industry. Mr Ng started his career in Allied Management and Consultants Pte Ltd from 1976 to 1978 as a Management Trainee and became the Assistant to the Purchasing Director in 1979 before being seconded to Cocoa Merchants, London. Mr Ng was subsequently appointed as the Vice President (Cocoa) of Allied Cocoa Industries Pte Ltd from 1981 to 1983. He worked as a Commercial Manager at De Zaan Far East Pte Ltd from 1984 to 1988. Mr Ng joined the Group at the end of 1988 as the Commodities Manager and then became the Director, Commercial of the Cocoa Ingredients Division in 1996. Since then he has been involved with spearheading the successful implementation of the HACCP accreditation of the Group's cocoa factory in Indonesia (PT General Food Industries) by the Productivity and Standards Board of Singapore. Mr Ng obtained a Bachelor of Accountancy degree from the University of Singapore in 1973. He also attended the Young Managers Program organised by the Cranfield Institute of Technology in 1980.

Ms Lim Seok Bee is our Group's Director of Quality Assurance, Technology & Operations and is in charge of the Group's quality assurance management and technological aspects and operations of our Cocoa Ingredients Division. She has over 20 years of experience in the quality assurance and quality development aspects of the cocoa and chocolate industry. Ms Lim first started out in Chocolate Products (M) Sdn Bhd as a Quality Controller in 1976, and was promoted to Quality Control Manager and Production Manager in 1980 and 1982 respectively. In 1984, Ms Lim moved to De Zaan Far East (S) Pte Ltd as a Quality Assurance & Development Manager and rose to the rank of Vice President (Quality Assurance & External Project Development) in 1989. She joined the Group as the Director of Quality Assurance, Technology & Operations in 1991. Ms Lim graduated from the London University with a Bachelor of Science and obtained a Diploma in Chocolate, Cocoa and Sugar Confectionery Technology from ZDS Soligen, Germany. Ms Lim is also a member of the Singapore Institute of Food Science & Technology, the Institute of Food Technology and the American Oil Chemists' Society.

None of our Executive Officers is related to each other or to any of our Directors or Substantial Shareholders.

PRESENT AND PAST DIRECTORSHIPS OF OUR EXECUTIVE OFFICERS

The list of present and past directorships held by our Executive Officers in the last five years preceding the date of this Prospectus, are as follows:-

	Present Directorships	Past Directorships
Ee Kim Seng	<p>Group companies Cocoa Specialities, Inc. Delfi Cocoa Investments 1 Pte Ltd Delfi Cocoa (Malaysia) Sdn Bhd Delfi Cocoa USA, Inc. Siam Cocoa Products Co., Ltd.</p> <p>Other companies —</p>	<p>Group companies —</p> <p>Other companies —</p>
Chin Koon Yew	<p>Group companies Alsa Industries, Inc. Ceres Sime Confectionery Sdn Bhd Ceres Sime Marketing Sdn Bhd Cocoa Specialities, Inc. Delfi Foods, Inc. Siam Cocoa Products Co., Ltd.</p> <p>Other companies —</p>	<p>Group companies —</p> <p>Other companies Grace China Ltd Grace Japan KK Grace Korea Inc PT Grace Specialty Chemical W.R. Grace (Hong Kong) Ltd W.R. Grace (Malaysia) Sdn Bhd W.R. Grace (Philippines) Inc W.R. Grace (Singapore) Pte Ltd W.R. Grace Specialty Chemicals (M) Sdn Bhd W.R. Grace (Taiwan) Inc W.R. Grace (Thailand) Ltd</p>
Francis Benedict Ryan	<p>Group companies —</p> <p>Other companies —</p>	<p>Group companies —</p> <p>Other companies —</p>
Pontjo Susanto Widjaja	<p>Group companies PT General Food Industries PT Nirwana Lestari PT Perusahaan Industri Ceres</p> <p>Other companies —</p>	<p>Group companies —</p> <p>Other companies —</p>
Ferry Haryanto	<p>Group companies PT Nirwana Lestari</p> <p>Other companies —</p>	<p>Group companies —</p> <p>Other companies —</p>
Nancy Florensia	<p>Group companies PT Perusahaan Industri Ceres</p> <p>Other companies —</p>	<p>Group companies —</p> <p>Other companies —</p>

	Present Directorships	Past Directorships
Susanto Purwo	Group companies	Group companies
	PT Perusahaan Industri Ceres	—
	Other companies	Other companies
	—	—
Ng Sin Heng	Group companies	Group companies
	Delfi Cocoa (Malaysia) Sdn Bhd	—
	Other companies	Other companies
	—	—
Lim Seok Bee	Group companies	Group companies
	Delfi Cocoa (Malaysia) Sdn Bhd	—
	Other companies	Other companies
	—	—

Executive Officers' Remuneration

The remuneration (including salary, bonus, CPF contribution and benefits-in-kind) paid by us to our Executive Officers for services rendered by them in all their capacities to us for the years ended 31 December 2002 and 31 December 2003, and the estimated remuneration paid and payable to them for the year ending 31 December 2004 are as follows:-

	Year ended 31 December 2002⁽¹⁾	Year ended 31 December 2003⁽¹⁾	Estimated amount for year ending 31 December 2004⁽¹⁾
Ee Kim Seng	B	B	B
Chin Koon Yew	B	B	B
Francis Benedict Ryan	—	A	B
Pontjo Susanto Widjaja	B	B	B
Nancy Florensia	B	B	B
Susanto Purwo	B	B	B
Ferry Haryanto	A	A	A
Ng Sin Heng	B	B	B
Lim Seok Bee	B	B	B

Note:-

(1) Remuneration bands:-

“A” refers to remuneration below S\$250,000 (US\$148,000);

“B” refers to remuneration between S\$250,000 (US\$148,000) and S\$499,999 (US\$296,000); and

“C” refers to remuneration between S\$500,000 (US\$296,000) and S\$749,999 (US\$444,000).

The US Dollar amounts in this note (1) have been rounded to the nearest US\$1,000.

We have not set aside or accrued any amounts for our Executive Officers to provide for pension, retirement or similar benefits, except as required for purposes of compliance with the relevant laws of the jurisdictions in which our Group operates.

Save as disclosed above, there are no arrangements or undertakings with any Substantial Shareholders, customers, suppliers or others, pursuant to which any of our Directors and Executive Officers was appointed.

RESERVED SHARES

An aggregate of 12,850,000 Offering Shares in the Placement have been reserved for subscription and/or purchase at the Discounted Offering Price by our management staff, independent director, employees, business associates and other persons who have contributed to our success (to be determined by the Company at its sole discretion).

The Reserved Shares will be offered otherwise on the same terms as the other Offering Shares in the Placement. If any of the Reserved Shares are not taken up, they will be made available to satisfy over-subscription (if any) for the Offering Shares in the Placement and/or the Public Offer. Reserved Shares taken up by our Director, are subject to the restrictions on disposals of Shares (See — “Plan of Distribution — Restrictions on Disposals and Issues of Shares”). Save as aforesaid and except as restricted by applicable securities laws, Reserved Shares subscribed and/or purchased will be available for resale following the Offering.

The number of Reserved Shares set aside for our Independent Director, Mr Davinder Singh, represents 0.78% of the aggregate number of Reserved Shares.

The following table sets forth the Reserved Shares allocated to Mr Davinder Singh:

Name of Director	Number of Reserved Shares	Percentage of our Issued Shares immediately after the Offering ⁽¹⁾
Davinder Singh	100,000	0.02

Notes:

⁽¹⁾ Assuming that Mr Davinder Singh takes up his allocation of the Reserved Shares and that the Over-Allotment Option in respect of the Company Additional Shares is not exercised.

PETRA FOODS SHARE-BASED INCENTIVES

On 22 September 2004, our shareholders approved a share option scheme known as the Petra Foods Share Option Scheme and a share incentive plan known as the Petra Foods Share Incentive Plan. The Share Option Scheme and the Share Incentive Plan (collectively, the “Schemes”) comply with the relevant rules as set out in Chapter 8 of the Listing Manual. The Schemes will provide eligible participants (the “Participants”) with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The Schemes, which form an integral and important component of a compensation plan, are designed to primarily reward and retain Executive Directors, Non-Executive Directors and employees whose services are vital to our well being and success.

As at the Latest Practicable Date, no options or awards have been granted under the Schemes.

OBJECTIVES OF THE SCHEMES

The objectives of the Schemes are as follows:-

- (a) to motivate Participants to optimise their performance and efficiency and to maintain a high level of contribution to our Group;
- (b) to retain key employees and Directors whose contributions are essential to the long-term growth and profitability of our Group;
- (c) to instil loyalty to, and a stronger identification by Participants with the long-term prosperity of our Group;
- (d) to attract potential employees with relevant skills to contribute to our Group and to create value for the shareholders of our Company; and
- (e) to align the interest of Participants with the interests of the shareholders of our Company.

The Schemes are share-based incentives designed to recognise that the contributions and continued dedication of our executives and employees are significant to our future growth and development. The implementation of the Schemes will enable us to recognise the contributions made by the Participants by introducing a variable component into their remuneration package in the form of awards (the “Awards”) and/or Options. The Schemes will also provide an opportunity for each Participant to participate in the equity of our Company and will provide further incentive for the Participants to strive for greater growth and profitability for us.

The reason for having the Share Incentive Plan in addition to the Share Option Scheme is to give us greater flexibility in structuring the compensation packages of eligible Participants by providing an additional tool to motivate, reward and retain staff members so that the Company can offer compensation packages that are competitive.

ADMINISTRATION OF THE SCHEMES

The Remuneration Committee of the Company will be designated as the committee responsible for the administration of the Schemes. The Remuneration Committee will initially comprise Mr Pedro Francisco Mata-Bruckmann, Mr Davinder Singh, Mr John Chuang and Ms Josephine Price. The Remuneration Committee has the powers to determine, *inter alia*, the following:-

- (a) persons to be granted Awards and/or Options;
- (b) number of Shares which are the subject of the Awards and/or Options to be granted; and
- (c) recommendations for modifications to the Share Option Scheme or the Share Incentive Plan.

In compliance with the requirements of the Listing Manual of SGX-ST, a Participant of the Schemes who is a member of the Remuneration Committee shall not be involved in its deliberations in respect of Options and/or Awards to be granted or held by that member of the Remuneration Committee.

SIZE OF THE SCHEMES

The aggregate nominal amount of Shares over which the Remuneration Committee may grant Options and/or Awards on any date, when added to the nominal amount of Shares issued and issuable in respect of (a) all Awards granted under the Share Incentive Plan, and (b) all Options granted under the Share Option Scheme shall not exceed 15% of the issued share capital of our Company on the day immediately preceding the date of the relevant grant.

Our Company believes that this 15% limit set by the SGX-ST gives our Company sufficient flexibility to decide the number of Option Shares and/or shares transferred or issued upon the granting of an Award ("Award Shares") to offer to our existing and new employees. 15% of the post-Offering share capital of our Company constitutes approximately 79,841,550 Shares (assuming the Over-Allotment Option in respect of the Company Additional Shares is not exercised).

The number of eligible Participants is expected to grow over the years. Our Company, in line with its goal of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool which may involve employing new employees. The employee base, and thus the number of eligible Participants will increase as a result. If the number of Options and/or Awards available under the Scheme is limited, our Company may only be able to grant a small number of Options and/or Awards to each eligible Participant which may not be a sufficiently attractive incentive. Our Company is of the opinion that it should have sufficient number of Options and/or Awards to grant to new employees as well as to existing ones. The number of Options and/or Awards granted must also be significant enough to serve as a meaningful reward for contributions to our Group. The Remuneration Committee shall exercise its discretion in deciding the number of Option Shares and/or Award Shares to be granted to each employee which will depend on the performance, contribution and value of the employee to our Group.

The Schemes shall continue in force at the discretion of the Remuneration Committee subject to a maximum period of 10 years commencing on the date the Schemes are adopted by the Company in general meeting, providing always that the Schemes may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

MAXIMUM ENTITLEMENTS OF THE SCHEMES

The aggregate number of Shares comprised in any Options and/or Awards to be offered to a Participant in the Schemes shall be determined at the absolute discretion of the Remuneration Committee, who shall take into account (where applicable) criteria such as rank, past performance, years of service, potential for future development of that Participant, provided that:-

- (a) the aggregate number of Option Shares and/or Award Shares available to persons who hold directly or indirectly 15% or more of the nominal amount of our Shares, or in fact exercise control over our Company ("Controlling Shareholders") and their associates must not exceed 25% of the Shares available under the Schemes; and
- (b) the number of Option Shares and/or Award Shares available to each Controlling Shareholder or his associates must not exceed 10% of the Shares available under the Schemes.

SUMMARY OF THE SHARE OPTION SCHEME

A summary of the rules of Share Option Scheme is set out as follows:-

(1) Participants

Under the rules of the Share Option Scheme, Executive and Non-Executive Directors (including our Independent Directors) and employees of our Company, our subsidiaries and our associated companies ("Group Employees"), are eligible to participate in the Share Option Scheme. For this purpose, a company is our "associated company" if we and/or our subsidiaries hold at least 20% but not more than 50% of the issued shares in that company and provided our Company has control over the associated company.

Any of our Group Employees who may also be our Controlling Shareholders or their associates are eligible to participate in the Share Option Scheme provided the actual number and term of Options to be granted to such Group Employees are approved by independent shareholders in a separate resolution for each such person.

(2) Options, exercise period and exercise price

The Options that are granted under the Share Option Scheme may have exercise prices that are, at the Remuneration Committee's discretion, set at a price (the "Market Price") equal to the average of the last dealt prices for our Shares on the Official List of the SGX-ST for the five consecutive days on which the SGX-ST is open for trading in securities ("Market Days") immediately preceding the relevant date of grant of the relevant Option; or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price ("Market Price Option") may be exercised after the 1st anniversary of the date of grant of such options while Options exercisable at a discount to the Market Price may be exercised after the 2nd anniversary from the date of grant of Options ("Incentive Option"). Options granted under the Share Option Scheme will have a life span of ten (10) years for Options granted to Group Employees (other than Non-Executive Directors and/or employees of associated companies) and five (5) years for Options granted to Non-Executive Directors and/or employees of associated companies. In no circumstances shall the exercise price of an Option be less than the nominal value of our Shares.

(3) Grant of Options

Under the rules of the Share Option Scheme, there are no fixed periods for the grant of Options. As such, offers of the grant of Options may be made at any time at the discretion of the Remuneration Committee. However, no Option shall be granted during the period of 30 days immediately preceding the date of announcement of our Company's interim or final results (as the case may be).

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second market day from the date on which the aforesaid announcement is made.

(4) Termination of Options

Special provisions in the rules of the Share Option Scheme deal with the lapse or earlier exercise of Options in circumstances which include the termination of the Participant's employment in our Group, the bankruptcy of the Participant, the death of the Participant, a take-over of our Company, and the winding-up of our Company.

(5) Acceptance of Options

The grant of Options shall be accepted within 30 days from the date of the offer. Offers of Options made to grantees, if not accepted before the closing date, will lapse. Upon acceptance of the offer, the grantee must pay our Company a consideration of S\$1.00.

(6) Rights of shares arising

Shares arising from the exercise of Options are subject to the provisions of the Memorandum and Articles of Association of our Company. The Options Shares so allotted will upon issue rank *pari passu* in all respects with the then existing issued Shares, save for any dividend, rights, allotments or distributions, the record date ("Record Date") for which is prior to the relevant exercise date of the Option. "Record Date" means the date as at the close of business on which our Shareholders

must be registered in order to participate in any dividends rights, allotments or other distributions (as the case may be).

(7) Duration of the Share Option Scheme

The Share Option Scheme shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(8) Abstention from voting

Shareholders who are eligible to participate in the Share Option Scheme are to abstain from voting on any shareholders' resolution relating to the Share Option Scheme.

GRANT OF OPTIONS WITH A DISCOUNTED EXERCISE PRICE

The ability to offer Incentive Options to Participants of the Share Option Scheme will operate as a means to recognise the performance of Participants as well as to motivate them to continue to excel while encouraging them to focus more on improving the profitability and return of our Group above a certain level which will benefit all Shareholders when these are eventually reflected through share price appreciation. The Share Option Scheme will also serve to help our Group recruit new Group Employees whose contributions are important to the long-term growth and profitability of our Group. Incentive Options would be perceived in a more positive light by the Participants, inspiring them to work hard and produce results in order to be offered Options at a discount as it is intended that only Group Employees who have made outstanding contributions to the success and development of the Group would be granted Options at a discount.

The flexibility to grant Incentive Options is also intended to cater to situations where the stock market performance has overrun general market conditions. In such events, the Remuneration Committee will have absolute discretion to:-

- (i) grant Incentive Options set at a discount to the Market Price of our Shares (subject to a maximum limit of 20%); and
- (ii) determine the Participants to whom, and the Options to which, such reduction in exercise prices will apply.

In determining whether to give a discount and the quantum of the discount, the Remuneration Committee shall be at liberty to take into consideration factors including the performance of our Group, the performance of the Participant concerned, the contribution of the Participant to the success and development of our Group and prevailing market conditions.

At present, our Company foresees that Incentive Options may be granted principally in the following circumstances:-

- (a) Firstly, where it is considered more effective to reward and retain talented Group Employees by way of an Incentive Option rather than a Market Price Option. This is to reward the outstanding performers who have contributed significantly to our Group's performance. Options granted by our Company on the basis of market price may not be attractive and realistic in the event of an overly buoyant market and inflated share prices. Hence during such period, the ability to offer such options at a discount would allow our Company to grant Options on a more realistic and economically feasible basis. Furthermore, Incentive Options will give an opportunity to Group Employees to realise some tangible benefits even if external events cause our Share price to remain largely static.
- (b) Secondly, where it is more meaningful and attractive to acknowledge a Participant's achievements through an Incentive Option rather than paying him a cash bonus. For example, Incentive Options may be used to compensate Group Employees and to motivate them during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses or annual wage supplements. Accordingly, it is possible that merit-based cash bonuses or rewards may be combined with grants of Market Price Options and/or Incentive Options, as part of eligible Group Employees' compensation packages. The Share Option Scheme will provide Group Employees with an added incentive to focus on improving the profitability of the Group thereby enhancing shareholder value when these are eventually reflected through the price appreciation of our Shares after the vesting period.

- (c) Thirdly, where due to market forces and having regard to the historical performance of our Share price, the market price of our Shares at the time of the grant of the Options may not be reflective of financial performance indicators such as return on equity and/or earnings growth.

Our Company may also grant Options without any discount to the Market Price. Additionally, our Company may, if it deems fit, impose conditions on the exercise of Market Price Options or Incentive Options, such as restricting the number of Shares for which the Option may be exercised during the initial years following its vesting.

SUMMARY OF THE PETRA FOODS SHARE INCENTIVE PLAN

The following is a summary of the principal rules of the Share Incentive Plan.

(1) Eligibility

Under the rules of the Share Incentive Plan, Executive and Non-Executive Directors (including our Independent Directors) and employees of our Company, our subsidiaries and our associated companies ("Group Employees"), are eligible to participate in the Share Incentive Plan. For this purpose, a company is our "associated company" if we and/or our subsidiaries hold at least 20% but not more than 50% of the issued shares in that company and provided our Company has control over the associated company.

Any of our Group Employees who may also be our Controlling Shareholders or their associates are eligible to participate in the Share Incentive Plan provided the actual number and term of Awards to be granted to such Group Employees are approved by independent shareholders in a separate resolution for each such person.

(2) Awards

Awards represent the right of a Participant to receive fully paid Shares free of charge. The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Share Incentive Plan shall be determined at the absolute discretion of the Remuneration Committee.

The Remuneration Committee shall decide, in relation to each Award to be granted to a Participant:-

- (a) the date on which the Award is to be granted;
- (b) the number of Shares which are the subject of that Award;
- (c) the vesting period to which an Award is subject to; and
- (d) the retention period commencing on the vesting date as determined by the Committee.

Awards may be granted at any time in the course of a financial year. An Award letter confirming the Award will be sent to each Participant as soon as reasonably practicable after the making of an Award. Special provisions for the vesting and lapsing of Awards apply in certain circumstances, including the following:-

- (a) the termination of the employment of a Participant;
- (b) the ill health, injury, disability or death of a Participant;
- (c) the bankruptcy of a Participant;
- (d) the misconduct of a Participant;
- (e) the Participant, being a Non-Executive Director, ceasing to be a Director of our Company or the relevant subsidiary or associated company of our Company for any reason whatsoever; and
- (f) a take-over, winding-up or reconstruction of our Company.

(3) Operation of the Share Incentive Plan

Subject to prevailing legislation and SGX-ST guidelines, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of an issue of new Shares, deemed to be fully paid upon their issuance and allotment, the market purchase of existing Shares or the payment of its equivalent in cash.

New Shares allotted and issued on the release of an Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank pari passu with other existing Shares then in issue.

(4) Adjustment Events

If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:-

- (a) the nominal amount, class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the nominal amount, class and/or number of Shares in respect of which Awards may be granted under the Share Incentive Plan,

shall be adjusted in such manner as the Remuneration Committee may determine to be appropriate.

Unless the Remuneration Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or the cancellation of issued Shares purchased or acquired by us by way of a market purchase of such Shares undertaken by us on the SGX-ST during the period when a share purchase mandate granted by our shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

(5) Modifications or Alterations to the Share Incentive Plan

The Share Incentive Plan may be modified and/or altered from time to time by a resolution of the Remuneration Committee, subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration except with the written consent of such number of Participants under the Share Incentive Plan who, if their Awards were released to them, would thereby become entitled to not less than three-quarters in nominal amount of all the Shares which would be issued in full of all outstanding Awards under the Share Incentive Plan, as the case may be.

No alteration shall be made to particular rules of the Share Incentive Plan to the advantage of the holders of the Awards, as the case may be, except with the prior approval of Shareholders in general meeting.

DISCLOSURES IN ANNUAL REPORT

The following disclosures (as applicable) will be made by us in our annual report for so long as the Schemes continue in operation:

- (a) the names of the members of the Remuneration Committee administering the Schemes;
- (b) in respect of the following Participants of the Schemes:
 - (i) Directors of our Company;
 - (ii) Participants who are Controlling Shareholders of our Company and their associates; and
 - (iii) Participants (other than those in paragraphs (i) and (ii) above) who have been granted Option Shares and/or Award Shares under the Schemes which, in aggregate represent 5% or more of the aggregate of:
 - (1) the total number of new Shares available under the Options granted under the Share Option Scheme collectively; and
 - (2) the total number of new and/or existing Shares available under the Awards released under the Share Incentive Plan collectively,

the following information:

- (aa) the name of the Participant;
- (bb) the following particulars relating to Options granted under the Share Option Scheme:
 - (i) Options granted during the financial year under review (including terms);
 - (ii) the aggregate number of Shares comprised in Options granted since the commencement of the Share Option Scheme to the end of the financial year under review;
 - (iii) the aggregate number of Shares arising from Options exercised since the commencement of the Share Option Scheme to the end of the financial year under review; and
 - (iv) the aggregate number of Shares comprised in Options outstanding as at the end of the financial year under review;
- (cc) the following particulars relating to Awards released under the Share Incentive Plan:
 - (i) Awards granted during the financial year under review (including terms);
 - (ii) the aggregate number of Shares comprised in Awards granted since the commencement of the Share Incentive Plan to the end of the financial year under review;
 - (iii) the aggregate number of Shares comprised in Awards which have vested since the commencement of the Share Incentive Plan to the end of the financial year under review and in respect of such Awards, the proportion of:
 - (1) new Shares issued;
 - (2) existing Shares purchased, including the range of prices at which such Shares have been purchased; and
 - (3) new and/or existing Shares which were paid in its cash equivalent,upon the release of the vested Awards;
 - (iv) the aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review; and
- (c) the number and proportion of Shares comprised in Options granted under the Share Option Scheme during the financial year under review:
 - (i) at a discount of 10% or less of the Market Price in respect of the relevant Option; and
 - (ii) at a discount of more than 10% of the Market Price in respect of the relevant Option.

RATIONALE FOR PARTICIPATION OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS (INCLUDING OUR INDEPENDENT DIRECTORS) AND EMPLOYEES OF OUR GROUP AND ASSOCIATED COMPANIES IN THE SCHEMES

The extension of the Schemes to Executive and Non-Executive Directors (including our Independent Directors but excluding Controlling Shareholders or their associates) and our Group Employees allows our Group to have a fair and equitable system to reward Directors and Group Employees who have made and who continue to make significant contributions to the long-term growth of our Group.

We believe that the Schemes will also enable us to attract, retain and provide incentives to its Participants to achieve higher standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivating Participants generally to contribute towards the long-term growth of our Group.

Although our Non-Executive Directors are not involved in the day-to-day running of our Group's business, they nonetheless play an invaluable role in furthering the business interests of our Group by contributing their experience and expertise. The participation by our Non-Executive Directors in the Schemes will provide our Company with a further avenue to acknowledge and recognise their services and contributions to our Group as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment.

In order to minimise any potential conflict of interests and not to compromise the independence of our Non-Executive Directors, our Company intends to grant only a nominal number of Options and/or Awards under the Schemes to such Non-Executive Directors.

If and when our Company acquires any other associated company or incorporates new associated companies with strategic partners, the extension of the Schemes to directors and employees of these associated companies will serve to motivate these individuals to contribute to the growth of these companies.

These contributions from the directors and employees of associated companies to the success and development of their companies will in turn benefit our Group from the equity accounting of the higher profits of the associated companies.

Therefore it is in the interest of our Company to motivate associated company employees by allowing them to participate in the Schemes.

Should our Company decide in future to grant options to associated company employees, the Committee will consider, among other things, the contribution of such individuals to the success and development of our Company and/or Group as well as whether the associated companies with whom such associated company employees are employed, have implemented their own share incentive schemes, before selecting such associated company employees for participation in the Schemes.

For the purposes of assessing the contributions of these associated company employees, the Remuneration Committee may adopt a performance framework which incorporates financial and/or non-financial performance criteria.

RATIONALE FOR PARTICIPATION OF GROUP EMPLOYEES WHO MAY ALSO BE CONTROLLING SHAREHOLDERS OR ASSOCIATES OF CONTROLLING SHAREHOLDERS IN THE SCHEMES

The rationale for the participation is to provide an opportunity for eligible Directors and Group Employees who are Controlling Shareholders or associates of Controlling Shareholders who have contributed significantly to the growth and performance of our Group to participate in the equity of our Company.

We acknowledge that the services and contributions of the eligible Directors and Group Employees who are Controlling Shareholders or associates of Controlling Shareholders are important to the development and success of the Group. The extension of the Schemes to the eligible Directors and Group Employees who are Controlling Shareholders and/or their associates allows the Company to have a fair and equitable system to reward the eligible Directors and Group Employees who have made and continue to make important contributions to the long-term growth of our Group notwithstanding that they are Controlling Shareholders or their associates.

Although our Group Employees who may also be the Controlling Shareholders and/or their associates may already have shareholding interests in the Company, the extension of the Schemes to encompass them ensures that they are equally entitled, with the other eligible Directors and Group Employees of our Group who are not Controlling Shareholders and/or their associates, to take part and benefit from this system of remuneration. We are of the view that a person who would otherwise be eligible should not be excluded from participating in the Schemes solely for the reason that he/she is a Controlling Shareholder or an associate of a Controlling Shareholder.

Specific approval of the independent Shareholders is required for the grant of Options and/or Awards to such persons as well as the actual number of and terms of such Options and/or Awards. When it is proposed that Options and/or Awards may be granted under the Schemes to eligible Directors and Group Employees who are Controlling Shareholders or associates of Controlling Shareholders, in accordance with the rules and the requirements under the Listing Manual of the SGX-ST, each such grant of Options and/or Awards is subject to the approval of independent Shareholders. In seeking such independent Shareholders' approval, clear justification as to their participation, number of Option Shares and/or Award Shares and terms (including the exercise price of Options) of Options and/or Awards to be granted to such Group Employees who may also be the Controlling Shareholders and/or their associates shall be provided. Accordingly, we are of the view that there are sufficient safeguards against any abuse of the Schemes resulting from the participation of such Group Employees who may also be Controlling Shareholders and/or their associates.

RATIONALE AND JUSTIFICATION FOR THE PARTICIPATION BY MR JOHN CHUANG, OUR CONTROLLING SHAREHOLDER, IN THE SCHEMES

Mr. John Chuang is one of our founders and is currently our Chief Executive Officer. As a founder of our Group, Mr John Chuang has been instrumental in developing and steering our Group's corporate directions and strategies since its inception. With over 25 years of experience in the cocoa and chocolate industry, he has been using his wealth of experience and expertise to further the business goals of our Group.

Under the leadership and management of Mr. John Chuang, our Group has expanded steadily in the highly competitive chocolate confectionery industry in Indonesia and the Asian region and, at the same time, established a significant presence in the global cocoa processing industry.

Our Company recognises that Mr. John Chuang is responsible for the overall strategic planning, growth and success of our Group and is of the view that Mr. John Chuang's experience and contribution towards the growth of our Group is invaluable and his continuing contribution is vital for the continued success of our Group.

RATIONALE AND JUSTIFICATION FOR THE PARTICIPATION BY MR JOSEPH CHUANG, OUR CONTROLLING SHAREHOLDER, IN THE SCHEMES

Mr. Joseph Chuang is one of our founders and is currently the President of our Branded Consumer Division. He is responsible for the overall management and business development of this division.

Under Mr. Joseph Chuang's helm, our Group has developed an extensive portfolio of brands with an extensive sales and distribution network, thereby enabling us to become the market leader in chocolate confectionery in Indonesia today.

His industry and market knowledge gathered over a period of 25 years in the cocoa and chocolate industry have been highly advantageous to the growth and direction of our Group and we recognise that the involvement of Mr. Joseph Chuang is essential to the continued growth of our Branded Consumer Division.

RATIONALE AND JUSTIFICATION FOR THE PARTICIPATION BY MR WILLIAM CHUANG, THE ASSOCIATE OF OUR CONTROLLING SHAREHOLDERS, IN THE SCHEMES

Mr. William Chuang is one of our founders and the brother of Mr. John Chuang and Mr. Joseph Chuang. He is currently the President, Joint Ventures of our Group and the Chief Operating Officer of our Branded Consumer Division. Mr. William Chuang is responsible for the strategic alliances and joint ventures undertaken by our Group.

Under Mr. William Chuang's vision and guidance, our Group has expanded its business operations and market presence through joint ventures with our strategic partners. In his present position, Mr. William Chuang plays an important role in the shaping our expansion strategies and future plans.

Our Company acknowledges that his industry and market knowledge gathered over a period of 20 years in the cocoa and chocolate industry is highly beneficial to the continual progress and expansion of the Group.

FINANCIAL EFFECTS OF THE SCHEMES

(a) Share Capital

The Schemes will result in an increase in the Company's issued share capital when new Shares are issued to Participants pursuant to the exercise of Options and/or the release of Awards. This will in turn depend on, *inter alia*, the number of Shares comprised in the Options to be granted and the size of the Awards granted under the Share Incentive Plan. In relation to the Share Incentive Plan, if, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants or an equivalent in cash is paid, the release of an Award will have no impact on our Company's issued share capital.

(b) Net Tangible Assets ("NTA")

Under the Share Option Scheme, the issue of new Shares upon the exercise of Options will increase the Company's consolidated NTA by the aggregate exercise price of the new Shares issued. On a per Share basis, the effect is dilutive if the exercise price is below the NTA per Share.

As described below, the Share Incentive Plan will result in a charge to the Company's profit and loss account, over the service period from the grant date to the vesting date, equal to the market value at the time at which the New Shares are issued or existing Shares are purchased. Accordingly, the consolidated NTA of the Company would decrease by the amount charged (after any adjustment for tax).

(c) Earnings per Share

The Share Incentive Plan will result in a charge to the Company's profit and loss account when the Award Shares (or cash equivalent) are given to the Participants of the Share Incentive Plan, at a value equivalent to that at which the New Shares are issued, or at a value equivalent to that at which the existing Shares are purchased. All else being equal, the charge to the profit and loss account and the issue of New Shares will have a dilutive impact on the Company's consolidated earnings per Share.

(d) Cost to the Company

Share Option Scheme

In accordance with existing FRS, the grant of Options under the Share Option Scheme will not result in a direct impact on our profitability as, in contrast with the payment of cash bonuses, no cash outlay would be expended by our Company at the time of the grant of the Options. However please note the changes to FRS discussed at the end of this section.

Share options have value because the option to buy a company's share for a fixed price during an extended future time period is a valuable right, even if there are restrictions attached to such an option. The fair value of an option is an estimate of the amount that a willing buyer would pay to a willing seller for the Option on the date of the grant. While the Options such as those to be granted under the Share Option Scheme are non-transferable and not traded on the SGX-ST, the application of such pricing models to Options granted pursuant to the Share Option Scheme would result in a fair value being attributed to those Options at the time of their grant.

Under the Share Option Scheme, a nominal consideration of S\$1.00 is payable by each Participant for all Options granted to him at the date of the offer. Hence, where the Options are granted at a discount to the fair market value, there would be a cost to the Company (relative to the benefit that would be obtained if the Options were issued at no discount to fair market value), the implications whereof will depend on the amount of Options granted and the extent of the discount to the market value of the Shares. This cost is not currently required to be charged to the Company's profit and loss under FRS. It should be noted that the higher the discount to the fair market value and the longer the exercise period, the higher will the cost be to our Company in respect of such Options. Subject as aforesaid, as and when Options are exercised, the cash inflow will add to the NTA of the Company and the share capital base will grow. Where Options are granted with subscription prices that are set at a discount to the market prices for the Shares prevailing at the time of the grant of such Options, the amount of the cash inflow to the Company on the exercise of such Options would be diminished by the quantum of the discount given, as compared with the cash inflow that would have been received by the Company had the Options been granted at the Market Price of the Shares prevailing at the time of the grant.

Details of the number of the Options pursuant to the Share Option Scheme, the number of Options exercised and the exercise price (as well as any applicable discounts) will be disclosed in our annual report.

In July 2004, Singapore's Council of Corporate Disclosure and Governance announced the adoption of Financial Reporting Standard 102 on Share-based Payment ("FRS 102"), effective for financial statements covering periods beginning on or after 1 January 2005 for listed companies. Upon legislation of FRS 102, the fair value of employee services received in exchange for the grant of the options will be recognised as an expense. For equity-settled share-based payment transactions, the total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each option granted at the grant date and the number of options vested by vesting date, with a corresponding increase in equity.

Share Incentive Plan

The Share Incentive Plan will result in a charge to earnings, over the period from the grant date to the vesting date, equivalent to the market value on the date at which the New Shares are issued or

the cost at which existing shares are purchased to meet the award requirements. The Share Incentive Plan will also have a dilutive impact on the Company's consolidated earnings per shares.

Effective 1 January 2005, listed companies will be required to record a cost based on the fair value of the share award at the vesting date. If a vesting period applies, this amount can be expected to be different from the market value of the shares at the date of granting to take into account matters such as expected dividends and the vesting period.

Interested Person Transactions And Conflicts Of Interest

INTERESTED PERSON TRANSACTIONS

Details of each transaction or loan, or proposed transaction or loan, for each of the last three years and for the period from 1 January 2004 up to the Latest Practicable Date between us and our Directors, Chief Executive Officer and Controlling Shareholders and their Associates (“Interested Persons” and each, an “Interested Person”) and which are material in the context of the Offering are set forth below.

PAST AND ONGOING INTERESTED PERSON TRANSACTIONS

Details of the past and ongoing interested person transactions between our Group and Interested Persons which are material in the context of the Offering, are as follows:

(a) **Personal guarantees issued by certain of our Directors in relation to banking facilities granted to our Group**

Certain Directors have provided guarantees and other forms of security for banking facilities extended to our Group in the last three years. Details of such guarantees and security are listed below:

Personal guarantees provided by our Executive Director, Mr John Chuang

- (i) Our Executive Director, Mr John Chuang, executed a personal guarantee for up to US\$6.4 million as security for certain structured trade finance and overdraft facilities granted to our Company by Rabobank (Singapore branch);
- (ii) Mr John Chuang executed a personal guarantee for up to US\$1.7 million as security for the trust receipt financing granted to our Company by KBC Bank N.V.;
- (iii) Mr John Chuang executed a personal guarantee for up to US\$4.6 million as security for certain overdraft and foreign exchange facilities granted to our Company by Credit Lyonnais (Singapore branch) (subsequently renamed Calyon Corporate and Investment Bank, Singapore branch); and
- (iv) Mr John Chuang executed a personal guarantee for up to US\$1.7 million as security for certain overdraft, trade finance, letter of credit financing, structured trade finance and foreign exchange facilities granted to our Company by United Overseas Bank Limited.

Personal guarantees provided by our Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang

- (i) Mr John Chuang, Mr Joseph Chuang and Mr William Chuang each executed personal guarantees for up to US\$7.5 million in aggregate as security for certain overdraft, trust receipts, letter of credit, shipping guarantee and foreign exchange facilities granted to our Company by Maybank (Singapore branch); and
- (ii) Mr John Chuang, Mr Joseph Chuang and Mr William Chuang each executed personal guarantees for up to US\$31.8 million in aggregate as security for the overdraft and foreign exchange facilities and term loan granted to Delfi Cocoa (Malaysia) Sdn Bhd by Maybank (Head Office, Kuala Lumpur).

In consideration for the provision of the above guarantees by Mr John Chuang, we paid a certain amount of fees to McKeeson Investments Pte Ltd (“McKeeson Investments”). The amount of fees we paid to McKeeson Investments for the last three years ended 31 December 2003 and for the period from 1 January 2004 up to the Latest Practicable Date are as set out below:-

	Year ended			For the period from 1 January 2004 up to the Latest Practicable Date
	2001	2002	2003	
Fee paid to McKeeson Investments (US\$'000)	196	188	205	96

We have commenced the process of procuring the discharge of the above guarantees, subject to approval by the relevant financial institutions. Should the financial institutions not agree to such discharge, we may transfer our financing arrangements to other financial institutions, as

appropriate, without the above guarantees. Until such time as the above guarantees are not discharged, our Group will also continue to pay fees to McKeeson Investments on an annual basis, in the event that Mr John Chuang continues to act as a guarantor. Currently, such fees amount to 1% per annum of the amount guaranteed.

(b) Transactions with PT Tri Keeson Utama

By virtue of their aggregate interest in 99.9% of the shareholding in PT Sederhana Djaja, our Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 100.0% of the issued share capital of PT Tri Keeson Utama held by PT Sederhana Djaja. Please refer to the section "Potential Conflicts of Interest" for more details. Accordingly, transactions between our Group and PT Tri Keeson Utama are deemed to be interested person transactions.

PT Tri Keeson Utama is principally engaged in the business of mixing and blending cocoa cakes and cocoa powder. Our subsidiary, PT General Food Industries, has been selling cocoa products such as cocoa powder and cocoa cakes to PT Tri Keeson Utama. The value of our sales to PT Tri Keeson Utama in the last three years and for the period from 1 January 2004 up to the Latest Practicable Date are as set out below:-

	Year ended			For the period from 1 January 2004 up to the Latest Practicable Date
	31 December 2001	2002	2003	
Value of sales to PT Tri Keeson Utama (US\$'000)	2,655	2,761	4,691	2,416

These transactions were entered into on a willing buyer and willing seller basis. The provision of cocoa products to PT Tri Keeson Utama is a recurrent interested person transaction. We intend to continue providing our cocoa products to PT Tri Keeson Utama following the admission of our Company to the Official List of the SGX-ST under our Shareholders' Mandate.

(c) Transactions with PT Fajar Mataram Sedayu

By virtue of their indirect interest in 99.9% of the shareholding in PT Sederhana Djaja, our Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 51.0% of the issued share capital of PT Fajar Mataram Sedayu. Our Executive Officer, Mr Pontjo Susanto Widjaja, has an interest of 5.0% in PT Fajar Mataram Sedayu. The remaining shareholding interest in PT Fajar Mataram Sedayu is held by unrelated third parties. Please refer to the section "Potential Conflicts of Interest" for more details. Accordingly, transactions between our Group and PT Fajar Mataram Sedayu are deemed to be interested person transactions.

PT Fajar Mataram Sedayu is principally engaged in the manufacture and sale of compound chocolate rice primarily for industrial use, as well as the manufacture and sale of consumer chocolate targeted at the lower segment of the Indonesian consumer chocolate market.

(i) Sale of materials by the Group to PT Fajar Mataram Sedayu

Our subsidiaries, PT Perusahaan Industri Ceres and PT General Food Industries, have been undertaking the sale of products such as cocoa liquor, cocoa butter and vegetable fats to PT Fajar Mataram Sedayu. The value of our sales to PT Fajar Mataram Sedayu in the three years ended 31 December 2003 and for the period from 1 January 2004 up to the Latest Practicable Date are as set out below:-

	Year ended			For the period from 1 January 2004 up to the Latest Practicable Date
	31 December 2001	2002	2003	
Value of sales to PT Fajar Mataram Sedayu (US\$'000)	1,503	1,884	1,857	1,870

These transactions were entered into on a willing buyer and willing seller basis. The provision of products such as cocoa liquor, cocoa butter and vegetable fats to PT Fajar Mataram Sedayu is a

recurrent interested person transaction. We intend to continue providing our products to PT Fajar Mataram Sedayu following the admission of our Company to the Official List of the SGX-ST under our Shareholders' Mandate.

(ii) *Purchase of goods from PT Fajar Mataram Sedayu*

Our subsidiary, PT Nirwana Lestari has been undertaking the purchase of products such as chocolate confectionery from PT Fajar Mataram Sedayu for distribution in Bali, Indonesia. PT Nirwana Lestari intends to continue purchasing such products from PT Fajar Mataram Sedayu following the admission of our Company to the Official List of the SGX-ST, under our Shareholders' Mandate. The quantum of our purchases from PT Fajar Mataram Sedayu in the three years ended 31 December 2003 and for the period from 1 January 2004 up to the Latest Practicable Date are as set out below:-

	Year ended 31 December			For the period from 1 January 2004 up to the Latest Practicable Date
	2001	2002	2003	
Purchases from PT Fajar Mataram Sedayu (US\$'000)	179	312	267	186

Our subsidiary, PT Perusahaan Industri Ceres also purchased products such as confectioner's glaze from PT Fajar Mataram Sedayu amounting to US\$63,000 and US\$21,000 in the years ended 31 December 2001 and 2002 respectively. PT Perusahaan Industri Ceres does not currently intend to continue with this arrangement with PT Fajar Mataram Sedayu after the Offering. These transactions were entered into on a willing buyer and willing seller basis.

(iii) *Sale of machinery by PT Perusahaan Industri Ceres to PT Fajar Mataram Sedayu*

In the year ended 31 December 2003, our subsidiary, PT Perusahaan Industri Ceres, sold fully-depreciated machinery to PT Fajar Mataram Sedayu amounting to US\$9,000. This transaction was entered into on a willing buyer and willing seller basis and was a one-off transaction.

(d) **Transactions with PT Freyabadi Indotama**

By virtue of their aggregate interest in 100% of the shareholding in Berlian Enterprises Limited, our Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 49% of the issued share capital of PT Freyabadi Indotama held in aggregate by McKeeson Investments and PT Sederhana Djaja. Please refer to the section "Potential Conflicts of Interest" for more details. Accordingly, transactions between our Group and PT Freyabadi Indotama are deemed to be interested person transactions.

PT Freyabadi Indotama is a joint venture entity, in which Fuji Oil Ltd, an unrelated third party, McKeeson Investments and PT Sederhana Djaja own 51.0%, 30.0% and 19.0% of its issued share capital respectively. PT Freyabadi Indotama is principally engaged in the manufacture and sale of industrial chocolate.

(i) *Sale of materials by the Group to PT Freyabadi Indotama*

Our subsidiaries, PT Perusahaan Industri Ceres and PT General Food Industries have been undertaking the sale of products such as cocoa powder, cocoa butter, chocolate rice, cocoa liquor and other products to PT Freyabadi Indotama. The value of our sales to PT Freyabadi Indotama for the last three years ended 31 December 2003 and for the period from 1 January 2004 up to the Latest Practicable Date are set out below:-

	Year ended 31 December			For the period from 1 January 2004 up to the Latest Practicable Date
	2001	2002	2003	
Revenue received from PT Freyabadi Indotama (US\$'000)	1,115	1,544	2,999	2,185

These transactions were entered into on a willing buyer and willing seller basis. The provision of products such as cocoa powder, cocoa butter, chocolate rice, cocoa liquor and other products to PT Freyabadi Indotama is a recurrent interested person transaction. We intend to continue

providing our products to PT Freyabadi Indotama following the admission of our Company to the Official List of the SGX-ST under our Shareholders' Mandate.

(ii) *Purchase of products from PT Freyabadi Indotama*

Our subsidiaries, PT Nirwana Lestari, PT Perusahaan Industri Ceres and our associated company, PT Ceres Meiji Indotama, have been undertaking the purchase of chocolate coating and plastic packaging products from PT Freyabadi Indotama. The value of our purchases from PT Freyabadi Indotama for the last three years ended 31 December 2003 and for the period from 1 January 2004 up to the Latest Practicable Date are as set out below:-

	Year ended			For the period from
	2001	2002	2003	1 January 2004 up to the Latest Practicable Date
Purchases from PT Freyabadi Indotama (US\$'000)	1,434	2,054	2,844	2,328

These transactions were entered into on a willing buyer and willing seller basis. The purchase of chocolate coating and plastic packaging products from PT Freyabadi Indotama is a recurrent interested person transaction. We intend to continue purchasing such products from PT Freyabadi Indotama following the admission of our Company to the Official List of the SGX-ST under our Shareholders' Mandate.

(e) **Transactions with PT Sederhana Djaja**

By virtue of their aggregate interest in 100% of the shareholding in Berlian Enterprises Limited, our Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 99.9% of the issued share capital of PT Sederhana Djaja held by McKeeson Investments. Accordingly, transactions between our Group and PT Sederhana Djaja are deemed to be interested person transactions.

PT Sederhana Djaja is an investment holding company. Our Group has entered into various lease agreements with PT Sederhana Djaja in relation to the properties described below. Please refer to "Appendix B — Properties and Fixed Assets" for more details.

Name of property	Land area (sq m)	Present annual rental (Rp)	US\$
Four Seasons Apartment Jakarta, Indonesia	200	480,000,000	48,000 ⁽¹⁾
Kondominium Simpruk Teras Jakarta, Indonesia	228	336,000,000	37,008 ⁽²⁾

Notes:

(1) The conversion of Indonesian Rupiah into US Dollars is based on a fixed exchange rate of Rp10,000 per US Dollar as provided for in the lease agreement.

(2) The conversion of Indonesian Rupiah into US Dollars is based on the exchange rate of Rp9,079 per US Dollar as at the Latest Practicable Date.

The total annual rental paid by our Group to PT Sederhana Djaja in the last three years ended 31 December 2003 and for the period from 1 January 2004 up to the Latest Practicable Date are as set out below:-

	Year ended			For the period from
	2001	2002	2003	1 January 2004 up to the Latest Practicable Date
Total annual rental paid to PT Sederhana Djaja (US\$'000)	39	91	95	81

These transactions were entered into on a willing buyer and willing seller basis. We intend to continue with the lease of these properties from PT Sederhana Djaja after the Offering under our Shareholders' Mandate.

(f) **Transactions with MGS Mata Global Solutions**

MGS Mata Global Solutions is a consultancy firm owned by our Chairman and Independent Director, Mr Pedro Francisco Mata-Bruckmann. In the years ended 31 December 2001, 2002 and 2003, MGS Mata Global Solutions provided our Group with consultancy services for an aggregate consideration of US\$267,000, US\$46,000 and US\$150,000 respectively.

These transactions were entered into on an arm's length basis and on normal commercial terms. We do not currently intend to continue with this arrangement with MGS Mata Global Solutions after the Offering.

(g) **Transactions with Drew & Napier LLC and Drewcorp Services Pte Ltd**

Our Independent Director, Mr Davinder Singh, is a director of Drew & Napier LLC and Drewcorp Services Pte Ltd. Drew & Napier LLC and Drewcorp Services Pte Ltd have provided legal services and corporate secretarial services to our Group respectively. Professional fees have also been paid to Drew & Napier LLC in connection with their appointment as the Legal Advisers to the Company as to Singapore law in the Offering.

The amount paid by our Group for the last three years ended 31 December 2003 and for the period from 1 January 2004 up to the Latest Practicable Date are as set out below:-

	Year ended			For the period from 1 January 2004 up to the Latest Practicable Date
	31 December	2002	2003	
	2001	2002	2003	
Amount paid to Drew & Napier LLC and Drewcorp Services Pte Ltd (US\$'000)	87	29	29	42

These transactions were entered into on an arm's length basis and on normal commercial terms. We intend to continue with this arrangement with Drew & Napier LLC and Drewcorp Services Pte Ltd after the Offering where it is in our interest to do so and provided it is not prejudicial to our Company and minority shareholders.

(h) **Transactions with CLSA Private Equity Management Ltd**

Our Controlling Shareholder, Canzone Limited, is a private company which is wholly-owned by Aria Investment Partners, L.P. ("Aria Investment"). Aria Investment is in turn managed by CLSA Private Equity Management Ltd. Our Non-Executive Director, Ms Josephine Price and her alternate Mr Richard Owen Pyvis, are directors of CLSA Private Equity Management Ltd. In consideration for the payment of a fee, CLSA Private Equity Management Ltd procured the provision of financial advisory services to our Group.

The total amount of fees paid by our Group to CLSA Private Equity Management Ltd for the last three years ended 31 December 2003 and for the period from 1 January 2004 up to the Latest Practicable Date is as set out below:-

	Year ended			For the period from 1 January 2004 up to the Latest Practicable Date
	31 December	2002	2003	
	2001	2002	2003	
Total fees (US\$'000)	10	18	50	—

These transactions were entered into on an arm's length basis and on normal commercial terms. We intend to continue with this arrangement with CLSA Private Equity Management Ltd after the Offering where it is in our interest to do so and provided it is not prejudicial to our Company and minority shareholders.

(i) **Lease of premises from Ms Megawati Leman**

Ms Megawati Leman is the wife of our Executive Director, Mr William Chuang.

We leased the Indonesian premises at Jalan Taman Cibuenyng Selatan No. 43, Bandung, West Java, Indonesia with a land area of 700 sq m from Ms Megawati Leman for staff accommodation.

The existing term of the lease is for a period of one year from 1 January 2004 to 31 December 2004 and is automatically extended for one year unless either party terminates the lease. The present annual rental amounts to US\$12,000. Between 1 January 2004 to 30 June 2004, we paid an aggregate of US\$6,000 to Ms Megawati Leman as rental.

The lease agreement was commercially negotiated and is on an arm's length basis, taking into account market rates.

Unless otherwise stated above, we intend to continue with our transactions with PT Tri Keeson Utama, PT Fajar Mataram Sedayu, PT Freyabadi Indotama, PT Sederhana Djaja and Ms Megawati Leman, as disclosed above.

FUTURE INTERESTED PERSON TRANSACTIONS

Any future transactions will be reviewed by the Company's Audit Committee in accordance with the review procedures set out under the section "Review Procedures for Future Interested Persons Transactions", to ensure that they are at arm's length and on normal commercial terms. In addition, all future transactions with interested persons shall comply with the requirements of the Listing Manual. Our Directors will abstain from voting in any contract/arrangement or proposed contract/arrangement in which he or she has a personal material interest.

SHAREHOLDERS' MANDATE

Following the Offering, it is anticipated that our Group would, in the ordinary course of its business, enter into transactions with Interested Persons. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time. Chapter 9 of the Listing Manual allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. These transactions may not include the purchase or sale of assets, undertakings or businesses.

In view of the time-sensitive nature of commercial transactions, it will be advantageous for us to obtain a shareholders' mandate to enter into certain interested person transactions in our normal course of business, provided that all such transactions are carried out on normal commercial terms and are not prejudicial to our minority shareholders. The mandate will eliminate, among others, the need for us to convene separate general meetings on each occasion to seek our shareholders' approval as and when potential transactions with interested persons arise. This will reduce substantially, the administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising our corporate objectives and adversely affecting our business opportunities.

Pursuant to Rule 920(2) of the Listing Manual, our Company may treat a general mandate as having been obtained from our shareholders ("Shareholders Mandate") for us to enter into certain categories of interested person transactions with the classes of interested persons set out below, if the information required by Rule 920(1)(b) is included in this Prospectus. The information required by Rule 920(1)(b) is as follows:-

- (i) the class of interested persons with which the entity at risk will be transacting;
- (ii) the nature of the transactions contemplated under the mandate;
- (iii) the rationale for, and benefit to, the entity at risk;
- (iv) the methods or procedures for determining transaction prices;
- (v) the independent financial adviser's opinion on whether the methods or procedures in (iv) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders;
- (vi) an opinion from the audit committee if it takes a different view to the independent financial adviser; and
- (vii) a statement from the issuer that it will obtain a fresh mandate from shareholders if the methods or procedures in (iv) become inappropriate.

The Shareholders' Mandate will be effective until the earlier of the following: (i) our first annual general meeting following our admission to the Official List of the SGX-ST; or (ii) the first anniversary of the date of our admission to the Official List of the SGX-ST. Thereafter, we will seek the approval of our

shareholders for a renewal of the Shareholders' Mandate at each subsequent annual general meeting. In accordance with Rule 920(1)(b)(vii) of the Listing Manual, we will seek a fresh Shareholders' Mandate if the methods or procedures for determining the transaction prices have become inappropriate. In accordance with Rule 920(1)(c) of the Listing Manual, an independent financial adviser's opinion is not required for the renewal of a general mandate provided that the audit committee confirms that (i) the methods or procedures for determining the transaction prices have not changed since the last shareholders' approval; and (ii) the methods or procedures in Rule 920(1)(c)(i) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.

In accordance with Rule 920(1)(h)(viii) of the Listing Manual, interested persons and their associates shall abstain from voting on resolutions approving interested person transactions involving themselves and our Group. Furthermore, such interested persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the shareholder.

CLASSES OF INTERESTED PERSONS

The Shareholders' Mandate will apply to our Group's interested person transactions with PT Tri Keeson Utama, PT Fajar Mataram Sedayu, PT Freyabadi Indotama and PT Sederhana Djaja and each of their associates.

Transactions with Interested Persons which do not fall within the ambit of the proposed Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual of the SGX-ST.

CATEGORIES OF INTERESTED PERSON TRANSACTIONS

The interested person transactions with the Interested Persons which will be covered by the Shareholders' Mandate are the following:-

- (i) sale of products such as cocoa powder, cocoa cakes, cocoa butter, cocoa liquor and other products which we may produce or procure from time to time;
- (ii) purchase of products such as confectionery, industrial chocolate and other products from time to time; and
- (iii) lease of properties from PT Sederhana Djaja.

(See "Past and Ongoing Interested Person Transactions" for more details).

RATIONALE FOR AND BENEFITS OF THE SHAREHOLDERS' MANDATE

The transactions with Interested Persons are entered into or to be entered into by our Group in its ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time. The Directors are of the view that it will be beneficial to the Group to transact or continue to transact with the Interested Persons.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential interested person transactions with the Interested Persons arise, thereby reducing substantially, the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to us.

The Shareholders' Mandate is intended to facilitate transactions in our normal course of business which are transacted from time to time with the Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to the Company and its minority Shareholders.

Disclosure will be made in our annual report of the aggregate value of interested person transactions conducted pursuant to the Shareholders' Mandate during the current year, and in the annual reports for the subsequent years during which a Shareholders' Mandate is in force.

REVIEW PROCEDURES FOR FUTURE INTERESTED PERSONS TRANSACTIONS

In future, all Interested Person Transactions will be documented and submitted periodically to the Audit Committee for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company. In the event that a member of the

Audit Committee is deemed to have an interest in an Interested Person Transaction, he will abstain from reviewing that particular transaction. The Audit Committee will include the review of Interested Person Transactions as part of the standard procedures during the Audit Committee's examination of the adequacy of our Group's internal controls.

To ensure that the transactions with Interested Persons are undertaken on normal commercial terms and are consistent with the Group's usual business practices and policies, which are generally no more favourable to the Interested Person than those extended to unrelated third parties, the following internal control procedures will be implemented by the Group:-

- (a) In respect of any purchase of products or procurement of services from Interested Persons, quotes received from at least two unrelated third-parties in respect of the same or substantially the same types of transactions are to be used as a comparison wherever possible. The Audit Committee will review these comparables, taking into account pertinent factors, including but not limited to:-
 - (i) whether the pricing is in accordance with our usual business practice and policies;
 - (ii) quality of the products offered;
 - (iii) delivery time;
 - (iv) track record; and
 - (v) whether the terms are no more favourable to the Interested Persons than those extended by unrelated third parties,

In cases where it is not possible to obtain comparables from other unrelated third parties, our Company may enter into the transaction with the Interested Person provided that the price and terms received from the Interested Person are no less favourable than those extended by the Interested Person to the unrelated third parties, taking into account all pertinent factors including, but not limited to business practices, industry norms, volume, quality, delivery time and track record.

- (b) In respect of any sale of products to Interested Persons, our Audit Committee will review the terms of the sale to ensure that they are not prejudicial to the interest of our Shareholders, taking into account pertinent factors, including but not limited to whether transactions with Interested Persons have been carried out at the prevailing market rates or prices on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties.

Where the prevailing market rates or prices are not available due to the nature of the product to be sold, our Company may enter into the transaction with the Interested Person provided that the pricing policies are consistent with the usual margin obtained by our Group for the same or substantially similar type of transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications and duration of contract will be taken into account.

During its annual review or such other review deemed necessary by it, the Audit Committee will carry out a review of records of all Interested Person Transactions to ensure that they are carried out in accordance with the internal control procedures outlined above.

Our Audit Committee will also review all Interested Person Transactions to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual) are complied with.

We will also comply with the provisions in Chapter 9 of the Listing Manual in respect of all future Interested Person Transactions, and if required under the Listing Manual, we will seek our shareholders' approval (where necessary) for such transactions. We will also endeavour to comply with the principles of and best practices set out in the "Best Practices Guide" of the Listing Manual.

Our Audit Committee is of the view that the above guidelines and procedures are sufficient to ensure that these Interested Person Transactions will be on normal commercial terms and will not be prejudicial to our Shareholders. Our Audit Committee shall review from time to time such guidelines and procedures to determine if they continue to be adequate and/or commercially practicable in ensuring that transactions between our Interested Persons and us are conducted at arm's length and on normal commercial terms.

The Group will implement the following procedures for the identification of interested persons and the recording of all our interested person transactions:-

- (a) By the tenth day of each month, the heads of the various departments are required to submit details of all Interested Person Transactions entered into during the previous month to the Chief Financial Officer, such as the actual value of the transactions. A “nil” return is expected if there are no Interested Person Transactions for the month;
- (b) Our Chief Financial Officer will maintain a register of interested person transactions carried out with Interested Persons; and
- (c) Following the review of the list by our Chief Financial Officer, the list will be submitted to our Chief Executive Officer for approval prior to the submission to our Audit Committee for review and approval.

OPINION OF THE INDEPENDENT FINANCIAL ADVISER

KPMG Corporate Finance Pte Ltd (“KPMG”) was appointed as the independent financial adviser pursuant to Rule 920(1)(b)(v) of the Listing Manual of the SGX-ST, to opine on whether the methods and procedures for determining transaction prices, as set out above, are sufficient to ensure that our Group’s transactions with the Interested Persons are on normal commercial terms which will not be prejudicial to the interests of the Company and its minority shareholders.

In arriving at KPMG’s opinion on whether the methods and procedures for determining transaction prices of Interested Person Transactions for the purposes of the Shareholders’ Mandate, are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders, KPMG have considered the following:

- (i) the Independent Directors’ rationale for and the benefit to the Company of the Shareholders’ Mandate;
- (ii) the classes of Interested Persons and the categories of Interested Person Transactions covered by the Shareholders’ Mandate; and
- (iii) the review procedures for Interested Person Transactions.

Based on the analysis undertaken and subject to the qualifications and assumptions made herein, KPMG is of the opinion that the current methods and procedures for determining transaction prices of Interested Person Transactions as set out in the Prospectus are, if applied strictly, sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. Please refer to “Appendix D — Letter from the Independent Financial Adviser to the Independent Directors of Petra Foods Ltd” for more details.

POTENTIAL CONFLICTS OF INTEREST

SG Trust (Asia) Ltd (the trustee acting on behalf of a discretionary trust established by our Executive Director, Mr John Chuang, in which his wife and her sister are beneficiaries) owns 100.0% of the issued and paid-up share capital of Aerodrome International Limited, which in turn owns 51.0% of the issued and paid-up share capital of Berlian Enterprises Limited.

Our Executive Director, Mr Joseph Chuang owns 100.0% of the issued and paid-up share capital of Maplegold Assets Limited, which in turn owns 30.0% of the issued and paid-up share capital of Berlian Enterprises Limited.

Our Executive Director, Mr William Chuang, owns 19.0% of the issued and paid-up share capital of Berlian Enterprises Limited.

Berlian Enterprises Limited in turn owns 100.0% of the issued and paid-up capital of McKeeson Investments Pte Ltd, which in turn owns 99.9% and 30.0% of the issued and paid-up share capital of PT Sederhana Djaja and PT Freyabadi Indotama respectively. PT Sederhana Djaja owns 19.0% of the issued and paid-up share capital of PT Freyabadi Indotama, 51.0% of the issued and paid-up share capital of PT Fajar Mataram Sedayu and 100.0% of the issued and paid-up share capital of PT Tri Keeson Utama.

PT Freyabadi Indotama (“Freyabadi”)

Freyabadi is a joint venture entity, in which Fuji Oil Ltd, an unrelated third party, McKeeson Investments and PT Sederhana Djaja own 51.0%, 30.0% and 19.0% of its issued share capital respectively.

By virtue of their aggregate interest in 100.0% of the shareholding in Berlian Enterprises Limited, our Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to have an aggregate interest in 49.0% of the issued share capital of Freyabadi held in aggregate by McKeeson Investments and PT Sederhana Djaja. Mr William Chuang is also the President Director of Freyabadi.

Freyabadi is a company incorporated in Indonesia and its principal business is the manufacture and sale of industrial chocolate. The industrial chocolate sold by Freyabadi is used as an ingredient for products such as biscuits, chocolate bars, bakery items and other confectionery items and its customers comprise establishments within the food industry such as hotels and bakeries.

We currently do not manufacture industrial chocolate and Freyabadi currently does not manufacture cocoa ingredients or consumer chocolates. As a result, our Directors are of the view that there does not exist any conflicts of interest between Freyabadi and our Group and that any transactions with Freyabadi will be entered into on normal commercial terms. See “Letter from the Independent Financial Adviser to the Independent Directors of Petra Foods Limited”.

In order to address the issue of Mr William Chuang being an executive of both Freyabadi and our Company, Mr William Chuang has entered into a service agreement with our Company, pursuant to which he has agreed to devote no less than 50% of his time, attention and skill to his duties as an Executive Director of the Group.

PT Tri Keeson Utama (“TKU”)

By virtue of their aggregate interest in 99.9% of the shareholding in PT Sederhana Djaja, our Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 100.0% of the issued share capital of TKU held by PT Sederhana Djaja. TKU's business is limited to the mixing and blending of cocoa cakes and cocoa powder, whereas our Group has capabilities in the full spectrum of cocoa processing capabilities such as grinding, roasting and pressing, and is involved in the production of cocoa powder, cocoa butter and cocoa liquor. TKU targets the lower-end of the market in Indonesia, which has lower specifications and requirements for its cocoa ingredients and to whom price is a primary consideration when sourcing cocoa ingredients. By contrast, our Group's target is the global market and, in particular, customers whose cocoa ingredients requirements are exacting and highly specialised and customised. As we do not compete in similar markets and we produce ingredients which are different in specifications and quality, we do not regard TKU as our competitor and are of the view that there does not exist any conflicts of interest between our Group and TKU.

Mr John Chuang, Mr Joseph Chuang and Mr William Chuang do not have any executive roles in TKU, are not on the board of directors of TKU and do not participate in the day-to-day operations of TKU. As such, our Directors believe that the potential conflict of interest is further minimised.

PT Fajar Mataram Sedayu (“FMS”)

By virtue of their indirect interest in 99.9% of the shareholding in PT Serderhana Djaja, our Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 51.0% of the issued share capital of FMS. Our Executive Officer, Mr Pontjo Susanto Widjaja, has an interest of 5.0% in FMS. The remaining shareholding interest in FMS is held by unrelated third parties. One of our employees, Mr Herawan Sutisna, sits on the Board of Commissioners of FMS. Mr John Chuang, Mr Joseph Chuang, Mr William Chuang, Mr Pontjo Susanto Widjaja and Mr Herawan Sutisna do not serve in any executive capacity in FMS.

FMS's main business is the manufacture and sale of compound chocolate rice primarily for industrial users, such as bakeries, hawkers and food outlets. FMS also manufactures and sells consumer chocolate targeted at the lower-end of the Indonesian consumer chocolate market.

Our Group's focus is on the mid to high-end of the Indonesian consumer chocolate market as these segments tend to provide better returns. However, for strategic reasons, we maintain a small presence in the lower-end of the market to tap into any business opportunities that may arise. Sales in the lower-end of the market accounted for less than 3.5% of the total revenue of our Branded Consumer Division for each of the last three years ended 31 December 2003.

Accordingly, and taking into consideration the following factors, such as brand positioning, manufacturing capability, marketing and distribution network, pricing and product characteristics, our Directors believe that there is minimal conflict of interests between our Group and FMS.

Mr John Chuang, Mr Joseph Chuang and Mr William Chuang do not have any executive roles in FMS, are not on the board of directors of FMS and do not participate in the day-to-day operations of FMS. As such, our Directors believe that the potential conflict of interest is further minimised.

Resolution of potential conflict of interests

Call Option Agreement

In order to address any potential conflicts of interest which may begin to arise between the Group, Freyabadi and TKU, as well as to address any potential increased degree of conflicts of interest between the Group and FMS, the Company has on 22 September 2004, entered into a call option agreement with P.T. Sederhana Djaja and McKeeson Investments Pte Ltd (collectively, the "Grantors") pursuant to which the Grantors granted to our Company the following:-

- (a) the right to require the Grantors to sell to our Company ordinary shares, representing 49.0% of the issued and paid-up share capital of Freyabadi (the "Freyabadi Call Option Shares") (the "Freyabadi Call Option");
- (b) the right to require P.T. Sederhana Djaja to sell to our Company ordinary shares, representing 100.0% of the issued and paid-up share capital of TKU (the "TKU Call Option Shares") (the "TKU Call Option"); and
- (c) the right to require P.T. Sederhana Djaja to sell to our Company ordinary shares, representing 51.0% of the issued and paid-up share capital of FMS (the "FMS Call Option Shares") (the "FMS Call Option").

(The Freyabadi Call Option Shares, the TKU Call Option Shares and the FMS Call Option Shares to be collectively known as the "Call Option Shares").

The Company shall only exercise the relevant call options in the following circumstances:-

- (a) the call option relating to the Freyabadi Call Option Shares may be exercised only upon the Audit Committee (in its absolute discretion and subject to any relevant and prevailing government laws and regulations) determining that Freyabadi is competing with the Group's business activities, and that it is in the Group's commercial interest for the Call Option relating to the Freyabadi Call Option Shares to be exercised;
- (b) the call option relating to the TKU Call Option Shares is exercised only upon the Audit Committee (in its absolute discretion and subject to any relevant and prevailing government laws and regulations) determining that TKU is competing with the Group's business activities, and that it is in the Group's commercial interest for the Call Option relating to the TKU Call Option Shares to be exercised; and
- (c) the call option relating to the FMS Call Option Shares is exercised only upon the Audit Committee (in its absolute discretion and subject to any relevant and prevailing government laws and regulations) determining that FMS is competing with the Group's business activities, and that it is in the Group's commercial interest for the Call Option relating to the FMS Call Option Shares to be exercised.

The consideration for the purchase of the Call Option Shares pursuant to the exercise of the relevant call option shall be the market value of the Call Option Shares, to be determined based on the earnings and value of assets of Freyabadi, TKU or FMS (as the case may be) as at the date of exercise of the relevant option and any other factors our Audit Committee may consider relevant and where our Audit Committee deems necessary, having regard to an assessment of the market value of the Call Option Shares by a reputable accounting firm or valuer.

Deed of Undertaking

In addition, each of Mr John Chuang, Mr Joseph Chuang and Mr William Chuang (the “Covenantors”) has on 22 September 2004 entered into a deed of undertaking with the Company to undertake and agree to the following:-

- (a) in the event that the Audit Committee, in its absolute discretion (which may include consultations with senior management personnel and an independent adviser, if necessary) and subject to any relevant and prevailing government laws and regulations, determines that (i) Freyabadi is competing with the Group’s business activities; and (ii) the Group’s acquisition of each Covenantor’s shareholding interests in Freyabadi, whether direct or indirect, is not in the Group’s commercial interest, each Covenantor shall procure the disposal of their respective shareholding interests, whether direct or indirect, in the shares of Freyabadi (the “Freyabadi Shares”) to unrelated third parties within 18 months of the date on which the Audit Committee makes such determination, failing which the Covenantors shall procure the transfer of the Freyabadi Shares to a trust in which (i) the beneficiaries are unrelated to the Covenantors, (ii) the Covenantors do not have any legal or beneficial interest, and (iii) the Covenantors do not exercise control over the voting rights of the Freyabadi Shares (the “Freyabadi Undertaking”);
- (b) in the event that the Audit Committee, in its absolute discretion (which may include consultations with senior management personnel and an independent adviser, if necessary) and subject to any relevant and prevailing government laws and regulations, determines that (i) TKU is competing with the Group’s business activities; and (ii) the Group’s acquisition of each Covenantor’s shareholding interests in TKU, whether direct or indirect, is not in the Group’s commercial interest, each Covenantor shall procure the disposal of their respective shareholding interests, whether direct or indirect, in the shares of TKU (the “TKU Shares”) to unrelated third parties within 18 months of the date on which the Audit Committee makes such determination, failing which the Covenantors shall procure the transfer of the TKU Shares to a trust in which (i) the beneficiaries are unrelated to the Covenantors, (ii) the Covenantors do not have any legal or beneficial interest, and (iii) the Covenantors do not exercise control over the voting rights of the TKU Shares (the “TKU Undertaking”); and
- (c) in the event that the Audit Committee, in its absolute discretion (which may include consultations with senior management personnel and an independent adviser, if necessary) and subject to any relevant and prevailing government laws and regulations, determines that (i) FMS is competing with the Group’s business activities; and (ii) the Group’s acquisition of each Covenantor’s shareholding interests in FMS, whether direct or indirect, is not in the Group’s commercial interest, each Covenantor shall procure the sale of their respective shareholding interests, whether direct or indirect, in the shares of FMS (the “FMS Shares”) to unrelated third parties within 18 months of the date on which the Audit Committee makes such determination, failing which the Covenantors shall procure the transfer of the FMS Shares to a trust in which (i) the beneficiaries are unrelated to the Covenantors, (ii) the Covenantors do not have any legal or beneficial interest, and (iii) the Covenantors do not exercise control over the voting rights of the FMS Shares (the “FMS Undertaking”).

The relevant Call Options and Undertakings shall continue for as long as:-

- (a) the securities of our Company are listed on the Official List of the Main Board of the SGX-ST; or
- (b) the aggregate shareholding, whether direct or indirect, of Mr John Chuang, Mr Joseph Chuang and/or Mr William Chuang in (i) the Company; or (ii) Freyabadi (with respect to the Freyabadi Call Option and the Freyabadi Undertaking), TKU (with respect to the TKU Call Option and the TKU Undertaking) or FMS (with respect to the FMS Call Option and the FMS Undertaking) is not less than 15%,

whichever is the earlier.

Save as disclosed above and in relation to the Restructuring-Acquisitions and the Restructuring-Grants as disclosed under “Share Capital”:-

- (a) no Director, Substantial Shareholder, Controlling Shareholder or Executive Officer has any material interest, direct or indirect, in any transactions to which the Company was or is to be a party;

- (b) no Director, Substantial Shareholder, Controlling Shareholder or Executive Officer has any material interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as the Group; and
- (c) no Director, Substantial Shareholder, Controlling Shareholder or Executive Officer has any material interest, direct or indirect, in any enterprise or company that is the Group's customer or supplier of goods or services.

Shareholders

The Substantial Shareholders and certain other Shareholders of our Company and their respective shareholdings immediately before the Offering (as at the date of this Prospectus) and immediately after the Offering (assuming that the Over-allotment Option is not exercised) are set out below:-

	Before the Offering				After the Offering			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Substantial Shareholders								
John Chuang ⁽¹⁾	—	—	320,018,000	76.42	—	—	308,768,000	58.01
Lim Mee Len ⁽¹⁾	—	—	320,018,000	76.42	—	—	308,768,000	58.01
Anna Lim Pui Fong ⁽¹⁾	—	—	320,018,000	76.42	—	—	308,768,000	58.01
Joseph Chuang ⁽²⁾	—	—	320,018,000	76.42	—	—	308,768,000	58.01
Fremont Investment Limited ⁽³⁾	277,741,000	66.32	—	—	277,741,000	52.18	—	—
Aerodrome International Limited ^{(3),(4)}	—	—	320,018,000	76.42	—	—	308,768,000	58.01
Maplegold Assets Limited ⁽⁵⁾	—	—	320,018,000	76.42	—	—	308,768,000	58.01
McKeeson Holdings Limited ⁽⁶⁾	25,500,000	6.09	—	—	14,250,000	2.68	—	—
Canzone Limited ⁽⁷⁾	75,998,000	18.15	—	—	22,248,000	4.18	—	—
SG Trust (Asia) Ltd ^{(1),(8)}	—	—	320,018,000	76.42	—	—	308,768,000	58.01
Certain Other Shareholders								
McKeeson Investments Pte Ltd ⁽⁹⁾	6,000,000	1.43	—	—	6,000,000	1.13	—	—
Berlian Enterprises Limited ⁽⁹⁾	10,777,000	2.57	—	—	10,777,000	2.02	—	—
Employees and certain other Shareholders ⁽¹⁰⁾	9,956,000	2.38	—	—	22,706,000 ⁽¹¹⁾	4.27	—	—
Chuang family ⁽¹²⁾	12,564,000	3.00	—	—	12,664,000 ⁽¹³⁾	2.38	—	—
Public Shareholders ⁽¹⁴⁾	—	—	—	—	165,550,000	31.10	—	—

Notes:-

(1) Mdm Lim Mee Len (who is the wife of Mr John Chuang) and Mdm Anna Lim Pui Fong (who is the sister of Mdm Lim Mee Len and the sister-in-law of Mr John Chuang) are deemed to be interested in the Shares held by Fremont Investment Limited, McKeeson Holdings Limited, Berlian Enterprises Limited and McKeeson Investments Pte Ltd. Mdm Lim Mee Len's and Mdm Anna Lim Pui Fong's deemed interests arise because they are the beneficiaries of a discretionary and irrevocable trust, the Johnsons Trust of which SG Trust (Asia) Ltd has been appointed as the trustee. As trustee of the Johnsons Trust, SG Trust (Asia) Ltd owns 100.0% of the issued and paid-up share capital of Aerodrome International Limited, which in turn owns 51.0% of the issued and paid-up share capital of Fremont Investment Ltd and 51.0% of the issued and paid-up share capital of Berlian Enterprises Limited. Berlian Enterprises Limited is, in turn, the sole shareholder of McKeeson Holdings Limited and McKeeson Investments Pte Ltd. Mr John Chuang's deemed interest arises as he is the spouse of Mdm Lim Mee Len.

Mr John Chuang, Mdm Lim Mee Len and Mdm Anna Lim Pui Fong do not have the power or right to transfer, dispose of or reassign the beneficial interests in the Shares held by the Johnsons Trust during the lock up period (See "Plan of Distribution — Restrictions on Disposal and Issue of Shares"). Accordingly, a waiver has been granted by the SGX-ST in respect of Rule 228 of the Listing Manual such that Mr John Chuang, Mdm Lim Mee Len and Mdm Anna Lim Pui Fong have been exempted from providing an undertaking to maintain each of their indirect shareholdings in the Company during the lock-up period.

(2) Mr Joseph Chuang is deemed to be interested in the Shares held by Fremont Investment Limited, McKeeson Holdings Limited, Berlian Enterprises Limited and McKeeson Investments Pte Ltd. Mr Joseph Chuang's deemed interest arises from his 100% shareholding in Maplegold Assets Limited, which in turn owns 30.0% of the issued and paid-up share capital of Fremont Investment Limited and 30.0% of the issued and paid-up share capital of Berlian Enterprises Limited. Berlian Enterprises Limited is, in turn, the sole shareholder of McKeeson Holdings Limited and McKeeson Investments Pte Ltd.

(3) Fremont Investment Limited is an investment holding company incorporated in Liberia, and is 51.0% owned by Aerodrome International Limited, which is in turn wholly-owned by SG Trust Asia (Ltd). The balance 49.0% of the issued and paid-up share capital of Fremont Investment Limited is held in aggregate by Maplegold Assets Limited and Mr William Chuang.

(4) Aerodrome International Limited is an investment holding company incorporated in the British Virgin Islands. Aerodrome International Limited is deemed to be interested in the Shares held by Fremont Investment Limited, McKeeson Holdings Limited, Berlian Enterprises Limited and McKeeson Investments Pte Ltd. Aerodrome International Limited's deemed interest arises from its 51.0% shareholding in both Fremont Investment Ltd and Berlian Enterprises Limited. Berlian Enterprises Limited is, in turn, the sole shareholder of McKeeson Holdings Limited and McKeeson Investments Pte Ltd.

- (5) Maplegold Assets Limited is an investment holding company incorporated in the British Virgin Islands and is wholly-owned by Mr Joseph Chuang.
Maplegold Assets Limited is deemed to be interested in the Shares held by Fremont Investment Limited, McKeeson Holdings Limited, Berlian Enterprises Limited and McKeeson Investments Pte Ltd. Maplegold Assets Limited's deemed interest arises from its 30.0% shareholding in both Fremont Investment Limited and Berlian Enterprises Limited. Berlian Enterprises Limited is, in turn, the sole shareholder of McKeeson Holdings Limited and McKeeson Investments Pte Ltd.
- (6) McKeeson Holdings Limited's interest arises from the conversion of US\$5.0 million in principal amount of convertible bonds into 25,500,000 Shares pursuant to the Subscription and Investment Agreement.
McKeeson Holdings Limited is an investment holding company incorporated in the Republic of Mauritius and is wholly owned by Berlian Enterprises Limited.
- (7) Canzone Limited's interest arises from the conversion of US\$15.0 million in principal amount of convertible bonds into 76,500,000 Shares pursuant to the Subscription and Investment Agreement and the Restructuring-Grants.
Canzone Limited is a private company incorporated in the Republic of Mauritius. Canzone Limited is a wholly owned subsidiary of Aria Investment Partners, L.P., a limited partnership held by a number of unrelated entities, whose identities are confidential pursuant to confidentiality provisions in a limited partnership agreement entered into between the partners of Aria Investment Partners, L.P.
- (8) SG Trust (Asia) Ltd is deemed to be interested in the Shares held by Fremont Investment Limited, McKeeson Holdings Limited, Berlian Enterprises Limited and McKeeson Investments Pte Ltd. SG Trust (Asia) Ltd's deemed interest arises from its 100.0% shareholding in Aerodrome International Limited as the trustee of the Johnsons Trust, which in turn owns 51.0% of the issued and paid-up share capital in both Fremont Investment Limited and Berlian Enterprises Limited. Berlian Enterprises Limited is, in turn, the sole shareholder of McKeeson Holdings Limited and McKeeson Investments Pte Ltd.
SG Trust (Asia) Ltd is a Singapore registered public trust company, wholly-owned by the Société Générale Group. Société Générale is listed on the Paris Stock Exchange.
- (9) McKeeson Investments Pte Ltd is an investment holding company incorporated in Singapore. Berlian Enterprises Limited is an investment holding company incorporated in the British Virgin Islands. Berlian Enterprises Limited is the sole shareholder of McKeeson Holdings Limited and McKeeson Investments Pte Ltd.
- (10) Employees and certain other Shareholders comprise our Executive Officers, certain current and former employees (excluding our Directors) and certain business associates. Prior to the Offering, an aggregate of 9,956,000 Grant Shares have been transferred to certain Employees and certain other Shareholders pursuant to the Restructuring-Grants (see "Share Capital").
- (11) The shareholding interests after the Offering assumes that certain Employees and certain other Shareholders have subscribed to and/or purchased all their respective allocation of the Reserved Shares but excludes any other Offering Shares they may subscribe to and/or purchase in the Offering.
- (12) The Chuang family comprises Mdm Kie Saw Sim (the mother of Messrs John Chuang, Joseph Chuang and William Chuang) and Ms Chuang Yok Hoa @ Ma Lin Zi and Ms Chuang Mying Hwa @ Mying Mying (the sisters of Messrs John Chuang, Joseph Chuang and William Chuang) (the "Chuang family"). Prior to the Offering, 4,188,000 Grant Shares were transferred to each of the aforesaid Chuang family members pursuant to the Restructuring-Grants (see "Share Capital").
- (13) The shareholding interests after the Offering assumes that Mdm Kie Saw Sim has been allotted and/or allocated 100,000 Shares pursuant to the Placement.
- (14) Public Shareholders comprise new investors excluding subscribers/purchasers of the Reserved Shares.

The Shares held by our Substantial Shareholders and certain other Shareholders (mentioned above) do not carry different voting rights from the New Shares which are the subject of the Offering.

Mr John Chuang and Mr Joseph Chuang are brothers. Mr John Chuang is the husband of Mdm Lim Mee Len. Mdm Kie Saw Sim is the mother of Mr John Chuang, Mr Joseph Chuang and Mr William Chuang. Ms Chuang Yok Hoa @ Ma Lin Zi and Ms Chuang Mying Hwa @ Mying Mying are the sisters of Mr John Chuang, Mr Joseph Chuang and Mr William Chuang. Mdm Kie Saw Sim is the mother-in-law of Mdm Lim Mee Len. Ms. Chuang Yok Hoa @ Ma Lin Zi and Ms Chuang Mying Hwa @ Mying Mying are the sisters-in-law of Mdm Lim Mee Len and the daughters of Mdm Kie Saw Sim. Mdm Anna Lim Pui Fong is the sister of Mdm Lim Mee Len and the sister-in-law of Mr John Chuang. Save as disclosed above, there is no other relationship among the Substantial Shareholders and certain other Shareholders (mentioned above) of our Group.

SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP

The following table sets forth the significant changes in the percentage of ownership of shares in our Company held by our Substantial Shareholders during the last three years and up to the date of this Prospectus:-

	As at 1 January 2001		As at the date of this Prospectus	
	Number of ordinary shares of S\$1.00 each (Direct Interest)	%	Number of Shares (Direct Interest)	%
Fremont Investment Limited	9,999,998	99.9	277,741,000	66.32
Canzone Limited ⁽¹⁾	—	—	75,998,000	18.15
McKeeson Holdings Limited ⁽²⁾	—	—	25,500,000	6.09

	Number of redeemable preference shares of S\$1.00 each ⁽³⁾		Number of redeemable preference shares of S\$1.00 each ⁽³⁾	
		%		%
Fremont Investment Limited	200,000	100	—	—

Notes:-

- (1) Canzone Limited's shareholding interest arises from the conversion of US\$15.0 million in principal amount of convertible bonds into 76,500,000 Shares pursuant to the Subscription and Investment Agreement and following the Restructuring-Grants.
- (2) McKeeson Holdings Limited's shareholding interest arises from the conversion of US\$5.0 million convertible bonds into 25,500,000 Shares pursuant to the Subscription and Investment Agreement.
- (3) The redeemable preference shares of \$1.00 each held by Fremont Investment Limited were redeemed on 28 January 2001.

Our Vendors

Details of the existing shareholders who will be selling their shares in the Offering are set out below:-

Name and Address	Material relationship with our Company	Ordinary shares offered		Before the Offering ⁽¹⁾		After the Offering (assuming the Over-Allotment Option is not exercised) ⁽²⁾	
		Number of Shares	% of issued share capital as at the date of this Prospectus	Number of Shares	%	Number of Shares	%
McKeeson Holdings Limited c/o Citco (Mauritius) Limited, Cathedral Square, Port Louis, Mauritius	Shareholder	11,250,000	2.69	25,500,000	6.09	14,250,000	2.68
Canzone Limited 5th Floor, One Cathedral Square, Port Louis Mauritius	Shareholder	53,750,000	12.83	75,998,000	18.15	22,248,000	4.18
Total		65,000,000	15.52	101,498,000	24.24	36,498,000	6.86

Notes:-

- (1) Based on the pre-Offering issued share capital of 418,777,000 Shares as at the date of this Prospectus.
- (2) Based on the post-Offering issued share capital of 532,277,000 Shares.

The Company, the Vendors and certain other persons have agreed with the Global Co-ordinator on certain lock-up arrangements as discussed in "Plan of Distribution — Restrictions on Disposals and Issues of Shares".

Share Capital

Our Company was incorporated in Singapore on 22 August 1984 under the Act as a private company limited by shares under the name "Petra Foods Pte Ltd". At an Extraordinary General Meeting held on 21 September 2004, the shareholders of our Company approved, *inter alia*, the conversion of our Company to a public limited company and the adoption of a new set of Articles of Association of our Company. On 5 October 2004, we converted into a public limited company and changed our name to "Petra Foods Limited". As at 31 December 2003, the authorised share capital of our Company was S\$50,000,000 comprising 49,000,000 ordinary shares of S\$1.00 each and 1,000,000 redeemable preference shares of S\$1.00 each and the issued and paid-up share capital of our Company was S\$30,600,000 comprising 30,600,000 ordinary shares of S\$1.00 each. On 12 August 2004, our Company's issued and paid-up share capital was increased to S\$31,677,700 comprising 31,677,700 ordinary shares of S\$1.00 each following the Restructuring-Acquisitions, details of which are set out below.

At a following Extraordinary General Meeting held on 22 September 2004, the shareholders of our Company approved, *inter alia*, the following:-

- (a) the cancellation of the authorised redeemable preference share capital of our Company comprising 1,000,000 preference shares of S\$1.00 each;
- (b) the increase in the authorised share capital of our Company from S\$49,000,000 divided into 49,000,000 ordinary shares of S\$1.00 each to S\$100,000,000 divided into 100,000,000 ordinary shares of S\$1.00 each;
- (c) the sub-division of each existing ordinary share of S\$1.00 each in the authorised, issued and paid-up share capital of our Company into 10 ordinary shares of S\$0.10 each;
- (d) the allotment and issue of 76,500,000 and 25,500,000 ordinary shares of S\$0.10 each in our Company to Canzone Limited and McKeeson Holdings Limited (as nominee of Fremont Investment Limited) pursuant to their conversion of US\$15.0 million and US\$5.0 million of the convertible bonds respectively;
- (e) the allotment and issue of the New Shares which are the subject of the Offering on the basis that the New Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the existing Shares;
- (f) the adoption of the Share Option Scheme and the Share Incentive Plan; and
- (g) that pursuant to section 161 of the Companies Act, the Directors be and are hereby authorised and empowered to allot and issue Shares and/or convertible securities (where the maximum number of Shares to be issued upon conversion or exercise is determinable at the time of the issue of such securities) in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and on such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided always that the aggregate number of Shares and/or convertible securities to be issued shall not exceed 50% of the issued and paid-up share capital of the Company, of which the aggregate number of such Shares and or convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the issued share capital of the Company (the percentage of issued share capital being based on the post-Offering issued share capital after adjusting for new Shares arising from any subsequent conversion or exercise of any convertible securities or employee share options or vesting of share awards on issue and any subsequent consolidation or sub-division of Shares) and unless revoked or varied by the Company in general meeting and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

As at the date of this Prospectus, there is only one class of shares in the capital of our Company, being ordinary shares of S\$0.10 each. The rights and privileges of our Shares are stated in our Articles of Association. Save for the Option Shares and the Award Shares, there are no founder, management or deferred shares reserved for issuance for any purpose. Save for the Over-Allotment Option, no person has been given an option to subscribe for or purchase any securities of the Company or any of our subsidiaries. As at the Latest Practicable Date, no option to subscribe for Shares in our Company has been granted to, or was exercised by any of our Directors.

As at the date of this Prospectus, the authorised share capital of our Company is S\$100,000,000 divided into 1,000,000,000 Shares and the issued and paid-up share capital of our Company is S\$41,877,700 divided into 418,777,000 Shares. Upon the allotment and issue of the New Shares, the resultant issued and paid-up share capital of our Company will be further increased to S\$53,227,700 divided into 532,277,000 Shares (assuming the Over-Allotment Option in respect of the Company Additional Shares is not exercised).

Details of changes in the issued and paid-up share capital of our Company since 30 June 2004, being the date of the last audited accounts of the Company, and immediately after the Offering (assuming the Over-Allotment Option in respect of the Company Additional Shares is not exercised) are as follows:-

	Number of Shares	S\$
Issued and fully paid-up ordinary shares of S\$1.00 each as at 30 June 2004	30,600,000	30,600,000
Issue of new ordinary shares of S\$1.00 each pursuant to the Restructuring-Acquisitions	1,077,700	1,077,700
Issued and fully paid-up ordinary Shares after adjusting for the Restructuring-Acquisitions and the Sub-division	316,777,000	31,677,700
Issued and fully paid-up ordinary Shares after adjusting for the Restructuring-Acquisitions, Sub-division and the Conversion	418,777,000	41,877,700
Pre-Offering share capital	418,777,000	41,877,700
New Shares to be issued pursuant to the Offering	113,500,000	11,350,000
Post-Offering share capital	532,277,000	53,227,700

Our authorised share capital and shareholders' equity as at 30 June 2004, before and after adjustments to reflect the increase in authorised share capital, the Restructuring-Acquisitions, the Sub-division and Conversion and the issue of New Shares (assuming the Over-Allotment Option in respect of the Company Additional Shares is not exercised) are set out below. These statements should be read in conjunction with the financial statements included elsewhere in this Prospectus.

	As at 30 June 2004	After the increase in the authorised share capital, the Restructuring- Acquisitions, the Sub-division and the Conversion	After the Offering
Authorised Share Capital (S\$)			
Ordinary shares of S\$1.00 each	49,000,000	—	—
Redeemable preference shares of S\$1.00 each	1,000,000	—	—
Ordinary Shares of S\$0.10 each	—	1,000,000,000	1,000,000,000
Shareholders' Equity (US\$)			
Issued and fully paid-up ordinary share capital	18,203,000 ⁽¹⁾	24,760,000 ⁽²⁾	31,475,976
Share premium	1,222,000	16,088,000	63,325,107
Convertible bonds	20,000,000	—	—
Reserves	29,952,000	29,952,000	29,952,000
	69,377,000	70,800,000	124,753,083

Notes:

(1) Based on 30,600,000 ordinary shares of par value S\$1.00 each as at 30 June 2004.

(2) Based on 418,777,000 ordinary shares of par value S\$0.10 each as adjusted for the Restructuring-Acquisitions, the Sub-division and the Conversion.

Restructuring Exercise

We undertook the following restructurings in preparation for our listing on the SGX-ST.

On 25 June 2004, our Company acquired with effect from 1 January 2004, 4.96%, 4.99% and 4.98% respectively of the issued share capital of PT Perusahaan Industri Ceres, PT Nirwana Lestari and PT General Food Industries from Berlian Enterprises Limited for a total consideration of approximately US\$1.4 million (See "Group Structure" chart set out in Appendix C) (the "Restructuring-Acquisitions"). The consideration for this acquisition was satisfied by the allotment and issue of a total of 1,077,700 ordinary shares of S\$1.00 each (before the Sub-division) in our Company to Berlian Enterprises Limited on 12 August 2004.

On 28 October 2004, Fremont Investment Limited and Canzone Limited transferred an aggregate of 22,761,000 ordinary shares of S\$0.10 each (the "Grant Shares") to our Independent Director (namely

Mr Pedro Francisco Mata-Bruckmann), our Non-Executive Director (namely Ms Josephine Price), our Executive Officers, certain current and former employees, certain business associates and the mother and sister of Messrs John Chuang, Joseph Chuang and William Chuang (namely Mdm Kie Saw Sim, Ms Chuang Yok Hoa @ Ma Lin Zi and Ms Chuang Mying Hwa @ Mying Mying respectively) (the "Participants"). The Grant Shares were granted to the Participants as gifts at no consideration. Out of an aggregate of 22,761,000 Grant Shares, Fremont Investment Limited has granted 22,259,000 Grant Shares, while Canzone Limited has granted 502,000 Grant Shares (the "Restructuring-Grants"). The purpose of the Grant Shares is primarily to recognise the past and present contributions of the Participants to the Group and to encourage their continuing support. The Grant Shares received by Mr Pedro Francisco Mata-Bruckmann, Ms Josephine Price, Mdm Kie Saw Sim, Ms Chuang Yok Hoa @ Ma Lin Zi and Ms Chuang Mying Hua @ Mying Mying will be subject to a lock-up period from the date of the Placement Agreement until the date falling six months from the date of admission of the Shares to the Official List of the SGX-ST (See "Plan of Distribution — Restrictions on Disposals and Issue of Shares").

Conversion

On 4 May 2001, the Company, Canzone Limited and Fremont Investment Limited (among other parties) entered into the Subscription and Investment Agreement pursuant to which Canzone Limited subscribed for convertible bonds of an aggregate principal amount of US\$15,000,000. Pursuant to this Agreement, US\$5,000,000 of an outstanding loan made by Fremont Investment Limited to the Company was repaid through the issue to McKeeson Holdings Limited, as nominee of Fremont Investment Limited, of convertible bonds of a principal amount of US\$5,000,000. The terms of the convertible bonds provided for the convertible bonds to be converted to a specified number of shares, which was subject to adjustment, for example, in the event of a dilution.

In addition, a supplemental agreement dated 27 September 2004 to the Subscription and Investment Agreement between the Company, Canzone Limited, Fremont Investment Limited, McKeeson Investments Pte Ltd, Berlian Enterprises Limited, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang pursuant to which the Subscription and Investment Agreement was amended, *inter alia*, to place the convertible bondholders, namely Canzone Limited and McKeeson Holdings Limited (holding as nominee for Fremont Investment Limited), in the same position as they would have been had the Conversion not been effected, in the event that the listing of the Company's Shares does not occur for any reason on or before 31 December 2004.

Pursuant to the Subscription and Investment Agreement, on 28 October 2004, Canzone Limited and McKeeson Holdings Limited (as nominee of Fremont Investment Limited) converted all their convertible bonds into 76,500,000 and 25,500,000 ordinary shares of S\$0.10 each in the capital of the Company respectively. Subsequent to the Conversion, the Company allotted and issued 76,500,000 and 25,500,000 ordinary shares of S\$0.10 each in our Company to Canzone Limited and McKeeson Holdings Limited (as nominee of Fremont Investment Limited) respectively.

Description Of Our Shares

The following statements are brief summaries of the more important rights and privileges of shareholders conferred by the laws of Singapore and our Articles of Association. These statements summarise the material provisions of our Articles of Association but are qualified in its entirety by reference to our Articles of Association and the laws of Singapore.

The statements below provide, among other things a description of shareholders' voting rights, restrictions on the transferability of shareholdings and shareholders' rights to share in any surplus in the event of liquidation and provides information about our share capital.

ORDINARY SHARES AND PREFERENCE SHARES

Our authorised capital as at the date of this Prospectus is S\$100,000,000 comprising 1,000,000,000 ordinary shares of S\$0.10 each. Our Articles of Association provide that we may issue shares of a different class with preferential, deferred, qualified or other special rights, privileges or conditions as our Board of Directors may determine and may issue preference shares which are, or at our option are, subject to redemption, subject to certain limitations. Our Board of Directors may issue shares at a premium. If shares are issued at a premium, a sum equal to the aggregate amount or value of the premium will be transferred to a share premium account and monies in such an account will not be applied in the payment of any cash dividend.

As at the date of this Prospectus, we have 418,777,000 Shares which are issued and fully paid-up. All of our ordinary shares are in registered form. We may, subject to the provisions of the Singapore Companies Act and the rules of the SGX-ST purchase our own Shares. However, we may not, except in circumstances permitted by the Singapore Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our own ordinary shares.

NEW ORDINARY SHARES

New ordinary shares may only be issued with the prior approval in a general meeting of our shareholders. Where the maximum number of shares to be issued upon conversion is determinable at the time of the issue of such securities (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and on such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares and/or convertible securities to be issued shall not exceed 50.0% of the issued share capital of our Company, of which the aggregate number of shares and/or convertible securities to be issued other than on a *pro rata* basis to existing Shareholders shall not exceed 20.0% of the issued share capital of our Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of any convertible securities or employee share options in issue at the time such authority is given and any subsequent consolidation or subdivision of shares). Unless revoked or varied by us in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of our Company is required by law to be held, whichever is the earlier.

Subject to the foregoing, the provisions of the Singapore Companies Act and any special rights attached to any class of shares currently issued, our Board of Directors control the allotment and issue of all new ordinary shares and may impose such rights and restrictions as they think fit.

SHAREHOLDERS

Only persons who are registered in our register of shareholders and, in cases in which the person so registered is the CDP, the persons named as the depositors in the depository register maintained by the CDP for our ordinary shares, are recognised as shareholders.

For the purpose of determining the number of votes which a shareholder who is an account-holder directly with the CDP or a depository agent, or his proxy, may cast at any general meeting on a poll, the reference to shares held or represented shall, in relation to shares of that shareholder, be the number of shares entered against his name in the register maintained with CDP 48 hours before the time of the relevant general meetings as certified by CDP to us.

We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any ordinary share or other rights for any ordinary share other than the absolute right thereto of the

registered holder of the ordinary share or of the person whose name is entered in the depository register for that ordinary share.

We may close the register of shareholders for any time or times if we provide the Accounting and Corporate Regulatory Authority with at least 14 days' notice and the SGX-ST with at least 10 clear Market Day's notice. However, the register may not be closed for more than 30 days in aggregate in any calendar year. We would typically close the register to determine shareholders' entitlement to receive dividends and other distributions.

TRANSFER OF ORDINARY SHARES

Our Board of Directors may decline to register any transfer of ordinary shares which are not fully paid shares or ordinary shares on which we have a lien. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. Ordinary shares may be transferred by a duly signed instrument of transfer in any form approved by the Directors and the SGX-ST. There is no restriction on the transfer of fully paid shares except where required by law or the listing rules or bye-laws of the SGX-ST. A shareholder may transfer any ordinary shares held through the SGX-ST book entry settlement system by way of a book-entry transfer without the need for any instrument of transfer.

We will replace lost or destroyed certificates for ordinary shares if we are properly notified and if the applicant pays a fee which will not exceed S\$2 and furnishes any evidence and indemnity that our Board of Directors may require.

A shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by the CDP 48 hours before the general meeting.

VOTING RIGHTS

Except as otherwise provided in our Articles of Association, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association:

- ▶ on a show of hands, every shareholder present in person or by proxy shall have one vote (provided that in the case of a shareholder who is represented by two proxies, only one of the two proxies as determined by that shareholder or, failing such determination, by the chairman of the meeting (or by a person authorised by the chairman) in his sole discretion shall be entitled to vote on a show of hands); and
- ▶ on a poll, every shareholder present in person or by proxy shall have one vote for each Share which he holds or represents.

A poll may be demanded in certain circumstances, including:

- ▶ by the chairman of the meeting;
- ▶ by any two shareholders present in person or by proxy and entitled to vote; or
- ▶ by any shareholder present in person or by proxy and representing not less than 10.0% of the total voting rights of all shareholders having the right to attend and vote at the meeting.

However, no poll may be demanded on the election of the chairman of the meeting or on a question of adjournment of the meeting. In the case of a tied vote, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

GENERAL MEETINGS OF SHAREHOLDERS

We are required to hold an annual general meeting every year. Our Board of Directors may convene an extraordinary general meeting whenever it thinks fit and must do so if shareholders representing not less than 10.0% of the total voting rights of all shareholders request in writing that such a meeting be held. In addition, two or more shareholders holding not less than 10.0% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles of Association, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special

resolution, requiring the affirmative vote of at least 75.0% of the votes cast at the meeting, is necessary for certain matters under Singapore law, such as the voluntary winding up of the company, amendments to our Memorandum and Articles of Association, a change of the Company's corporate name and a reduction in our share capital, share premium account or capital redemption reserve fund.

We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to every shareholder holding shares conferring the right to attend and vote at the meeting and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

LIMITATIONS ON RIGHTS TO HOLD OR VOTE SHARES

Except as described in "Voting Rights" and "Takeovers" herein, Singapore law and our Articles of Association do not impose any limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights attached to our Shares.

DIVIDENDS

We may, by ordinary resolution of our shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. Our Board of Directors may also declare an interim dividend without the approval of our shareholders.

We must pay all dividends out of our profits; however, we may capitalise our share premium account and apply it to pay dividends, if such dividends are satisfied by the issue of Shares to our shareholders. (See — "Bonus and Rights Issue")

All dividends we pay are pro rata in amount to our shareholders in proportion to the amount paid up on each shareholder's Shares, unless the rights attaching to an issue of any Share provide otherwise.

Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address appearing in our register of members or (as the case may be) the depository register. However, our payment to the CDP of any dividend payable to a shareholder whose name is entered in the depository register shall, to the extent of payment made to the CDP, discharge us from any liability to that shareholder in respect of that payment.

BONUS AND RIGHTS ISSUE

Our Board of Directors may, with the approval of our shareholders at a general meeting, capitalise any reserves or profits (including profit or monies carried and standing to any reserve or to the share premium account) and distribute the same as bonus shares credited as paid-up to the shareholders in proportion to their shareholdings. Our Board of Directors may also issue rights to take up additional ordinary shares to shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue.

TAKEOVERS

The Singapore Companies Act and the Singapore Code on Takeovers and Mergers regulate the acquisition of ordinary shares of public companies and contain certain provisions that may delay, deter or prevent a future takeover or change in control of our Company. Any person acquiring an interest either on his own or together with parties acting in concert with him or her in 30.0% or more of our voting shares, or, if such person holds, either on his own or together with parties acting in concert with him or her, between 30.0% and 50.0% (both inclusive) of our voting shares and acquires additional voting Shares representing more than 1.0% of our voting Shares in any six-month period, must extend a takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Takeovers and Mergers.

"Parties acting in concert" comprise individuals or companies who, pursuant to an arrangement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:

- ▶ a company and its related and associated companies and companies whose associated companies include any of these companies;

- ▶ a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- ▶ a company and its pension funds and employee share schemes;
- ▶ a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis;
- ▶ a financial or other professional adviser and its clients in respect of shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
- ▶ directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- ▶ partners; and
- ▶ an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions.

An offer for consideration other than cash must, subject to certain exceptions, be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the preceding six months.

Under the Singapore Code on Takeovers and Mergers, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

LIQUIDATION OR OTHER RETURN OF CAPITAL

If our Company liquidates or in the event of any other return of capital, holders of ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares then existing.

INDEMNITY

As permitted by Singapore law, our Articles of Association provide that, subject to the Singapore Companies Act, we will indemnify our Board of Directors and officers against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgment is given in his favour or if the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in which he is acquitted or in connection with any application for relief which is granted to him by the court.

We may not indemnify directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to our Company.

SUBSTANTIAL SHAREHOLDINGS

The Companies Act and the Securities and Futures Act of Singapore, require our Substantial Shareholders to give notice to us and the SGX-ST respectively, including particulars of their interest and the circumstances by which they have acquired such interest, within two business days of their becoming our Substantial Shareholders and of any change in percentage level of their interest.

Under the Companies Act, a person has a substantial shareholding in our Company if he has an interest (or interests) in one or more of the voting shares in our Company and the nominal amount of that share (or the aggregate amount of the nominal amounts of those shares) is not less than 5.0% of the aggregate of the nominal amount of all voting shares in our Company.

MINORITY RIGHTS

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of our Company, as they think fit to remedy any of the following situations:

- ▶ our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our shareholders; or
- ▶ we take an action, or threaten to take an action, or the shareholders pass a resolution, or threaten to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our shareholders, including the applicant.

Singapore courts have wide discretion as to the relief they may grant and that relief is in no way limited to the relief listed in the Singapore Companies Act. Without prejudice to the foregoing, Singapore courts may among other things:

- ▶ direct or prohibit any act or cancel or vary any transaction or resolution;
- ▶ regulate our affairs in the future;
- ▶ authorise civil proceedings to be brought in the name of, or on behalf of, the company by a person or persons and on such terms as the court may direct;
- ▶ provide for the purchase of a minority shareholder's shares by our other shareholders or by our Company and, in the case of a purchase of shares by us, a corresponding reduction of our share capital; or
- ▶ provide that our Company be wound up.

Taxation

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the Latest Practicable Date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur.

The discussion is limited to a general description of certain tax consequences in Singapore with respect to the holding or disposal of the Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase the Shares. Prospective investors should consult their tax advisers regarding Singapore tax and other tax consequences of holding and disposing of the Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Offering accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Shares.

SINGAPORE TAXATION

General

Taxpayers who are resident in Singapore for tax purposes are subject to Singapore income tax on income accrued in or derived from Singapore and, with certain exceptions, on income received in Singapore from outside Singapore.

Companies which are not resident in Singapore are subject to Singapore income tax on income accrued in or derived from Singapore, and with certain exceptions, on income received in Singapore from outside Singapore. Individuals who are not residents in Singapore are, with certain exceptions, subject to Singapore income tax on income accrued in or derived from Singapore.

A company is a resident in Singapore if the control and management of its business is exercised in Singapore. An individual is a resident in Singapore if in the year preceding the year of assessment, he resides in Singapore or if he is physically present or exercises an employment (other than as a director of a company) in Singapore for 183 days or more during the year preceding the year of assessment.

The corporate tax rate in Singapore is currently 20% after allowing for tax exemption on three-quarters of up to the first S\$10,000 and up to one-half of the next S\$90,000 of a company's chargeable income. The above tax exemption does not apply to Singapore dividends received by companies. For an individual who is a resident in Singapore, the rate of tax will vary according to his chargeable income but is subject to a maximum tax rate of 22%.

Dividend Distributions

Singapore dividends, either in cash or in any other form, received in respect of the Shares by either a resident or non-resident in Singapore are not subject to any Singapore withholding tax.

One-tier corporate tax system

The imputation system has been replaced by the new one-tier corporate tax system with effect from 1 January 2003. Under the one-tier corporate tax system, dividends paid by Singapore resident companies will be tax exempt in the hands of Singapore resident shareholders.

Under the 5-year transitional period of 1 January 2003 to 31 December 2007, a Singapore resident company with unutilized section 44 balance as at 31 December 2002 may remain under the imputation system for the purpose of paying franked dividends (i.e. dividends that carry tax credit). This is to allow resident companies up to 31 December 2007 to utilise their section 44 balances as at 31 December 2002. During the five-year transitional period, these unutilised section 44 balances as at 31 December 2002 will be subject to downward adjustments if there are amended assessments raised during the transitional period which result in discharge of taxes which has previously been included in the section 44 balances as at 31 December 2002. Once a company's section 44 balance is "zerorised" (i.e. via the payment of franked dividends during the transitional period), the relevant company will automatically move to the one-tier corporate tax system. Companies are also allowed to make an irrevocable election to move to the one-tier corporate tax system during the 5-year transitional period and any unutilised section 44 balances remaining shall be forfeited. Once a company is on the one-tier

corporate tax system, dividends paid will be tax exempt in the hands of Singapore resident shareholders.

During the transitional period of 1 January 2003 to 31 December 2007, a company which has not moved to the one-tier corporate tax system is still able to pay tax exempt dividends to its shareholders if the company derived qualifying income from approved tax incentives, e.g. Global Trader Programme.

Franked dividends received by shareholders who are resident in Singapore during the 5-year transitional period are liable to tax on the gross dividend but are entitled to claim the tax credit against their tax payable.

With effect from 1 January 2008, all companies are deemed to be on the one-tier corporate tax system regardless of whether they have any unutilised section 44 balances and all dividends paid by companies after this date will be tax exempt dividends in the hands of the recipients.

Gains on Disposal of the Shares

Singapore does not impose tax on capital gains. However, where the gains are considered as income from the carrying on of a trade, such gains are regarded as income and is subject to tax.

Any gains from the disposal of the Shares are not taxable in Singapore if they are regarded as gains of a capital nature. Where the seller is regarded as having derived the gains of an income nature, such gains would be taxable.

Stamp duty

There is no stamp duty payable on the subscription of the Shares. Stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$0.20 for every S\$100 or any part thereof, computed on the consideration or market value of the Shares, whichever is higher. The purchaser is liable for stamp duty unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed. If the instrument of transfer is executed outside Singapore, stamp duty is payable if it is received in Singapore.

The above stamp duty is not applicable to scripless transfer of the Shares through the CDP system.

Estate duty

Estate duty is payable on the principal value of all property settled or not settled which passes on the death of a person who was domiciled in Singapore at the rate of 5% on the first S\$12,000,000 and the remainder at 10%, subject to certain specific exemptions mentioned below. Property includes movable and immovable property of any kind situate in Singapore or being in Singapore and the proceeds of the sale thereof, and in the case of a deceased person who was at the time of his death domiciled in Singapore, includes movable property wherever it may be. Any movable property passing on the death of any person dying on or after 1 January 2002 who at the time of his death was not domiciled in Singapore is exempt from estate duty.

As the Company maintains a share register in Singapore, the Shares should be regarded as a movable property situated in Singapore for the purpose of estate duty.

There are various exemptions from Singapore estate duty. These include the following:

- (a) S\$9,000,000 of the aggregate value of the deceased's interest in residential house(s) whether occupied by the deceased or not;
- (b) S\$600,000 of the aggregate value of all other property, including any interest in any other non-residential dwelling house(s) owned by the deceased; and
- (c) the excess over S\$600,000, if any, of the aggregate amount standing to the credit of the deceased at the time of his death in the Central Provident Fund ("CPF") or in any designated pension or provident fund subject to certain conditions.

Prospective purchasers of the Shares who are Individuals, whether or not domiciled in Singapore, should consult their own tax advisors regarding the Singapore estate duty consequences of their investment.

Goods and Services Tax (GST)

The sale of the Shares by an investor who belongs in Singapore through the SGX-ST or to another person belonging in Singapore is exempt (i.e. not subject to GST). Whereas, the sale of the Shares by an investor who belongs in Singapore through an overseas exchange or to a person belonging outside Singapore is a taxable supply subject to GST at the zero-rate.

Only GST incurred by a GST registered investor in the making of zero-rated supplies in the course or furtherance of business can be recovered from the Comptroller of GST.

Services such as brokerage, handling and clearing charges provided by a GST registered person to an investor belonging in Singapore in connection with the purchase, sale, holding of shares will be subject to GST at the current rate of 5%. Similar services provided for and to an investor belonging outside Singapore are subject to GST at the zero-rate.

Dividends paid to investors are not subject to GST.

UNITED STATES FEDERAL INCOME TAXATION

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of our Shares. The discussion is not a complete description of all of the tax considerations that may be relevant to a particular shareholder. The discussion addresses only U.S. Holders that purchase our Shares in the global offering, hold the Shares as capital assets and use the U.S. dollar as their functional currency. It does not address the tax treatment of investors subject to special rules, such as banks, insurance companies, broker-dealers, traders in securities that elect to mark to market, regulated investment companies, tax-exempt entities, investors that own directly, indirectly or constructively own 10% or more of our voting shares, or investors that hold our Shares as part of a straddle, hedging, conversion or other integrated transaction. We believe, and this discussion assumes, that we are not and will not become a passive foreign investment company, or PFIC.

The following discussion is a summary. It is not a substitute for tax advice. Prospective purchasers should consult their own tax advisors about the U.S. federal, state, local and foreign tax consequences of the purchase, ownership and disposition of our Shares in light of their particular situations.

For purpose of this discussion, a "U.S. Holder" is any beneficial owner of our Shares that for U.S. federal income tax purposes is (i) a citizen or resident of the United States, (ii) a corporation or other business entity created or organized under the laws of the United States or its political subdivisions, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust subject to the primary supervision of a U.S. court and the control of one or more U.S. persons. A "Non-U.S. Holder" is any beneficial owner of our Shares that is not a U.S. Holder.

Taxation of Dividends

U.S. Holders. Dividends paid on our Shares will be included in the gross income of a U.S. Holder as ordinary income from foreign sources when the U.S. Holder actually or constructively receives them. Dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations or the preferential tax rate applicable to qualifying dividend income received by eligible non-corporate U.S. persons. Dividends paid in Singapore dollars will be includible in a U.S. dollar amount based on the exchange rate on the date of receipt, whether or not the payment is in fact converted into U.S. dollars. A U.S. Holder will have a basis in the Singapore dollars equal to the U.S. dollar amount recognised. Any gain or loss recognised on a subsequent disposition or conversion of Singapore dollars will be treated as U.S. source ordinary income or loss.

Non-U.S. Holders. Dividends paid to a Non-U.S. Holder will not be subject to U.S. federal income tax unless they are effectively connected with the conduct of a trade or business within the United States (or, if a treaty applies, are attributable to the holder's permanent establishment in the United States).

Taxation of Capital Gains

U.S. Holders. A U.S. Holder will recognise capital gain or loss in an amount equal to the difference between the amount realised and the U.S. Holder's tax basis in the Shares. The gain or loss will generally be capital gain or loss, and it will be long-term capital gain or loss if the U.S. Holder's holding period for the Shares exceeds one year. The deductibility of capital losses is subject to limitations.

A U.S. Holder that receives Singapore dollars on disposition of our Shares will realise an amount equal to the U.S. dollar value of the Singapore dollars on the date of the disposition (or in the case of cash-basis and electing accrual basis taxpayers, the settlement date). A U.S. Holder will have a tax basis in the Singapore dollars received equal to the U.S. dollar amount recognised. Gain or loss on a subsequent conversion or disposition of Singapore dollars generally will be U.S. source ordinary income or loss.

Non-U.S. Holders. A Non-U.S. Holder will not be subject to U.S. federal income tax on gain from the disposition of our Shares unless: (i) the gain is effectively connected with the holder's U.S. trade or business (or, if a treaty applies, attributable to the holder's U.S. permanent establishment); or (ii) the Non-U.S. Holder is an individual present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions apply.

Foreign Personal Holding Company Considerations

We will be a foreign personal holding company (a "FPHC") if five or fewer US citizens or resident individuals own (directly, indirectly or by attribution) more than 50% (by vote or value) of our Shares. After the Offering, a substantial part of our Shares will be held directly or indirectly by a group of shareholders who are all related. If one or more of these shareholders becomes a US citizen or alien resident in the United States, we could be treated as a foreign personal holding company for US federal income tax purposes. If we are a FPHC, a US Holder generally will be required to include in income, as constructive dividends, an amount equal to its share of our specially adjusted taxable income whether or not we distribute the income. The constructive dividends would be treated as income from US sources in proportion to the income that we receive from US sources. A US Holder's basis in its Shares would increase by any amounts the holder includes in income currently.

Backup Withholding and Information Reporting

Dividends on our Shares and proceeds from the disposition of our Shares may be reported to the U.S. Internal Revenue Service unless the holder (i) is a corporation, (ii) provides a properly executed IRS Form W-8BEN or (iii) otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or otherwise establish an exemption. You can claim credit against your U.S. federal income tax liability or seek a refund for the amounts withheld under the backup withholding rules.

Plan Of Distribution

THE OFFERING

ABN AMRO Rothschild is acting as Global Co-ordinator in connection with the Offering. Subject to the terms and conditions contained in a placement agreement dated 28 October 2004 (the "Placement Agreement") and an offer agreement dated 28 October 2004 (the "Offer Agreement") between ABN AMRO Rothschild, the Company, the Vendors and Fremont Investment Limited, the Company and the Vendors have agreed to issue and sell respectively to the Global Co-ordinator, and the Global Co-ordinator has agreed to subscribe to or purchase 178,500,000 Offering Shares at the Offering Price or the Discounted Offering Price, as applicable, and/or to procure the subscription or purchase of those Offering Shares at the Offering Price or the Discounted Offering Price, as applicable.

The Global Co-ordinator has entered into sub-underwriting arrangements with Cazenove Asia Limited, DBS Bank Ltd and UOB Asia Limited.

The Shares are being offered and sold outside the United States (including institutional and other investors in Singapore) in reliance on Regulation S and within the United States to "qualified institutional buyers" in reliance on Rule 144A.

Prior to the Offering, there has been no public market for the Offering Shares. The Offering Price was determined by agreement between the Company, the Vendors and the Global Co-ordinator. Among the factors that were taken into account in determining the Offering Price were the demand for the Offering Shares and prevailing market conditions.

Neither the Company, nor the Vendors, nor ABN AMRO Rothschild can provide you with any assurance that an active trading market will develop for the Offering Shares or that the Offering Shares will trade in the public market after the Offering at or above the Offering Price or the Discounted Offering Price.

Purchasers of the Shares may be required to pay brokerage (and if so required such brokerage will be 1.0% of the Offering Price or the Discounted Offering Price, as applicable), stamp taxes and other similar charges in accordance with the laws and practices of the country of purchase, in addition to the Offering Price or the Discounted Offering Price, as applicable.

THE PLACEMENT

In the Placement Agreement, ABN AMRO Rothschild has agreed, subject to the terms and conditions set forth in that agreement, to subscribe or purchase, and/or procure the subscription or purchase of, 173,500,000 Offering Shares being offered in the Placement. The Placement Agreement may be terminated pursuant to its terms, at any time before dealings in the Offering Shares first commence on the SGX-ST, or in respect of the Additional Shares, at any time before the time on the closing date applicable to the Additional Shares when payment would otherwise be due in respect of the Additional Shares, upon the occurrence of certain events, including, amongst other things, certain force majeure events. The closing of the Offering is conditional upon, among other things, the closing of the transactions contemplated by the Placement Agreement. The Global Co-ordinator shall be at liberty to make sub-placement arrangements in respect of its obligations under the Placement Agreement, upon such terms and conditions as it deems fit.

The Company and each of the Vendors have granted to ABN AMRO Rothschild options, to purchase up to an aggregate of 26,775,000 Shares comprising the Company Additional Shares and/or the Vendor Additional Shares and which is in aggregate equal in number to up to 15.0% of the total Offering Shares, solely to cover the over-allotment of Offering Shares (if any). The options granted by the Company, McKeeson Holdings Limited and Canzone Limited are in respect of 9,775,000, 8,000,000 and 9,000,000 Shares respectively.

Subject to certain conditions, the Company, each of the Vendors and Fremont Investment Limited have agreed to indemnify ABN AMRO Rothschild against certain liabilities. Subject to certain conditions, the Company, each of the Vendors and Fremont Investment Limited have agreed to indemnify Cazenove Asia Limited, DBS Bank Ltd and UOB Asia Limited against certain liabilities. The Company and the Vendors have also agreed to reimburse ABN AMRO Rothschild for certain expenses incurred in connection with the Offering. The Company and the Vendors will pay ABN AMRO Rothschild, as compensation for their services in connection with the offer and sale of the Offering Shares and any Additional Shares in the Placement, a combined underwriting and selling commission of 3.25% of an

amount equal to the gross proceeds of Offering Shares and any Additional Shares subscribed or purchased under the Placement.

To the extent that any of the Company's representations, warranties, undertakings, covenants or indemnities in the Placement Agreement are in breach of Section 76 of the Singapore Companies Act, such representations, warranties, undertakings, covenants or indemnities to the extent of such breach shall be deemed to be ineffective and severed from the rest of the Company's obligations under the Placement Agreement.

THE PUBLIC OFFER

In the Offer Agreement, ABN AMRO Rothschild has agreed, subject to the terms and conditions set forth in that agreement, to subscribe or purchase and/or procure the subscription or purchase of 5,000,000 Offering Shares being offered pursuant to the Public Offer. The Offer Agreement will be terminated upon termination of the Placement Agreement. The Public Offer is conditional upon the conditions to the Placement set out in the Placement Agreement being satisfied. The closing of the Offering is conditional upon, among other things, the closing of the transactions contemplated by the Offer Agreement.

Subject to certain conditions, the Company, each of the Vendors and Fremont Investment Limited have agreed to indemnify ABN AMRO Rothschild against certain liabilities. The Company and the Vendors have also agreed to pay ABN AMRO Rothschild as compensation for their services in connection with the offer and sale of the Offering Shares in the Public Offer, an underwriting commission of 3.25% of an amount equal to the gross proceeds of Offering Shares subscribed or purchased under the Public Offer.

To the extent that any of the Company's representations, warranties, undertakings, covenants or indemnities in the Offer Agreement are in breach of Section 76 of the Singapore Companies Act, such representations, warranties, undertakings, covenants or indemnities to the extent of such breach shall be deemed to be ineffective and severed from the rest of the Company's obligations under the Offer Agreement.

RESERVED SHARES

12,850,000 Offering Shares in the Placement have been reserved for subscription and/or purchase at the Discounted Offering Price by our management staff, independent director, employees, business associates and other persons who have contributed to our success (to be determined by the Company at its sole discretion). The Reserved Shares will be offered otherwise on the same terms as the other Offering Shares in the Placement. If any of the Reserved Shares are not taken up, they will be made available to satisfy over-subscription (if any) for the Offering Shares in the Placement and/or the Public Offer. Reserved Shares taken up by our Director, are subject to the restrictions on disposals of Shares (See — "Restrictions on Disposals and Issues of Shares"). Save as aforesaid and except as restricted by applicable securities laws, Reserved Shares subscribed and/or purchased will be available for resale following the Offering.

RESTRICTIONS ON DISPOSALS AND ISSUES OF SHARES

Company

The Company has agreed with the Global Co-ordinator that, from the date of the Placement Agreement until the date falling 12 months from the date of admission of the Shares to the Official List of the SGX-ST, it will not:

- ▶ issue, offer, sell, contract to sell or grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares);
- ▶ enter into a transaction (including a derivative transaction) which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) of any Shares;
- ▶ deposit any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) in any depository receipt facilities; or
- ▶ publicly announce any intention to do any of the above,

without the prior written consent of the Global Co-ordinator.

Vendors and Others

Each of the Vendors and each of McKeeson Investments Pte Ltd, Fremont Investment Limited, Berlian Enterprises Limited, Ms Chuang Yok Hoa @ Ma Lin Zi, Ms Chuang Mying Hwa @ Mying Mying, Mdm Kie Saw Sim and each of Mr Pedro Francisco Mata-Bruckmann, Mr Joseph Chuang, Mr William Chuang, Mr Davinder Singh and Ms Josephine Price has agreed with the Global Co-ordinator that from the date of the Placement Agreement until the date falling six months from the date of admission of the Shares to the Official List of the SGX-ST, it will not:

- ▶ offer, sell, contract to sell, grant any option to purchase, grant security over, encumber or otherwise dispose of, any of the Shares (or any securities convertible into or exchangeable for Shares or which carry rights to subscribe or purchase Shares);
- ▶ enter into a transaction (including a derivative transaction) which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) of any Shares;
- ▶ deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depository receipt facilities; or
- ▶ publicly announce any intention to do any of the above.

This restriction shall apply to all Shares held or acquired by a Vendor or any of McKeeson Investments Pte Ltd, Fremont Investment Limited, Berlian Enterprises Limited, Ms Chuang Yok Hoa @ Ma Lin Zi, Ms Chuang Mying Hwa @ Mying Mying, Mdm Kie Saw Sim and each of Mr Pedro Francisco Mata-Bruckmann, Mr Joseph Chuang, Mr William Chuang, Mr Davinder Singh and Ms Josephine Price prior to the Listing Date.

Each of Aerodrome International Limited, Berlian Enterprises Limited, Maplegold Assets Limited, Mr Joseph Chuang, Mr William Chuang and SG Trust (Asia) Ltd has agreed with the Global Co-ordinator that until the date falling six months from the date of admission of the Shares to the Official List of the SGX-ST it will not:

- ▶ offer, sell, contract to sell, grant any option to purchase, grant security over, encumber or otherwise dispose of, any of the shares it holds in any entity which in turn holds Shares, directly or indirectly, in the Company (the “Indirect Shares”) (or any securities convertible into or exchangeable for Indirect Shares or which carry rights to subscribe or purchase Indirect Shares);
- ▶ enter into a transaction (including a derivative transaction) which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) of any Indirect Shares;
- ▶ deposit Indirect Shares (or any securities convertible or exchangeable for Indirect Shares) in any depository receipt facilities; or
- ▶ publicly announce any intention to do any of the above.

In addition, each of Aerodrome International Ltd, Berlian Enterprises Limited, Maplegold Assets Limited, Mr Joseph Chuang, Mr William Chuang and SG Trust (Asia) Ltd has agreed with the Global Co-ordinator to procure that the entities through which it indirectly holds Shares, do not transfer or dispose of, in any of the ways set out above, any part of their shareholding in the Company or in any entities through which they, in turn, hold Shares, from the date of the Placement Agreement until the date falling six months from the date of admission of the Shares to the Official List of the SGX-ST.

The foregoing restrictions shall not apply in respect of the Over-allotment Option granted by the Company and each of the Vendors to the Global Co-ordinator; the transfer of Shares by Fremont Investment Limited as contemplated under the Share Lending Agreement; Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) issued, offered, allotted, appropriated, modified or granted under the Share Option Scheme and the Share Incentive Plan, disposals by a Vendor to its related corporation of all Shares then held by it, subject to the provision by the related corporation of a lock-up undertaking on the same terms for the unexpired period of the six month period mentioned herein and the re-transfer of the Shares to the relevant Vendor, if the related corporation ceases to be a related corporation of such Vendor; the transfer of Shares by Fremont Investment Limited and Canzone Limited to certain parties pursuant to the Restructuring—Grants (See “Share Capital — Restructuring Exercise”); and disposals which are made

with the prior written consent of the Global Co-ordinator (which consent may be refused at its absolute discretion).

PRICE STABILISATION

In connection with the Offering, ABN AMRO Rothschild, the stabilising manager, acting through its affiliate, ABN AMRO Bank N.V., Singapore branch, may over-allot Shares or effect transactions which stabilise or maintain the market price of the Shares at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. However, there may be no obligation on ABN AMRO Rothschild or its affiliate, ABN AMRO Bank N.V., Singapore branch, to do this. Such transactions, if commenced, may be discontinued at any time and shall not be effected after the earlier of (a) the date falling 30 days from the date of commencement of dealing in the Shares on the SGX-ST or (b) the date when the over-allotment of the Shares which are the subject of the Over-allotment Option has been fully covered (either through the purchase of the Shares on the SGX-ST or the exercise of the Over-allotment Option by ABN AMRO Rothschild, or through both).

None of the Company, Fremont Investment Limited, the Vendors or the Global Co-ordinator makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Shares. In addition, none of the Company, the Vendors or the Global Co-ordinator makes any representation that ABN AMRO Rothschild or its affiliate, ABN AMRO Bank N.V., Singapore branch, will engage in such transactions or that such transactions once commenced, will not be discontinued without notice (unless such notice is required by law). ABN AMRO Rothschild, the stabilising manager, will be required to make a public announcement through the SGX-ST on the cessation of the stabilising action and the amount of the Over-allotment Option that has been exercised not later than 8.30 am on the trading day of the SGX-ST immediately after the day of cessation of stabilising action.

SHARE LENDING

In connection with settlement and stabilisation, ABN AMRO Rothschild, as stabilising manager, has entered into a share lending agreement (the "Share Lending Agreement") with Fremont Investment Limited pursuant to which ABN AMRO Rothschild will borrow up to 26,775,000 Shares allowing ABN AMRO Rothschild to settle, at Admission, over-allocations, if any, made in connection with the Offering. If ABN AMRO Rothschild borrows Shares pursuant to the Share Lending Agreement it is required to return equivalent securities to Fremont Investment Limited on the day of (i) the exercise of the Over-allotment Option or (ii) the expiry of the Over-allotment Option, or such earlier time as may be agreed between the parties. The equivalent securities that are returned to Fremont Investment Limited pursuant to the Share Lending Agreement shall thereafter be subject to the lock-up period which Fremont Investment Limited is subject to (See — "Restrictions on Disposals and Issues of Shares").

OTHER RELATIONSHIPS

The Global Co-ordinator and its affiliates may engage in transactions with, and perform services for, us, the Vendors and the Vendors' group companies in the ordinary course of business and may have engaged, and may in the future engage, in commercial banking and investment banking transactions with the Vendors, the Vendors' group companies and us, for which they have received, and may in the future receive, customary compensation.

UOB Asia Limited, a wholly-owned subsidiary of United Overseas Bank Limited, is the Co-ordinator of the Public Offer and one of the sub-underwriters. United Overseas Bank Limited is one of our principal bankers and has granted us banking facilities.

PERSONS INTENDING TO SUBSCRIBE FOR AND/OR PURCHASE OFFERING SHARES IN THE OFFERING

As at the Latest Practicable Date, we are not aware of any person who intends to subscribe for and/or purchase more than 5% of the Offering Shares pursuant to the Offering.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Offering Shares outside Singapore, or the possession, circulation or distribution of this Prospectus or any other material relating to us or the Offering Shares in any jurisdiction where action for the purpose is required.

Accordingly, the Offering Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offering Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

ESTIMATED EXPENSES

The expenses payable in connection with the Offering (excluding those to be paid directly by the Vendors to, *inter alia*, their own advisers) and the application for listing, including the underwriting and selling commission, and all other incidental expenses relating to the Offering, are estimated to amount to approximately S\$10.6 million (assuming the Over-allotment Option is not exercised). Of this amount S\$8.1 million is estimated to be borne by the Company and S\$2.5 million by the Vendors. The breakdown of these expenses (excluding those to be paid directly by the Vendors to, *inter alia*, their own advisers) is set out below:

	S\$ (in millions)
Underwriting and selling commission	5.1
Professional and accounting fees	3.8
Other Offering related expenses	1.0
Printing and advertising expenses	0.7
Total	10.6

The underwriting and selling commission is, on a per Offering Share basis, S\$0.03 for Shares issued or sold at the Offering Price or S\$0.03 for Shares issued or sold at the Discounted Offering Price in each case equivalent to 3.25%.

DISTRIBUTION AND SELLING RESTRICTIONS

The distribution of this Prospectus or any offering material and the offering, sale or delivery of the Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Prospectus or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Prospectus may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

United States of America

The Offering Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act.

The Global Co-ordinator has represented and warranted that such initial purchaser to whom Offering Shares are sold directly or through its respective US broker-dealer affiliates in accordance with Rule 144A under the Securities Act is a qualified institutional buyer as defined in Rule 144A.

In addition, until 40 days after the later of the commencement of the Offering or the closing date thereof, an offer or sale of the Offering Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

The Global Co-ordinator has represented, warranted and agreed that:

- (i) it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Offering Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of

section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Offering Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offering Shares in, from or otherwise involving the United Kingdom.

Hong Kong

The Global Co-ordinator has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document any Shares other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong); and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Offering Shares which is or contains an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite the Shares (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to ‘professional investors’ within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

Japan

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan and have not been offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and otherwise in compliance with any other applicable requirements of Japanese law and with the written approval of the Global Coordinator.

Australia

This Prospectus is not a disclosure document under the Corporations Act, 2001 (Cth) (“Australian Corporations Act”) and does not purport to include the information required of a disclosure document under the Australian Corporations Act. The offer of the Shares under this Prospectus may only be made to persons to whom it is lawful to offer the Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act.

Indonesia

The Offering does not constitute a public offering as stipulated in Law number 8 of 1995 on Capital Market Law. In connection with the Offering, no mass media or otherwise (newspapers, magazines, films, television, radio and other electronic media, and letters, brochures and other printed materials distributed to more than 100 parties) has been used; nor have the Shares in the Offering been offered to more than 100 parties (regardless of whether they are Indonesian citizens or not). Consequently, the total number of investors in Indonesia who will receive this Prospectus shall not be more than 100. The total number of investors in Indonesia who may buy the Shares in the Offering shall be limited to no more than 50 parties (regardless of whether they are Indonesian citizens or not).

Malaysia

The Shares shall not be issued, offered for subscription or purchase, nor shall an invitation be made to subscribe for or purchase the Shares unless this Prospectus has been registered with the Malaysian Securities Commission pursuant to Section 41 of the Malaysian Securities Commission Act, 1933 (the “Act”) (unless such issue, offer or invitation falls within the exceptions under Schedule 2 and Schedule 3 of the Act).

Netherlands

The Shares may not be offered or sold to any individuals or legal entities in the Netherlands other than to individuals or legal entities who or which trade or invest in securities in the course of their business or profession, which includes banks, securities intermediaries, insurance companies, pension funds, other

institutional investors and commercial enterprises which, as an ancillary activity, regularly trade or invest in securities.

This document may not be distributed to any individuals or legal entities in the Netherlands other than to individuals or legal entities who or which trade or invest in securities in the course of their business or profession, which includes banks, securities intermediaries, insurance companies, pension funds, other institutional investors and commercial enterprises which, as an ancillary activity, regularly trade or invest in securities.

France

This Prospectus has not been prepared in the context of a public offering of securities in France within the meaning of article L.411-1 of the French Code monétaire et financier and Regulations no. 98-01 and 98-08 of the Commission des opérations de bourse and has therefore not been submitted to the Autorité des Marchés Financiers for prior approval. This Prospectus is made available only to qualified investors and/or to a limited circle of investors (as defined in article L.411-2 of the French Code monétaire et financier and in the Decree no. 98-880 dated 1 October 1998), on the condition that it shall not be passed on to any person nor reproduced (in whole or in part), that such investors act for their own account in accordance with the terms set out by the said decree and undertake not to retransfer, directly or indirectly, the securities to the public in France, other than in compliance with applicable laws and regulations (articles L.411-1, L.411-2, L.412-1 and L.621-8 of the French Code monétaire et financier) and that, in the case of an offering to a limited circle of investors, such investors have testified that they have personal family or personal business ties to a member of the governing body of the issuer.

Le présent document n'a pas été préparé dans le cadre d'un appel public à l'épargne en France au sens de l'article L.411-1 du Code monétaire et financier et des règlements n° 98-01 et 98-08 de la Commission des opérations de bourse et n'a donc pas été soumis au visa préalable de l'Autorité des Marchés Financiers. Il n'est mis à la disposition d'investisseurs qualifiés ou d'un cercle restreint d'investisseurs (tels que définis à l'article L.411-2 du Code monétaire et financier et par le décret n° 98-880 du 1^{er} Octobre 1998) qu'à la condition que ceux-ci ne le diffusent pas et ne le reproduisent pas (en tout ou partie), qu'ils agissent pour leur compte propre, conformément aux dispositions du décret susvisé, qu'ils s'engagent à n'offrir, directement ou indirectement, les valeurs mobilières en France que conformément aux lois et règlements applicables (articles L.411-1, L.411-2, L.412-1 et L.621-8 du Code monétaire et financier) et, que s'agissant d'une opération effectuée par dérogation aux règles de l'appel public à l'épargne visant un cercle restreint, ceux-ci aient attesté qu'ils sont liés par des relations personnelles, à caractère professionnel ou familial avec l'un des dirigeants de l'émetteur.

Germany

The Offering Shares have not been and will not be publicly offered in Germany and, accordingly no securities sales prospectus (Verkaufsprospekt) for a public offering of the Offering Shares in Germany in accordance with the Securities Sales Prospectus Act of 9 September 1998, as amended (Wertpapier-Verkaufsprospektgesetz, the "Prospectus Act"), has been or will be published in the Federal Republic of Germany. The Global Co-ordinator has represented and agreed that it has only offered and sold and will only offer and sell the Offering Shares in the Federal Republic of Germany in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities. Any resale of Offering Shares in the Federal Republic of Germany may only be made in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

Transfer Restrictions

Because the following restrictions will apply to the Placement, purchasers are advised to consult their own legal counsel prior to making any offer, resale, pledge or transfer of the Shares.

RULE 144A SHARES

Each purchaser of the Shares in the Offering within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

- (1) It is (a) a qualified institutional buyer within the meaning of Rule 144A, (b) acquiring such Shares for its own account or for an account with respect to which it exercises sole investment discretion and that the account is for a qualified institutional buyer, and (c) aware, and each beneficial owner has been advised, that the sale of such Shares to it is being made in reliance on Rule 144A.
- (2) It understands that the Shares in the Offering have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), in each case in accordance with any applicable securities laws of any State of the United States.
- (3) It understands that the Shares in the Offering purchased pursuant to Rule 144A (to the extent they are in certificated form), unless we determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

“THESE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THESE SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK.”

- (4) We, the Vendors, the Global Co-ordinator and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Shares in the Offering for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Shares in the Offering may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

REGULATION S SHARES

Each purchaser of the Shares in the Offering outside the United States pursuant to Regulation S by accepting delivery of this Prospectus and those Shares, will be deemed to have represented, agreed and acknowledged that:

- (1) It understands that the Shares in the Offering have not been and will not be registered under the Securities Act and that the Shares may not be offered or sold within the United States, except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or the account of a qualified institutional buyer or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (2) Neither it, its affiliates or any person acting on its behalf have engaged in any directed selling efforts with respect to the Shares.
- (3) We, the Vendors, the Global Co-ordinator and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

GENERAL

Each purchaser of the Shares in the Offering will be deemed to have represented and agreed that it is relying on this Prospectus and not on any other information or representation concerning us or the Shares and none of us, the Vendors, nor any other person responsible for this Prospectus or any part of it, nor the Global Co-ordinator, will have any liability for any such other information or representation.

Clearance And Settlement

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of our Shares on the SGX-ST. For the purpose of trading on the SGX-ST, a board lot of our Shares will comprise 1,000 Shares. Upon listing and quotation on SGX-ST, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through SGX-ST will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended from time to time.

The CDP, a wholly-owned subsidiary of the Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. The CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with the CDP.

Our Shares will be registered in the name of the CDP or its nominee and held by the CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with the CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by the CDP, rather than the CDP itself, will be treated, under our Articles of Association and the Companies Act, as members of the Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding our Shares in securities account with the CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of S\$10 for each withdrawal of 1,000 Shares or less and a fee of S\$25 for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on SGX-ST must deposit with the CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of the CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10 and stamp duty of S\$10 is payable upon the deposit of each instrument of transfer with the CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.05% of the transaction value subject to a maximum of S\$200 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax of 5%.

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement on the CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. The CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

Legal Matters

Certain legal matters with respect to the Offering will be passed upon for us by Drew & Napier LLC with respect to Singapore law, and for the Global Co-ordinator by Freshfields Bruckhaus Deringer as to United States federal law and English law and by Wong Partnership as to Singapore law.

Each of Drew & Napier LLC, Freshfields Bruckhaus Deringer and Wong Partnership does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and each of them makes no representation, expressed or implied, regarding, and takes no responsibility for, any statement in or omission from this Prospectus.

Certified Public Accountants

Our consolidated financial statements in Singapore dollars as at and for the years ended 31 December 2001 and 2002, and our consolidated financial statements in United States dollars as at and for the year ended 31 December 2003 and six months ended 30 June 2004 included in this Prospectus have been audited by PricewaterhouseCoopers, Singapore, certified public accountants, as stated in their reports appearing in this Prospectus.

For the purpose of complying with the Securities and Futures Act only, PricewaterhouseCoopers Singapore has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of, and all references to (1) its name, (2) its Report of Certified Public Accountants dated 13 August 2004 on the audit of our consolidated financial statements as at and for the six months ended 30 June 2004, (3) its Report of Certified Public Accountants dated 30 March 2004 on the audit of our consolidated financial statements as at and for the year ended 31 December 2003, (4) its Report of Certified Public Accountants dated 13 May 2003 on the audit of our consolidated financial statements as at and for the year ended 31 December 2002, and (5) its Report of Certified Public Accountants dated 22 April 2002 on the audit of our consolidated financial statements as at and for the year ended 31 December 2001, in the form and context in which they are respectively included in this Prospectus. A written consent under the Securities and Futures Act is different from a consent filed with the U.S. Securities and Exchange Commission under Section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act. As the Shares in the Offering have not and will not be registered under the Securities Act, PricewaterhouseCoopers, Singapore has not filed a consent under Section 7 of the Securities Act.

For the purposes of offers and sales outside the United States in reliance on Regulation S of the Securities Act (other than in Singapore) and within the United States to “qualified institutional buyers” in reliance on Rule 144A under the Securities Act, PricewaterhouseCoopers Singapore has agreed to the issue of this Prospectus with the inclusion herein of, and all references to (i) its name (ii) its Report of Certified Public Accountants dated 13 August 2004 on the audit of our consolidated financial statements as at and for the six months ended 30 June 2004 (iii) its Report of Certified Public Accountants dated 30 March 2004 on the audit of our consolidated financial statements as at and for the year ended 31 December 2003, (iv) its Report of Certified Public Accountants dated 13 May 2003 on the audit of our consolidated financial statements as at and for the year ended 31 December 2002, and (v) its Report of Certified Public Accountants dated 22 April 2002 on the audit of our consolidated financial statements as at and for the year ended 31 December 2001, in the form and context in which they are respectively included in this Prospectus.

General And Statutory Information

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

- 1 (a) Mr Pedro Francisco Mata-Bruckmann, our Independent Director, was an investor and a non-executive director of Kingdom Group, LLC, (“Kingdom Group”) where he also served as Chairman of the Board. Kingdom Group was in the business of developing refuelling stations for natural gas vehicles. A winding-up petition was filed against Kingdom Group in November 2002 when Kingdom Group became insolvent. Winding-up proceedings are still ongoing as at the Latest Practicable Date.

Mr Pedro Francisco Mata-Bruckmann was also a director of La Universal, S.A. based in Guayaquil, Ecuador, until 2001. The company ceased to operate in 2002 after La Universal, S.A. could not meet its debt obligations to its creditors. As at the Latest Practicable Date, the creditors have applied to the courts to determine who has the right to sell La Universal, S.A. and a petition of winding-up has not yet been filed.

- (b) Mr John Chuang, our Chief Executive Officer and Mr Joseph Chuang, our Executive Director, were directors of Allied Cocoa Industries Pte. Ltd. (“Allied”). Allied was in the manufacturing and trading business of cocoa ingredients. Winding-up petitions were filed against Allied in June 1985 and December 1985 after Allied encountered financial difficulties. The assets of Allied were consequently sold and Allied became dormant until it was subsequently dissolved in August 2003.

Save as disclosed above, none of our Directors or Executive Officers is or has been involved in any of the following events:-

- (i) at anytime during the last 10 years, had a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner;
- (ii) at anytime during the last 10 years, had a petition under any law of any jurisdiction filed against a corporation of which he was a director or key executive for the winding up of that corporation on the ground of insolvency;
- (iii) any unsatisfied judgments against him;
- (iv) ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment for three months or more, or any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;
- (v) ever been convicted in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or any criminal proceedings (including pending criminal proceedings which he is aware of) for such breach;
- (vi) at any time during the last 10 years, had judgement entered against him in any civil proceeding in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (vii) ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any corporation;
- (viii) ever been disqualified from acting as a director of any corporation, or from taking part in any way directly or indirectly in the management of any corporation;
- (ix) ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity; and
- (x) ever to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
 - (a) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or

- (b) any corporation or partnership which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the corporation or partnership.

None of our Directors or Substantial Shareholders has any interest, direct or indirect, exceeding 5% in the shareholding interests of any of our major customers or suppliers.

SHARE CAPITAL

2. Save as disclosed below and set out under “Share Capital — Restructuring Exercise”, there were no changes in the issued and paid-up share capital of our Company and its subsidiaries within the three years preceding the date of lodgement of this Prospectus:-

Ceres Sime Confectionery Sdn Bhd

Date	Purpose of Issue	Par Value (RM)	Issue Price/ Consideration (RM)	Number of Shares	Resultant issued share capital (RM)
4 December 2002	Working capital	1.00	6,900,000	6,900,000	6,900,002
4 December 2002	Capitalising part of shareholder's loan amounting to RM4,599,998	1.00	4,599,998	4,599,998	11,500,000

Cocoa Specialities Inc.

Date	Purpose of Issue	Par Value (P)	Issue Price/ Consideration (P)	Number of Shares	Resultant issued share capital (P)
25 October 2001	Working capital	100	262,461,000	26,246	87,069,800
19 December 2003	Working capital	100	55,560,000	5,556	87,625,400

DCMX Cocoa, S.A. de C.V.

Date	Purpose of Issue	Par Value (MX)	Issue Price/ Consideration (MX)	Number of Shares	Resultant issued share capital (MX)
10 July 2003	Subscriber shares	1.00	100,000	100,000	100,000
27 August 2003	Subscriber shares	1.00	987,530	987,530 Series “A” shares Series “B” shares	1,087,530

Delfi Cocoa (Malaysia) Sdn Bhd

Date	Purpose of Issue	Par Value (RM)	Issue Price/ Consideration (RM)	Number of Shares	Resultant issued share capital (RM)
14 January 2002	Working capital	1.00	8,000,000	8,000,000	16,000,000
18 June 2002	Working capital	1.00	110,000	110,000 ordinary shares	16,110,000
25 October 2002	Working capital	1.00	110,000	110,000 redeemable preference shares of RM1.00 each	16,220,000
				110,000 redeemable preference shares of RM1.00 each	

Delfi Cacau Brasil Ltda

Date	Purpose of Issue	Par Value (R)	Issue Price/ Consideration (R)	Number of Shares	Resultant issued share capital (R)
1 July 2003	Subscriber shares	1.00	1,000	1,000	1,000
1 August 2003	Capital increase pursuant to the Stock Purchase Agreement dated 20 August 2003 — see “Business — History and Development” ⁽¹⁾	1.00	7,905,388	7,905,388	7,906,388
6 October 2003	Reduction of share capital as a result of the merger between Delfi Cocoa Brazil Participacoes Ltda and DCBR	—	—	—	600,554

Note:

⁽¹⁾ 7,905,388 shares were issued and allotted by Delfi Cacau Brasil Ltda in consideration of Companhia Produtora de Alimentos’s assets being transferred to Delfi Cacau Brasil Ltda.

Delfi Cocoa Investments 1 Pte Ltd

Date	Purpose of Issue	Par Value (\$)	Issue Price/ Consideration (\$)	Number of Shares	Resultant issued share capital (\$)
27 March 2003	Subscriber shares	1.00	2.00	2	2.00
9 September 2003	Working capital	1.00	17,998	17,998	18,000

Delfi Foods, Inc.

Date	Purpose of Issue	Par Value (P)	Issue Price/ Consideration (P)	Number of Shares	Resultant issued share capital (P)
11 April 2002	Subscriber shares	1.00	100,000	100,000	100,000

Delfi Cocoa USA, Inc.

Date	Purpose of Issue	Par Value (US\$)	Issue Price/ Consideration (US\$)	Number of Shares	Resultant issued share capital (US\$)
24 March 2004	Subscriber shares	0.01	50,000	1,000	50,000

Petra Management Services, S.A. de C.V.

Date	Purpose of Issue	Par Value (MX)	Issue Price/ Consideration (MX)	Number of Shares	Resultant issued share capital (MX)
10 July 2003	Subscriber shares	1.00	100,000	100,000	100,000

Series “A” shares

PT General Food Industries

Date	Purpose of Issue	Par Value (Rp)	Issue Price/ Consideration (Rp)	Number of Shares	Resultant issued share capital (Rp)
23 October 2001	Working capital	1,000	306,000,000	306,000	48,097,000,000
29 January 2003	Working capital	1,000	9,000,000,000	9,000,000	57,097,000,000

- Save as disclosed above and under “Share Capital — Restructuring Exercise” and “Share Capital — Conversion”, no shares in or debentures of our Company or any of our subsidiaries have been issued, as fully or partly paid for in cash or for a consideration other than cash, within the three years preceding the date of this Prospectus.
- Save as disclosed under “Plan of Distribution” and under “Management — Summary of the Share Option Scheme”, no person has been, or is entitled to be, granted an option to subscribe for shares in, or debentures of, our Company or any of our subsidiaries.

SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED ARTICLES OF ASSOCIATION OF THE COMPANY

- The discussion below provides information about certain provisions of our Memorandum and Articles of Association and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

The instruments that constitute and define the Company are the Memorandum and Articles of Association of the Company.

(a) Memorandum of Association and Registration Number

The registration number with which the Company was incorporated is 198403096C. Our Memorandum of Association states that the liability of shareholders of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that our Company is an exempted company as defined in the Companies Act. Our Memorandum of Association also sets out the objects for which our Company was formed, including acting as a holding and investment company, and the powers of our Company.

(b) Directors

(i) Ability of interested directors to vote

A Director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal in which he has any personal material interest and shall not be counted in the quorum present at the meeting.

(ii) Remuneration

Fees payable to non-executive Directors shall be a fixed sum (not being a commission on or a percentage of profits or turnover of the Company) as shall from time to time be determined by the Company in general meeting. Fees payable to Directors shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase.

Any Director who holds any executive office, or who serves on any committee of the Directors, or who performs services outside the ordinary duties of a Director, may be paid extra remuneration by way of salary, commission or otherwise, as the Directors may determine.

The remuneration of a Chief Executive Officer/Managing Director shall be fixed by the Directors and may be by way of salary or commission or participation in profits or by any or all of these modes, but shall not be by a commission on or a percentage of turnover.

The Directors shall have power to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

(iii) **Borrowing**

Our Directors may exercise all the powers of our Company to raise or borrow money, to mortgage or charge its undertaking, property and uncalled capital and to secure any debt, liability or obligation of our Company.

(iv) **Retirement Age Limit**

There is no retirement age limit for Directors under our Articles of Association. Section 153(1) of the Companies Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company. Notwithstanding Section 153(1), Section 153(6) of the Companies Act provides that a person of or over the age of 70 years may, by an ordinary resolution passed at an annual general meeting, be appointed or re-appointed as a director of the Company or be authorised to continue in title as director, until the next annual general meeting of the Company.

(v) **Shareholding Qualification**

There is no shareholding qualification for Directors in the Memorandum and Articles of Association of the Company.

MATERIAL CONTRACTS

6. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiaries within the two years preceding the date of lodgement of this Prospectus and are or may be material:-
- (a) Sale and Purchase Agreement dated 30 July 2003 between Ceres Sime Confectionery Sdn Bhd, T.H. Alliance Holdings Sdn Bhd (as Transferor) and Mr Tan Thiam Hock (as Warrantor), pursuant to which the Transferor transferred the entire issued share capital of Ceres Sime Marketing Sdn Bhd (formerly known as T.H. Alliance (Asia Pacific) Sdn Bhd) to Ceres Sime Confectionery Sdn Bhd for a consideration of RM1,250,000.
 - (b) Sale and Purchase Agreement dated 8 August 2003 between the Company (as Purchaser), and Savetsomphob Holding Co., Ltd., Sino Pacific Trading (Thailand) Ltd., Ekarat Savetsomphob and Ekachai Savetsomphob (as Sellers), pursuant to which the Sellers sold 447,625 ordinary shares of Baht 100.0 each in the capital of Siam Cocoa Products Co., Ltd. to the Purchaser for a consideration of Baht 44,762,400.
 - (c) Sale and Purchase Agreements dated 25 June 2004 between the Company and Berlian Enterprises Limited (as supplemented by the Supplemental Agreement to the Sale and Purchase Agreements dated 12 August 2004 between the Company and Berlian Enterprises Limited), pursuant to which 4.96% of the issued share capital of PT Perusahaan Ceres, 4.98% of the issued share capital of PT General Food Industries and 4.99% of the issued share capital of PT Nirwana Lestari (the "Sale Shares") were sold by Berlian Enterprises Limited to the Company. The consideration for the Sale Shares was US\$1,423,000 and was satisfied by the allotment of 1,077,700 ordinary shares of S\$1.00 each in capital of the Company to Berlian Enterprises Limited.
 - (d) Call Option Agreement dated 22 September 2004 between our Company, P.T. Sederhana Djaja and McKeeseon Investments Pte Ltd, the details of which are set out in the section "Interested Person Transactions and Conflicts of Interest — Potential Conflicts of Interest".
 - (e) Deed of Undertaking dated 22 September 2004 from Mr John Chuang, Mr Joseph Chuang and Mr William Chuang in favour of our Company, the details of which are set out in the section "Interested Person Transactions and Conflicts of Interest — Potential Conflicts of Interest".
 - (f) Supplemental Agreement dated 27 September 2004 to the Subscription and Investment Agreement between the Company, Canzone Limited, Fremont Investment Limited, McKeeseon Investments Pte Ltd, Berlian Enterprises Limited, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang, the details of which are set out in the section "Share Capital — Conversion".

MISCELLANEOUS

7. No expert who is employed on a contingent basis by our Group, has a material interest, whether direct or indirect, in the shares of our Group, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Offering.
8. No event has occurred since 30 June 2004 and up till the Latest Practicable Date which would have a material effect on the financial information set out in our audited consolidated financial statements for the years ended 31 December 2001 and 2002 (measured and presented using Singapore dollars), for the year ended 31 December 2003 and for the six months ended 30 June 2004 (measured and presented using US dollars), our unaudited consolidated financial statement for the years ended 31 December 2001 and 2002 (measured and presented using US dollars) and for the six months ended 30 June 2003 (measured and presented using US dollars). No event has occurred since 30 June 2004 and up till the Latest Practicable Date which may have a material effect on the financial position and results of the Group.
9. Each of the Global Co-ordinator, Bookrunner and Lead Manager, the Legal Advisers to the Company as to Singapore law, the Legal Advisers to the Global Co-ordinator, Bookrunner and Lead Manager as to United States federal law, English law and Singapore law do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.
10. PricewaterhouseCoopers has provided tax services to various companies within the Group and PricewaterhouseCoopers has from time to time, provided certain services in connection with the acquisition of various Group companies.

ADDITIONAL CONSENTS

11. The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of the Letter from KPMG Corporate Finance Pte Ltd to the Independent Directors of Petra Foods Pte Ltd in the form and context in which it is included and references to its name in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.
12. Euromonitor International (Asia) Pte Ltd has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of certain statements in the form and context in which they are included and references to its name in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.
13. PT. ACNielsen Indonesia has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of certain statements made in this Prospectus in the form and context in which they are included and references to its name in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

RESPONSIBILITY STATEMENT BY DIRECTORS OF THE COMPANY AND THE VENDORS

14. This Prospectus has been seen and approved by our Directors and the Vendors and they individually and collectively accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed herein are fair and accurate in all material respects as of the date hereof and there are no material facts the omission of which would make any statements in this Prospectus misleading and that this Prospectus constitutes full and true disclosure of all material facts about the Offering and our Group.

DOCUMENTS AVAILABLE FOR INSPECTION

15. Copies of the following documents may be inspected at 900 South Woodlands Drive, #05-05 Woodlands Civic Centre, Singapore 730900, during normal business hours for a period of six months from the date of registration of this Prospectus:-
 - (a) the Memorandum and Articles of Association of our Company;
 - (b) the Rules of the Share Option Scheme;

- (c) the Rules of the Share Incentive Plan;
- (d) the Auditors' Report and the audited consolidated financial statements of the Company for the last three years ended 31 December 2003 and for the six months ended 30 June 2004;
- (e) the Review Report and the reviewed consolidated financial statements of the Company for the six months ended 30 June 2003;
- (f) the letter from the Independent Financial Adviser to the Independent Directors of Petra Foods Limited;
- (g) the material contracts referred to above;
- (h) the letters of consent from PricewaterhouseCoopers, KPMG Corporate Finance Pte Ltd, Euromonitor International (Asia) Pte Ltd and PT. ACNielsen Indonesia; and
- (i) the Service Agreements of certain of our Directors.

Definitions

General

<i>“Act” or “Companies Act”:</i>	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
<i>“Additional Shares”:</i>	Up to 26,775,000 Shares in aggregate consisting of the Company Additional Shares and the Vendor Additional Shares to be issued and/or sold by the Company and/or the Vendors, in the event of the exercise of the Over-Allotment Option
<i>“Admission”:</i>	Admission of the Company’s Shares to the Official List of the SGX-ST
<i>“Application List”:</i>	The list of applications for subscription and/or purchase of the Offering Shares
<i>“Associated company”:</i>	In relation to a corporation, means:- <ul style="list-style-type: none">(a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest of not less than 20% but not more than 50% of the aggregate nominal amount of all the voting shares; or(b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, or the corporation together with its subsidiary, is able to control or influence materially
<i>“Associates”:</i>	<ul style="list-style-type: none">(a) In relation to a corporation, means a director or Controlling Shareholder; a subsidiary or associated company; or a subsidiary or associated company of the Controlling Shareholder, of the corporation(b) In relation to a director, chief executive officer, Substantial Shareholder or Controlling Shareholder of a corporation who is an individual, means his immediate family (being his spouse, child, sibling and parent); a trustee, when acting in his capacity as such trustee, of any trust of which the individual or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or any corporation in which he and his immediate family together (directly or indirectly) have an interest of not less than 30% of the aggregate nominal amount of all the voting shares(c) In relation to a Substantial Shareholder, or Controlling Shareholder, which is a corporation, means, notwithstanding paragraph (a), any corporation which is its related corporation or associated company
<i>“Audit Committee”:</i>	Audit Committee of the Company
<i>“Authority”:</i>	The Monetary Authority of Singapore
<i>“Award Shares”:</i>	The Shares which may be transferred or issued upon the granting of Awards pursuant to the Share Incentive Plan
<i>“Awards”:</i>	The awards which may be granted pursuant to the Share Incentive Plan
<i>“CDP”:</i>	The Central Depository (Pte) Limited
<i>“Closing Date”:</i>	The closing date of the Offering

<i>“Company” or “Petra Foods”:</i>	Petra Foods Limited
<i>“Company Additional Shares”:</i>	Up to 9,775,000 Shares to be issued by the Company in the event of the exercise of the over-allotment option granted by the Company to the Global Co-ordinator
<i>“Controlling Shareholder”:</i>	A person who holds directly or indirectly 15% or more of the nominal amount of our Shares, or in fact exercises control over our Company
<i>“CPF”:</i>	The Central Provident Fund
<i>“Directors”:</i>	Our directors as at the date of this Prospectus, unless otherwise stated
<i>“Discounted Offering Price”:</i>	S\$0.83 per Offering Share
<i>“EPS”:</i>	Earnings per Share
<i>“Executive Directors”:</i>	Our executive directors as at the date of this Prospectus, unless otherwise stated
<i>“Executive Officers”:</i>	Unless otherwise stated, the management team of our Company and certain key subsidiaries (excluding our Directors) as at the date of this Prospectus, including our key executives who make or participate in making decisions that affect the whole or a substantial part of our business or have the capacity to make decisions which affect significantly our financial standing
<i>“FIC”:</i>	Foreign Investment Committee, Malaysia
<i>“Group”:</i>	Petra Foods Limited and its subsidiaries taken as a whole
<i>“Independent Directors”:</i>	Our independent directors as at the date of this Prospectus, unless otherwise stated
<i>“John Chuang”:</i>	Chuang Tiong Choon also known as Ma Wei Lin
<i>“Joseph Chuang”:</i>	Chuang Tiong Liep also known as Chit Ko Ko
<i>“Latest Practicable Date”:</i>	15 September 2004, being the latest practicable date prior to the lodgement of this Prospectus with the Authority
<i>“Listing Manual”:</i>	Listing Manual of the SGX-ST
<i>“Market Day”:</i>	A day on which the SGX-ST is open for trading in securities
<i>“New Shares”:</i>	The 113,500,000 new Shares for which our Company invites applications to subscribe, subject to and on the terms and conditions of this Prospectus
<i>“Non-Executive Directors”:</i>	Our non-executive directors as at the date of this Prospectus, unless otherwise stated.
<i>“NTA”:</i>	Net tangible assets. Net tangible assets are net assets less intangibles
<i>“Offering”:</i>	The Placement and the Public Offer
<i>“Offering Price”:</i>	S\$0.88 per Offering Share
<i>“Offering Shares”:</i>	65,000,000 Shares offered by the Vendors and 113,500,000 Shares offered by the Company
<i>“Options”:</i>	The right to subscribe for shares granted or to be granted pursuant to the rules of the Share Option Scheme
<i>“Over-Allotment Option”:</i>	The options granted by the Company, McKeeson Holdings Limited and Canzone Limited to the Global Co-ordinator, to require them to issue or sell up to in aggregate 26,775,000 Additional Shares comprising up to 9,775,000 Shares from the

	Company, up to 8,000,000 Shares from McKeeson Holdings Limited and up to 9,000,000 Shares from Canzone Limited. The Over-Allotment Option is exercisable by the Global Co-ordinator, in full or in part, in respect of the Additional Shares which is in aggregate equal in number to not more than 15% of the total Offering Shares, within 30 days from the date of commencement of dealing in our Shares on the SGX-ST
<i>“Placement”</i> :	The international placement of 173,500,000 Offering Shares to investors, including institutional and other investors in Singapore
<i>“Public Offer”</i> :	An offering of 5,000,000 Offering Shares to the public in Singapore
<i>“Register of Members”</i> :	The register in which the names and addresses of the Shareholders are entered
<i>“Reserved Shares”</i> :	12,850,000 Offering Shares in the Placement reserved for subscription and/or purchase by our management staff, independent director, employees, business associates and other persons who have contributed to our success (to be determined by the Company at its sole discretion)
<i>“SBI”</i> :	One-month Bank Indonesia Certificates
<i>“Securities Account”</i> :	The securities account maintained by a depositor with CDP
<i>“Securities Act”</i> :	The US Securities Act of 1933, as amended
<i>“Securities and Futures Act”</i> :	The Securities and Futures Act, Chapter 289 of Singapore
<i>“Securities and Futures Regulations”</i> :	The Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2002
<i>“SGX-ST”</i> :	The Singapore Exchange Securities Trading Limited
<i>“Share Incentive Plan”</i> :	The Petra Foods Share Incentive Plan
<i>“Share Option Scheme”</i> :	The Petra Foods Share Option Scheme
<i>“Shareholders”</i> :	Shareholders holding Shares in the capital of our Company
<i>“Shares”</i> :	Ordinary shares of S\$0.10 each in the capital of our Company
<i>“Subscription and Investment Agreement”</i> :	The subscription and investment agreement dated 4 May 2001 entered into between the Company, Canzone Limited, Fremont Investment Limited, PT Sederhana Djaja, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang pursuant to which Canzone Limited and McKeeson Holdings Limited (as nominee of Fremont Investment Limited) subscribed to US\$15.0 million and US\$5.0 million respectively of the Company’s convertible bonds
<i>“Substantial Shareholder”</i> :	A person who has an interest in Shares the nominal amount of which is 5% or more of the nominal amount of all the Shares of our Company
<i>“urban grocery market”</i> :	The Indonesian urban grocery market as defined by ACNielsen, covers approximately 35% of Indonesia’s population and geographically, includes 12 major cities (Jakarta, Botabek, Bandung, Semarang, Yogyakarta, Solo, Surabaya, Medan, Palembang, Padang, Makasar and Denpasar) as well as other cities and towns that fall within the Indonesian government’s criteria for “urban” areas. For the year ended 30 April 2004, ACNielsen identified a total of 878,475 sales outlets in the urban grocery market, of which

873,396 were traditional sales channels and 5,079 were modern sales channels

“US” or “United States”: The United States of America

“Vendor Additional Shares”: Up to 17,000,000 Shares in aggregate to be sold by McKeeson Holdings Limited (up to 8,000,000 Shares) and Canzone Limited (up to 9,000,000 Shares) in the event of the exercise of the Over-Allotment Option

“Vendor Shares”: The 65,000,000 existing Shares for which the Vendors invite applications to purchase, subject to and on the terms and conditions of this Prospectus

“Vendors”: McKeeson Holdings Limited and Canzone Limited

“William Chuang”: Chuang Tiong Kie also known as Maung Lu Win

Currencies, Units and Others

“m”: Metre

“mt”: Metric ton

“sq ft”: Square feet

“sq m”: Square metres

“%”: Percentage

“Baht”: Thai baht

“CF”: Swiss franc

“Euro”: Euro

“MX”: Mexican peso

“P”: Philippines peso

“R”: Brazilian real

“RM”: Malaysian ringgit

“Rp”: Indonesian rupiah

“S\$”, “\$” and “Singapore cents”, “cents”: Singapore dollars and cents respectively

“US\$” and “US cents”: US dollars and cents respectively

Glossary Of Technical Terms

<i>“chips” or “drops”:</i>	Small, round, pointed pieces of chocolate or compound (especially used in biscuits).
<i>“chocolate”:</i>	A product made principally from cocoa liquor, cocoa butter and sugar. When used in this Prospectus, “chocolate” may include compound chocolate.
<i>“chocolate rice” or “meises”:</i>	Small, longitudinal pieces of chocolate, used as a breakfast item and for decorating cakes, ice cream, etc.; also known as chocolate sprinkles.
<i>“cocoa butter”:</i>	Fat of the cocoa beans, obtained by pressing cocoa liquor.
<i>“cocoa cake”:</i>	The remaining solid obtained after pressing cocoa liquor.
<i>“cocoa liquor”:</i>	A homogeneous paste that is obtained from grinding cleaned and roasted cocoa nibs.
<i>“cocoa mass”:</i>	Another name for cocoa liquor.
<i>“cocoa nibs”:</i>	Kernel remaining after removing the shells from cocoa beans.
<i>“cocoa powder”:</i>	Cocoa cakes ground into powder.
<i>“compound chocolate”:</i>	A substitute for chocolate, made from cocoa powder, sugar and vegetable fat.
<i>“couverture”:</i>	The liquid chocolate obtained after the process of conching and is used to make different types of chocolate products.
<i>“dragees”:</i>	Sugar coated chocolates, usually ball or pellet-shaped.
<i>“enrobing products”:</i>	Wafers, biscuits and other composite products which are covered with a thin layer of chocolate.
<i>“extrusion products”:</i>	Products in which the desired chocolate shape is formed through a compression process.
<i>“filling”:</i>	Soft chocolate, nut or compound-based product used as fillings in biscuit and confectionery products.
<i>“GMP”:</i>	Good Manufacturing Practices is a quality assurance system which ensures that products are consistently produced and controlled to the quality standards appropriate for their intended use and as required by the customers and our products’ specifications.
<i>“HACCP”:</i>	Hazard Analysis Critical Control Point is an internationally accepted system of food safety assurance based on the prevention of food safety problems. The implementation entails a systematic assessment, identification, control and elimination of hazards in the entire production process to ensure that products are safe for human consumption.
<i>“Halal”:</i>	An Arabic word which is usually used only in relation to food products, food ingredients, and food contact materials which are lawful or permitted for consumption by believers professing the Islamic faith. Halal status has to be certified by relevant national Islamic authorities.
<i>“industrial chocolate”:</i>	Chocolate sold to food producers rather than to consumers; this chocolate is then used by food producers to manufacture consumer products.
<i>“moulded products”:</i>	Chocolate products which are placed in moulds to obtain a desired shape. The process involves depositing, cooling and demoulding.
<i>“panned products”:</i>	Products which have a chocolate, sugar and colour coating built around nuts, raisins, biscuits or chocolate centres in a rotating pan,

using cool air to dry and even out the coating. This is followed by a polishing step to provide a glossy coating.

“SKU”:

Stock keeping unit

“Specialties”:

A combination of many forms of chocolate that is normally placed inside a can or box. Specialties usually come in special occasion packages, gift packs or special (luxury) packages.

Summary Of Certain Differences Between Singapore Financial Reporting Standards and US GAAP

The following is a general summary of significant differences between FRS and US GAAP as applicable to the Group.

The audited consolidated financial statements of the Group have been prepared in accordance with FRS, which differs in certain significant respects from US GAAP. Certain significant differences between FRS and US GAAP relevant to the Group's consolidated financial statements are summarised below. No attempt, however, has been made to quantify the effects of such differences. This summary should not be construed to be exhaustive. Further, no attempt has been made to identify future differences between FRS and US GAAP as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate FRS and US GAAP have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify all future differences between FRS and US GAAP that may affect the Group's consolidated financial statements as a result of transactions or events that may occur in the future. Potential investors should consult their own professional advisors for an understanding of the differences between FRS and US GAAP and how these differences might affect the financial information herein.

Goodwill

FRS previously allowed goodwill to be taken to retained earnings rather than capitalising and amortising it. This is no longer permissible under the revised FRS which is applicable to the Group with effect from 1 January 2001. Under revised FRS, goodwill on acquisitions is recognised as an asset and is amortised using the straight-line method over its estimated useful life, generally a period not exceeding 20 years. Negative goodwill is presented in the same balance sheet classification as goodwill and is recognised in the profit and loss account to the extent that it relates to expectations of future losses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

Under US GAAP prior to 1 July 2001, goodwill and other intangible assets were amortised over their estimated useful lives not exceeding 40 years. Upon the adoption of SFAS 142 "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after 15 December 2001, intangible assets are amortised over their useful lives unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are not amortized. However, such assets will be tested for impairment on a regular basis. If negative goodwill exists after an entity has determined that all acquired assets and assumed liabilities have been identified and properly valued, all acquired assets are then subject to pro rata reduction, except for (1) financial assets other than investments accounted for by the equity method, (2) assets to be disposed of by sale, (3) deferred taxes, (4) prepaid assets relating to pension and other post-retirement benefit plans, and (5) any other current assets. If all eligible assets are reduced to zero and an amount of negative goodwill still remains, the remaining unallocated negative goodwill must be recognised immediately as an extraordinary gain.

Deferred income taxes

Under FRS, deferred tax assets and liabilities are required to be provided in full using the liability method. This method focuses on temporary differences of an asset or liability at any point in time. Deferred tax assets and liabilities arising from temporary differences need to be measured at the rates enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Under US GAAP, deferred tax assets and liabilities are recognised for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Under US GAAP deferred tax assets are recorded in full, and a valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of, the deferred tax asset will not be realised.

Consolidation

Under FRS, power to control is considered when determining whether a parent/subsidiary relationship exists. Control is the parent's ability to govern the financial and operating policies of a subsidiary to obtain benefits. Companies acquired or disposed of are included in or excluded from consolidation from the date control passes. Presently exercisable potential voting rights are also considered in determining whether to consolidate an entity.

Under US GAAP, a dual consolidation decision model is required since the issuance of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") in January 2003, as amended by FIN 46-R in December 2003. All consolidation decisions should be evaluated under the variable interest and traditional consolidation models. Since the introduction of FIN 46, more entities are subject to consolidation than under pre-existing consolidation guidance. Variable interest entities (VIEs) in which a parent does not have a controlling voting interest but the parent absorbs the majority of the VIE's expected losses or returns must be consolidated. Under the traditional consolidation model all majority-owned subsidiaries must be consolidated unless control does not rest with the majority owner. The usual condition for a controlling financial interest is ownership of over fifty percent of the outstanding voting shares. Consolidation might also be appropriate if a controlling financial interest has been achieved through management and financial support agreements, which may be coupled with the ability to obtain over fifty percent of the voting shares such as through conversion of notes or exercise of options.

Foreign Currency Translation

Under FRS prior to 1 January 2003, there was no requirement under FRS to determine measurement (functional) currency. From 1 January 2003, under FRS, the measurement currency must be determined for each entity in the Group. Different methods of foreign currency translation are used for foreign entities whose operations are not an integral part of the Group's operations and those whose operations are considered integral. When operations are not integral to the Group's operations, financial statements are translated into the measurement currency using period-end, period average, and historical exchange rates, respectively, for assets and liabilities, income and equity accounts. Exchange differences arising on translation are recorded in the currency translation reserve account. For entities which are integral to the Group's operations, monetary assets and liabilities are translated into the measurement currency at the period-end exchange rate, non-monetary assets and liabilities are translated at historical exchange rates, and income accounts are translated at period-average exchange rates. For such entities, the exchange differences on translation are recorded in the income statements.

Under US GAAP, the functional currency of each entity in the Group is determined. If the books and records of an entity are not maintained in the functional currency, all transactions denominated in a currency other than the functional currency are first remeasured into the functional currency before translating the financial statements of that entity into the currency used to present the financial statements ("reporting currency"). In the remeasurement process, monetary assets and liabilities are translated at the period-end exchange rate, non-monetary assets and liabilities are translated at historical exchange rates, and income accounts are translated at period-average exchange rates. Exchange differences on remeasurement are recorded in the income statements. If the functional currency financial statements must be translated into the reporting currency, the financial statements are translated using period-end, period average, and historical exchange rates, respectively, for assets and liabilities, income and equity accounts. Exchange differences arising on translation into the reporting currency are recorded in the currency translation adjustment account.

Leases and Leasehold Land

Under FRS, leases are classified as finance leases if substantially all risks and rewards of ownership are transferred. An entity holding a long term leasehold interest in land is deemed to have received all the risks and rewards incident to ownership. Such interests are capitalized as part of Property, Plant and Equipment and depreciated over the remaining lease term.

Under US GAAP, specific criteria must be met in order to classify a lease as a finance (capital) lease. Under US GAAP leasehold land can only be treated as a capital lease if there is a transfer of ownership at the end of a lease or a bargain purchase option. Leases not meeting the criteria for capital lease treatment which have been fully paid would be recorded as prepayments and amortised over the remaining lease term.

Impairment of long lived assets

Under FRS, if an indication of impairment exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the profit and loss account whenever the carrying value of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use. Impairments of long-lived assets are charged to the profit and loss account as expense unless the impairment reverses a previous revaluation increase, in which case, it is charged directly against any related revaluation reserve to the extent the reduction does not exceed the amount held in the revaluation reserve in respect of the same item. Any excess will be charged to the profit and loss account.

US GAAP requires an impairment loss to be recognised for long-lived assets, including property, plant and equipment where an indication of impairment occurs and the carrying amount of the asset exceeds the future undiscounted cash flows expected to result from use and eventual disposal of the asset. If it is determined that the asset is impaired, the impairment loss recognised is the difference between the carrying amount of the asset and its fair value, being either market value or the sum of future discounted cash flows. Once such impairments have been recorded, subsequent recoveries are not allowed.

Hedging and Derivative Activities

There is presently no specific standard for accounting for derivative contracts under FRS. Various Group companies have entered into derivative contracts to hedge their financial risk exposures. Such contracts or embedded derivatives are not recognised at fair value, nor are gains or losses relating to the fair value changes in these contracts recorded as this is not required under FRS. Effective 1 January 2005, a new accounting standard for derivative contracts will be effective for the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Changes in Accounting Policy".

Under US GAAP, Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" (and related amendments and interpretations) became effective 1 January 2001. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measures those instruments at fair value. If certain specified criteria related to designation, documentation and effectiveness are met, a derivative may be accounted for as one of three types of hedges. Those types of hedges include fair value, cash flow and net investment in a foreign subsidiary. Hedge accounting treatment, which is different for each type of hedge, permits the change in fair value of the derivative to be "matched" with the effect of the risk being hedged. If the certain specified criteria are not met, changes in the fair value of the derivative must be recognised through income.

Capitalisation of Interest

Under FRS, interest on borrowings directly attributable to the construction of property, plant and equipment is capitalised during the period of time that is required to complete and prepare each asset for its intended use.

Under US GAAP, interest attributable to the construction of fixed assets for the Group's own use or for sale or lease is capitalisable during the construction or acquisition period. Interest capitalisable is calculated based on borrowings related to the relevant fixed assets and on borrowings that could have been avoided if expenditures for the assets had not been made.

Inventories

Under FRS, reserves made for obsolete items can be reversed while the items remain in inventory. In addition, only the first-in first-out ("FIFO") and weighted average methods of determining cost are allowed.

Under US GAAP, reserves related to obsolete or discontinued items that will not be replaced should be reversed when the items are removed from inventory (whether sold or scrapped). Reversals of reserves are not allowed if the items have not been removed from inventory. In addition to FIFO and weighted average, last-in first-out, or LIFO, is another permitted method of determining cost.

Presentation and Disclosure

Disclosure in financial statements is generally more extensive under US GAAP than FRS, and there are differences in presentation including (but not limited to) the following:

Cash Flow Statement

Under FRS, interest paid and received shall be classified in a consistent manner from period to period as operating, investing or financing cash flows. Under FRS, the indirect method of presenting the statement of cash flows reconciles profit before tax and share of profits less losses of associates to cash flows from operating activities. Cash and cash equivalents include bank overdrafts.

US GAAP requires interest paid and received be classified as operating activities. Under US GAAP, the reconciliation of cash flows from operating activities under the indirect method begins with net income. Bank overdrafts are not included in cash and cash equivalents.

Other Comprehensive Income

Under FRS, there is no specific guidance for recognising and presenting other comprehensive income. Items of gain and loss that are not recognised in the profit and loss account (such as a foreign exchange translation gain or loss) are recognised in reserves separate from retained earnings and are disclosed in the statement of changes in equity.

US GAAP establishes standards for the reporting and display of comprehensive income and its components in financial statements that is displayed with the same prominence as other financial statements. Comprehensive income is composed of two subjects: “net income” and “other comprehensive income”. Comprehensive income includes cumulative translation adjustment and other charges or credits to equity that are not the results of transactions with owners.

Related Parties

Under FRS, parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Disclosure requirements under FRS include the relationship, the amounts involved in a transaction, as well as the balances for each major category of related parties.

Under US GAAP, there are broader related party relationships disclosure requirements, and the definition of a related party under US GAAP is more specific than under FRS and may include some entities or parties that would not be considered related parties under FRS such as principal owners of an enterprise and members of their immediate families.

Segment reporting

Under FRS, certain forms of disclosure need to be presented with respect to business and geographical segments, as primary and secondary segments respectively. The choice depends on business risks and returns and the internal reporting structure. Under FRS, disclosures for primary segment includes revenue, results, capital expenditures, total assets and liabilities and other items. Disclosures for secondary segments include revenue, total assets and capital expenditures.

Under US GAAP, disclosure is presented on the basis management uses to analyse and report the business results internally. Under US GAAP, similar disclosures for primary segments are required with the exception of liabilities and geographical capital expenditures.

Consolidated Financial Statements

Contents	Page
Consolidated Financial Statements as at and for the years ended 31 December 2001 (unaudited), 2002 (unaudited) and 2003, and for the six months ended 30 June 2003 (unaudited) and 2004	
Report of Certified Public Accountants, PricewaterhouseCoopers, Singapore on the audit of the Consolidated Financial Statements for the financial year ended 31 December 2003	F-2
Report of Certified Public Accountants, PricewaterhouseCoopers, Singapore on the audit of the Consolidated Financial Statements for the six months ended 30 June 2004	F-3
Consolidated Income Statements for the years ended 31 December 2001 (unaudited), 2002 (unaudited) and 2003, and for the six months ended 30 June 2003 (unaudited) and 2004	F-4
Consolidated Balance Sheets as at 31 December 2001 (unaudited), 2002 (unaudited) and 2003, and as at 30 June 2003 (unaudited) and 2004	F-5
Consolidated Statements of Changes in Equity for the years ended 31 December 2001 (unaudited), 2002 (unaudited) and 2003, and for the six months ended 30 June 2003 (unaudited) and 2004	F-6
Consolidated Cash Flow Statements for the years ended 31 December 2001 (unaudited), 2002 (unaudited) and 2003, and for the six months ended 30 June 2003 (unaudited) and 2004	F-8
Notes to the Consolidated Financial Statements	F-10
Consolidated Financial Statements as at and for the years ended 31 December 2001 and 2002	
Report of Certified Public Accountants, PricewaterhouseCoopers, Singapore on the audit of the Consolidated Financial Statements for the financial year ended 31 December 2002	F-61
Report of Certified Public Accountants, PricewaterhouseCoopers, Singapore on the audit of the Consolidated Financial Statements for the financial year ended 31 December 2001	F-62
Consolidated Income Statements for the years ended 31 December 2001 and 2002	F-63
Consolidated Balance Sheets as at 31 December 2001 and 2002	F-64
Consolidated Statements of Changes in Equity for the years ended 31 December 2001 and 2002	F-65
Consolidated Cash Flow Statements for the years ended 31 December 2001 and 2002	F-66
Notes to the Consolidated Financial Statements	F-67

The auditors' report on the audit of the consolidated financial statements of Petra Foods Pte Ltd for the financial year ended 31 December 2003 from which the audited consolidated financial information of the Group as set out on pages F-4 to F-60 was extracted is set out below:

Auditors' Report to the Members of Petra Foods Pte Ltd

We have audited the financial statements of Petra Foods Pte Ltd and the consolidated financial statements of the Group for the financial year ended 31 December 2003 set out on pages 6 to 49. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and the results and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of the subsidiaries are stated in note 15 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any material qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under section 207(3) of the Act.

PricewaterhouseCoopers
Certified Public Accountants
Singapore, 30 March 2004

The auditors' report on the audit of the consolidated financial statements of Petra Foods Pte Ltd for the six months ended 30 June 2004 from which the audited consolidated financial information of the Group as set out on pages F-4 to F-60 was extracted is set out below:

Auditors' Report to the Members of Petra Foods Pte Ltd

We have audited the consolidated financial statements of Petra Foods Pte Ltd and its subsidiary companies ("the Group") for the six months ended 30 June 2004 set out on pages 3 to 41. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2004 and the results, changes in equity and cash flows of the Group for the six months then ended, in accordance with Singapore Financial Reporting Standards.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 13 August 2004

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED INCOME STATEMENTS

	Notes	Year ended 31 December			Six months ended 30 June	
		2001*	2002*	2003	2003	2004
		US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)	US\$'000 (unaudited)	US\$'000 (audited)
Revenue	3	145,212	231,790	321,840	147,481	183,724
Cost of sales	4	(110,618)	(181,066)	(267,707)	(122,461)	(149,297)
Gross profit		34,594	50,724	54,133	25,020	34,427
Other income	5	1,865	1,652	2,735	286	429
Selling and distribution costs		(11,004)	(15,515)	(16,451)	(5,518)	(10,994)
Administrative expenses		(9,993)	(12,357)	(13,096)	(6,497)	(7,733)
Other operating expenses		(1,463)	(1,987)	(2,202)	(640)	(1,195)
Profit from operations	7	13,999	22,517	25,119	12,651	14,934
Finance income	8	334	262	175	118	377
Finance costs	9	(4,817)	(6,571)	(8,320)	(3,997)	(3,730)
Share of results of associates		(251)	(281)	(375)	(162)	(267)
Profit before tax		9,265	15,927	16,599	8,610	11,314
Tax	10	(2,303)	(3,436)	(4,814)	(2,317)	(2,430)
Profit from ordinary activities after tax		6,962	12,491	11,785	6,293	8,884
Minority interest		(487)	(577)	(35)	(38)	97
Net profit		6,475	11,914	11,750	6,255	8,981
EBITDA ⁽¹⁾	11	17,993	27,297	31,467	15,140	19,643
Earnings per share	12					
— Basic		22 cents	39 cents	38 cents	20 cents	29 cents
— Diluted		19 cents	31 cents	30 cents	16 cents	23 cents

⁽¹⁾ EBITDA represents net profit before net interest expense, income tax, depreciation and amortisation expense.

* Refer to Note 2(s) for information on the basis of preparation of the unaudited financial information for the years ended 31 December 2001 and 2002.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 December			As at 30 June	
		2001*	2002*	2003	2003	2004
		US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)	US\$'000 (unaudited)	US\$'000 (audited)
Current assets						
Cash and cash equivalents	13	13,076	12,394	8,832	10,528	10,739
Trade debtors	14	13,368	27,533	33,076	25,602	31,964
Due from associates						
— Trade		192	167	92	121	38
— Non-trade	15	30	573	23	350	22
Due from related parties						
— Trade		1,025	764	1,552	1,508	1,704
— Non-trade	15	224	293	258	—	—
Inventories	16	37,703	81,207	91,898	95,387	98,475
Other current assets	17	4,362	5,728	7,693	11,003	7,251
		69,980	128,659	143,424	144,499	150,193
Non-current assets						
Investments in associates	19	3,048	3,996	3,533	4,104	2,933
Property, plant and equipment	20	29,112	56,076	74,661	63,325	74,899
Intangibles	21	5,261	4,905	12,570	4,520	11,883
Deferred tax assets	10	214	888	466	791	1,336
Other non-current assets	22	62	201	284	391	191
		37,697	66,066	91,514	73,131	91,242
Total assets		107,677	194,725	234,938	217,630	241,435
Current liabilities						
Trade creditors		3,136	21,220	14,703	8,235	14,150
Due to associates						
— Trade		66	544	282	501	206
— Non-trade	15	39	254	—	99	—
Due to related parties						
— Trade		267	436	467	90	294
— Non-trade	15	63	72	74	76	66
Other payables	23	6,268	15,120	8,841	11,417	13,457
Current tax liabilities	10	1,153	2,748	1,933	2,096	2,472
Borrowings	24	47,678	77,182	105,697	108,198	108,403
		58,670	117,576	131,997	130,712	139,048
Non-current liabilities						
Borrowings	24	5,259	17,029	31,070	20,316	29,018
Accruals	25	830	1,128	1,739	1,779	1,812
Deferred tax liabilities	10	870	998	1,430	1,337	1,491
		6,959	19,155	34,239	23,432	32,321
Total liabilities		65,629	136,731	166,236	154,144	171,369
Net assets		42,048	57,994	68,702	63,486	70,066
Represented by:						
Share capital	26	18,203	18,203	18,203	18,203	18,203
Share premium		1,222	1,222	1,222	1,222	1,222
Convertible bonds	27	20,000	20,000	20,000	20,000	20,000
Foreign currency translation reserve	28	(5,976)	(3,665)	(2,768)	(2,508)	(4,872)
Retained earnings	29	6,179	18,093	29,543	24,348	34,524
General reserve	30	—	—	300	—	300
Interests of shareholders of the Company						
Minority interests		39,628	53,853	66,500	61,265	69,377
		2,420	4,141	2,202	2,221	689
		42,048	57,994	68,702	63,486	70,066

* Refer to Note 2(s) for information on the basis of preparation of the unaudited financial information for the years ended 31 December 2001 and 2002.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital US\$'000	Share premium US\$'000	Convertible bonds US\$'000	Foreign currency translation reserve US\$'000	Retained earnings US\$'000	General reserve US\$'000	Total US\$'000
Year ended 31 December 2001* (unaudited)							
Balance at beginning of financial year	6,414	11,613	—	(5,079)	644	—	13,592
Currency translation differences	—	—	—	(897)	—	—	(897)
Net losses not recognised in income statement	—	—	—	(897)	—	—	(897)
Net profit	—	—	—	—	6,475	—	6,475
Total recognised gains for the financial year	—	—	—	(897)	6,475	—	5,578
Preference shares redeemed	(117)	(11,613)	—	—	—	—	(11,730)
Issue of convertible bonds	—	—	20,000	—	—	—	20,000
Dividends (note 31)	—	—	—	—	(940)	—	(940)
Issue of share capital	11,906	1,222	—	—	—	—	13,128
Balance at end of financial year	18,203	1,222	20,000	(5,976)	6,179	—	39,628
Year ended 31 December 2002* (unaudited)							
Balance at beginning of financial year	18,203	1,222	20,000	(5,976)	6,179	—	39,628
Currency translation differences	—	—	—	2,311	—	—	2,311
Net gains not recognised in income statement	—	—	—	2,311	—	—	2,311
Net profit	—	—	—	—	11,914	—	11,914
Total recognised gains for the financial year	—	—	—	2,311	11,914	—	14,225
Balance at end of financial year	18,203	1,222	20,000	(3,665)	18,093	—	53,853
Year ended 31 December 2003 (audited)							
Balance at beginning of financial year	18,203	1,222	20,000	(3,665)	18,093	—	53,853
Currency translation differences	—	—	—	897	—	—	897
Net gains not recognised in income statement	—	—	—	897	—	—	897
Net profit	—	—	—	—	11,750	—	11,750
Total recognised gains for the financial year	—	—	—	897	11,750	—	12,647
Transfer to general reserve	—	—	—	—	(300)	300	—
Balance at end of financial year	18,203	1,222	20,000	(2,768)	29,543	300	66,500

* Refer to note 2(s) for information on the basis of preparation of the unaudited financial information for the years ended 31 December 2001 and 2002.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Share capital US\$'000	Share premium US\$'000	Convertible bonds US\$'000	Foreign currency translation reserve US\$'000	Retained earnings US\$'000	General reserve US\$'000	Total US\$'000
Six months ended 30 June 2003 (unaudited)							
Balance at beginning of financial period	18,203	1,222	20,000	(3,665)	18,093	—	53,853
Currency translation differences	—	—	—	1,157	—	—	1,157
Net gains not recognised in income statement	—	—	—	1,157	—	—	1,157
Net profit	—	—	—	—	6,255	—	6,255
Total recognised gains for the financial period	—	—	—	1,157	6,255	—	7,412
Balance at end of financial period	18,203	1,222	20,000	(2,508)	24,348	—	61,265
Six months ended 30 June 2004 (audited)							
Balance at beginning of financial period	18,203	1,222	20,000	(2,768)	29,543	300	66,500
Currency translation differences	—	—	—	(2,104)	—	—	(2,104)
Net losses not recognised in income statement	—	—	—	(2,104)	—	—	(2,104)
Net profit	—	—	—	—	8,981	—	8,981
Total recognised gains and losses for the financial period	—	—	—	(2,104)	8,981	—	6,877
Dividends (note 31)	—	—	—	—	(4,000)	—	(4,000)
Balance at end of financial period	18,203	1,222	20,000	(4,872)	34,524	300	69,377

* Refer to note 2(s) for information on the basis of preparation of the unaudited financial information for the years ended 31 December 2001 and 2002.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 December			Six months ended 30 June		
	Notes	2001*	2002*	2003	2003	2004
		US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)	US\$'000 (unaudited)	US\$'000 (audited)
Cash flows from operating activities						
Profit before tax and share of profits less losses of associates		9,516	16,208	16,974	8,772	11,581
Adjustments for:						
Depreciation		3,451	4,470	5,987	2,427	3,969
Amortisation of intangibles		605	636	848	309	739
Negative goodwill write-off		—	—	(303)	—	—
Interest income		(145)	(262)	(175)	(118)	(109)
Interest expense		4,817	6,526	8,208	3,912	3,730
(Gain)/loss on disposal of property, plant and equipment		(292)	78	139	184	(100)
Gain on disposal of an associate		(230)	—	—	—	—
Operating cash flow before working capital change		17,722	27,656	31,678	15,486	19,810
Change in operating assets and liabilities, net of effects from purchase of subsidiaries:						
Receivables		11,331	(15,990)	(6,724)	(3,770)	1,786
Inventories		(11,279)	(43,504)	(9,939)	(14,180)	(6,577)
Payables		(21,379)	28,058	(13,441)	(16,577)	(120)
Trade finance		8,807	25,345	6,321	22,496	1,809
Cash from operations		5,202	21,565	7,895	3,455	16,708
Interest paid		(491)	(1,096)	(1,990)	(1,020)	(1,184)
Income tax paid		(1,401)	(2,568)	(4,837)	(2,617)	(2,569)
Net cash inflow/(outflow) from operating activities		3,310	17,901	1,068	(182)	12,955
Cash flows from investing activities						
Payments for purchase of subsidiaries, net of cash acquired	18	(671)	19	(573)	—	—
Payments for purchase of additional interests in subsidiaries	18	—	—	(1,921)	(1,921)	(1,449)
Payment for acquisition of business, net of cash acquired	21	—	—	(11,058)	—	—
Payments for property, plant and equipment		(10,982)	(29,351)	(21,336)	(8,625)	(5,873)
Payments for development expenditure		(67)	(19)	(20)	(9)	(18)
Proceeds from sale of associates		645	—	—	—	—
Payments for investment in associates		(3,041)	(861)	(25)	—	—
Interest received		145	262	175	118	109
Proceeds from sale of property, plant and equipment		487	263	211	60	237
Net cash outflow from investing activities		(13,484)	(29,687)	(34,547)	(10,377)	(6,994)

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED CASH FLOW STATEMENTS (continued)

	Year ended 31 December			Six months ended 30 June		
	Notes	2001*	2002*	2003	2003	2004
		US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)	US\$'000 (unaudited)	US\$'000 (audited)
Cash flows from financing activities						
Net proceeds from issues of ordinary shares		13,128	—	—	—	—
Redemption of preference shares		(11,730)	—	—	—	—
Net proceeds from issue of convertible bonds		20,000	—	—	—	—
Repayment of loans to immediate holding corporation		(4,683)	—	—	—	—
Net proceeds from bank loans		12,516	13,032	36,351	12,001	1,691
Repayment of lease liabilities — net		(664)	(463)	(105)	(93)	(133)
Interest paid		(4,326)	(5,430)	(6,218)	(2,892)	(2,546)
Dividends paid		(940)	—	—	—	—
Funds from minority interests		—	50	—	—	—
(Increase)/decrease in fixed deposits held as collateral with financial institutions		(1,389)	(643)	1,922	2,007	(874)
Net cash inflow/(outflow) from financing activities		21,912	6,546	31,950	11,023	(1,862)
Exchange difference on translation		213	624	(91)	(222)	(352)
Net increase/(decrease) in cash and cash equivalents held		11,951	(4,616)	(1,620)	242	3,747
Cash and cash equivalents at the beginning of the financial year/period		(23,986)	(12,035)	(16,651)	(16,651)	(18,271)
Cash and cash equivalents at the end of the financial year/period	13	(12,035)	(16,651)	(18,271)	(16,409)	(14,524)

* Refer to note 2(s) for information on the basis of preparation of the unaudited financial information for the years ended 31 December 2001 and 2002.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. General

- (a) Petra Foods Pte Ltd is incorporated and domiciled in Singapore. The address of its registered office is 900 South Woodlands Drive, Woodlands Civic Centre, #04-03, Singapore 730900.
- (b) The principal activities of Petra Foods Pte Ltd and its subsidiaries (“the Group”) consist of manufacturing and marketing of industrial cocoa ingredients and consumer chocolate confectioneries, and investment holding. The principal activities of each of the subsidiaries are set out in note 18.
- (c) The consolidated financial information of the Group as set out in this section has been prepared for inclusion in the Prospectus to be issued in relation to the initial public offering of the shares of Petra Foods Pte Ltd on the Singapore Exchange Securities Trading Limited.
- (d) The consolidated financial information of the Group for the year ended 31 December 2003 and six months ended 30 June 2004 was extracted from the underlying audited consolidated financial statements without material adjustments to facilitate comparison of the consolidated financial information of the Group between the financial periods as set out in this section. This preceding statement has been included in the Prospectus for the purposes of compliance with the guidelines issued by the Monetary Authority of Singapore pursuant to the Securities and Futures Act (Cap. 289 of Singapore) to include a statement in the Prospectus that “information has been extracted from the underlying audited financial statements without material adjustments”, in the event that audited financial information has been presented in tabular form to facilitate comparison of the financial information between the financial periods.

2. Significant accounting policies

(a) Effect of changes in Singapore Companies Legislation

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from financial years commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory financial statements in accordance with Singapore Financial Reporting Standards (“FRS”).

Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

Previously, the Group prepared its statutory financial statements in accordance with Singapore Statements of Accounting Standard. The unaudited financial statements for the financial years ended 31 December 2001 and 2002 and six months ended 30 June 2003 and the audited financial statements for the financial year ended 31 December 2003 and six months ended 30 June 2004 have been prepared on the basis of compliance with FRS.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(b) Basis of preparation

These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Singapore Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(c) Group accounting

Subsidiaries

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Please refer to note 2(k) for the accounting policy on goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Associated companies

Associated companies are entities over which the Group generally has between 20% and 50% of the voting rights, and over which the Group has significant influence, but which it does not control. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(c) Group accounting (continued)

Associated companies (continued)

Equity accounting involves recognising the Group's share of the results of associated companies in the consolidated income statement and the Group's share of post-acquisition movements in reserves in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of investment. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

The Group's investments in associated companies are stated in the balance sheet at an amount that reflects its share of the net assets of the associated companies and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(d) Foreign currency translation

Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency").

The consolidated financial statements are presented in United States Dollars.

Transactions and balances

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

Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(d) Foreign currency translation (continued)

Group companies

The operations of the associated companies and foreign subsidiaries which account for their operations in other than United States Dollars have been determined as not being an integral part of the group holding company's operations. As such, the balance sheets of these entities are translated into United States Dollars at the exchange rates prevailing at the balance sheet date, and the results are translated using the average monthly exchange rates for the financial period. The exchange differences arising on translation of foreign subsidiaries, the Group's share of exchange differences arising from the translation of foreign associated companies, and borrowings and other currency instruments designated as hedges of investments in such foreign entities, are taken directly to the foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(e) Revenue recognition

Revenue comprises the invoiced value for the sale of goods and provision of services net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from the provision of services comprises income generated through long term processing arrangements and is recognised at the time the service is provided.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined such income will accrue to the Group. Dividends are recognised when the right to receive payment is established.

(f) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and on hand and bank overdrafts but exclude bank balances that are pledged as security for financing facilities. In the balance sheet, bank overdrafts are included under borrowings in current liabilities.

(h) Trade debtors

Trade debtors are carried at original invoice amount less an allowance made for doubtful debtors based on a review of all outstanding amounts at the year end. An allowance for doubtful debtors is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off when identified.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs in bringing each product to its present location and condition. The cost of manufactured inventories includes raw material cost, direct labour cost and production overheads based on the normal level of activity. The raw material cost, which comprises primarily cocoa beans, includes their purchase price, inward shipping costs and import duties and charges. Direct labour cost comprises primarily manufacturing staff cost. Production overheads comprise primarily utilities charges, rental costs, depreciation of plant and machinery and indirect labour costs related to the manufacturing of the inventories.

The cost of goods purchased includes their purchase price, inward shipping costs and import duties and charges.

Work-in-progress inventories include direct material cost and direct labour cost incurred to the date of the financial statements. The amount also includes an allocated amount of production overheads by applying an overhead rate to the estimated stage of completion.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Allowance for obsolete, slow-moving or defective inventories is made where necessary.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(j) Property, plant and equipment

All items of property, plant and equipment are recorded at historical cost less accumulated depreciation and impairment losses.

No depreciation is provided on freehold land and construction work in progress. Leasehold land is amortised evenly over the term of the lease.

Depreciation is calculated on a straight line basis to write off the cost of all other items of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Buildings and improvements	10-25 years
Machinery and equipment	10-15 years
Motor vehicles	5 years
Office equipment	5-10 years

The cost of repairs and maintenance is taken to the income statements during the financial year/period in which it is incurred. The cost of major renovations and restorations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and depreciated over the remaining useful life of the asset.

Interest on borrowings to finance the construction of property, plant and equipment is capitalised during the period of time that is required to complete and prepare each asset for its intended use.

Where an indication of impairment exists, the carrying amount of the asset is assessed and if recorded at above recoverable amount, written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

(k) Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries and associated companies over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(k) Goodwill (continued)

Goodwill on acquisitions of subsidiaries occurring on or after 1 January 2001 is included as intangible assets. Goodwill on acquisitions of associated companies occurring on or after 1 January 2001 is included in investments in associated companies. Goodwill on acquisitions that occurred prior to 1 January 2001 has been taken in full to retained earnings in shareholders' equity; such goodwill has not been retroactively capitalised and amortised.

Goodwill is amortised using the straight-line method over its estimated useful life. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 2001 acquisitions, the goodwill taken to shareholders' equity.

(l) Impairment of long lived assets

Property, plant and equipment and other non-current assets, including goodwill and other intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(m) Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(m) Leases (continued)

Operating leases

Leases where 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 taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(o) Employee benefits

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Post employment benefits

The Group, apart from the legally required social security schemes, operates defined contribution pension plans. The Group's obligation, in regard to the defined contribution plans, is limited to the amount it contributes to the funds. The expenses are disclosed under staff costs (note 6).

Employee termination entitlement

Employee entitlements upon termination are recognised when they accrue to the employees. A provision is made for the estimated liability for employee termination as a result of services rendered by employees up to the balance sheet date.

(p) Dividends

Dividends are recognised in the Group's financial statements in the period in which they are approved by the Group's shareholders.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(q) Financial derivatives

Derivatives are used to manage exposure to foreign exchange, interest rate and cocoa bean price risks arising from operational and financing activities.

Foreign exchange forward contracts

Foreign exchange forward contracts are used to hedge foreign exchange risk arising from receivables, payables, cocoa bean futures, and physical forward contracts that are denominated in foreign currencies. Foreign exchange forward contracts, including those embedded in cocoa bean futures and physical forward contracts, are stated at fair value and the change in fair value is recognised in the income statements.

Futures contracts

Cocoa bean futures are used to hedge price risk arising from future purchases of cocoa beans and future sales of cocoa products. The fair value of the cocoa bean futures is recognised as an asset or a liability on the balance sheet and the resulting gain or loss is charged to the cost of sale upon maturity or closing out of the futures.

Interest rate caps

Interest rate caps and corridors (which involves purchasing a lower cap rate and selling a higher cap rate) are used to hedge variability in cash flow arising from floating rate borrowings. Premium paid for the interest rate caps and corridors are recorded as an asset on the balance sheet at the date of purchase and amortised over the term of the options. Interest income or expense arising from the caps and corridors is recognised on an accrual basis.

(r) Segment reporting

Business segments provide products that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(s) Effects of change in accounting policy

The audited consolidated financial statements of the Group for the years ended 31 December 2001 and 2002 were measured and presented using Singapore Dollars (“SGD”) as the Company was statutorily required to present its statutory accounts in SGD. Upon adoption of INT FRS 19 Reporting Currency — Measurement and Presentation of Financial Statements under FRS 21 and FRS 29 (INT FRS 19) during the financial year ended 31 December 2003, the Group determined the United States Dollar (“USD”) as the appropriate measurement currency for certain entities within the Group as for those entities the USD best reflects the economic substance of the underlying events and circumstances relevant to them. To achieve comparability of the financial information presented, the consolidated financial information of the Group for the financial years ended 31 December 2001 and 2002 was remeasured on the same basis as for the financial year ended 31 December 2003 and presented using USD.

The effects on the audited consolidated financial statements of the Group are set out below:

Financial year ended 31 December 2001

	Reported in the statutory accounts for financial year ended 31 December 2001 S\$'000	In US\$ translated(*) US\$'000	Amounts in US\$ as restated in the comparative figures US\$'000	Increase/ (decrease) US\$'000
Profit after tax	11,489	6,418	6,475	57
Property, plant and equipment	49,317	26,803	29,112	2,309
Share capital	30,600	16,630	18,203	1,573
Foreign currency translation reserve	(18,077)	(9,824)	(5,976)	3,848
Retained earnings	17,206	9,351	6,179	(3,172)

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(s) *Effects of change in accounting policy (continued)*

Financial year ended 31 December 2002

	Reported in the statutory accounts for financial year ended 31 December 2002 S\$'000	In US\$ translated(*) US\$'000	Amounts in US\$ as restated in the comparative figures US\$'000	Increase/ (decrease) US\$'000
Profit after tax	22,692	12,677	11,914	(763)
Property, plant and equipment	94,739	54,762	56,076	1,314
Share capital	30,600	17,688	18,203	515
Foreign currency translation reserve	(16,589)	(9,589)	(3,665)	5,924
Retained earnings	39,898	23,062	18,093	(4,969)

(*) Translated at the average exchange rate for the items in the income statement and the year-end exchange rate for the balance sheet items for the financial years ended 31 December 2001 and 2002.

3. Revenue

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Revenue from sale of goods	145,212	231,790	319,320	147,481	178,412
Processing fee	—	—	2,520	—	5,312
	145,212	231,790	321,840	147,481	183,724

4. Cost of sales

Cost of sales consists of cost of goods sold and costs of processing services rendered.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Other income

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Write-back of allowance for doubtful debts	917	764	1,366	—	—
Gain on disposal of associate	230	—	—	—	—
Negative goodwill write-off	—	—	303	—	—
Miscellaneous income	718	888	1,066	286	429
	1,865	1,652	2,735	286	429

6. Staff costs

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Wages and salaries	8,232	10,365	14,360	6,405	9,264
Employer's contribution to defined contribution plans including Central Provident Fund	321	392	473	193	250
Termination benefits	240	133	330	542	236
	8,793	10,890	15,163	7,140	9,750

	As at 31 December			As at 30 June	
	2001	2002	2003	2003	2004
Number of persons employed	2,785	3,102	3,582	3,190	3,722

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Profit from operations

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Profit from operations is arrived at after:					
<i>Charging:</i>					
Auditors' remuneration paid/payable to:					
Auditors of the Company					
— Current financial year/period	24	38	43	20	19
— Underprovision of prior financial year/period	1	15	—	—	—
	25	53	43	20	19
Other auditors					
— Current financial year/period	54	77	99	42	71
— Underprovision of prior financial year/period	11	19	34	—	12
	65	96	133	42	83
Other fees paid/payable to:					
Auditors of the Company	—	—	15	—	—
Other auditors	—	—	50	8	27
	—	—	65	8	27
Amortisation of intangibles (note 21)	605	636	848	309	739
Depreciation of property, plant and equipment (note 20)	3,451	4,470	5,987	2,427	3,969
Allowance for doubtful trade debts	836	1,306	—	—	—
Allowance for inventory obsolescence	306	127	280	75	140
Rental expense — operating leases	595	790	980	361	336
Allowance for doubtful non-trade debts	255	—	—	—	20
Foreign exchange loss (net)	516	—	—	—	1,995
Loss on disposal of property, plant and equipment	—	78	139	184	—
Inventories written-off	—	—	238	—	89
Cost of inventories recognised as an expense	110,618	181,066	265,577	122,461	145,352
<i>And crediting:</i>					
Gain on disposal of associate	230	—	—	—	—
Gain on disposal of property, plant and equipment	292	—	—	—	100
Foreign exchange gain (net)	—	2,351	2,422	2,551	—
Allowance for obsolete inventories no longer required	58	—	—	—	—
Allowance for doubtful trade debts due from former related corporation no longer required	914	—	—	—	—
Allowance for doubtful trade debts no longer required	3	764	1,366	24	—

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Finance income

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Interest income					
— Fixed deposits	145	262	175	118	109
Net foreign exchange gain	189	—	—	—	268
	334	262	175	118	377

9. Finance costs

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Interest expense					
— Finance leases	101	20	26	11	14
— Bank loans and overdrafts	3,920	4,810	5,592	2,584	2,232
— Trade finance	491	1,096	1,990	1,020	1,184
— Convertible bonds	305	600	600	297	300
Net foreign exchange loss	—	45	112	85	—
	4,817	6,571	8,320	3,997	3,730

10. Tax

(a) Tax expense

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Tax expense attributable to profit is made up of:					
Current income tax					
Singapore	654	1,772	925	458	841
Foreign	1,622	2,271	2,799	1,450	2,421
	2,276	4,043	3,724	1,908	3,262
Deferred tax	27	(540)	738	297	(386)
	2,303	3,503	4,462	2,205	2,876
Under/(over) provision in preceding financial year/period					
— Current income tax	—	32	267	13	(80)
— Deferred tax	—	(99)	85	99	(366)
	2,303	3,436	4,814	2,317	2,430

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Tax (continued)

(a) Tax expense (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Profit before tax	9,265	15,927	16,599	8,610	11,314
Tax calculated at a tax rate of 24.5% at 31 December 2001; 22% at 31 December 2002, 31 December 2003 and 30 June 2003; and 20% at 30 June 2004	2,270	3,504	3,652	1,894	2,263
Tax concessions	(3)	(1,002)	(534)	(561)	(467)
Effect of different tax rates in other countries	183	710	952	289	500
Income not subject to tax	(77)	(243)	(356)	(442)	(230)
Expenses not deductible for tax purposes	561	629	786	1,025	810
Withholding tax not recovered from tax relief	—	29	24	—	—
Deferred tax not recognised in preceding financial year/period	(214)	—	—	—	—
Utilisation of previously unrecognised:					
— Tax losses	(414)	(124)	(62)	—	—
— Capital allowances	(3)	—	—	—	—
Tax charge	2,303	3,503	4,462	2,205	2,876

(b) Movements in current tax liabilities

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
At beginning of financial year/period	300	1,153	2,748	2,748	1,933
Exchange difference	(22)	88	31	34	(74)
Income tax paid	(1,401)	(2,568)	(4,837)	(2,617)	(2,569)
Tax expense on profit for the current financial year/period	2,276	4,043	3,724	1,908	3,262
Under/(over) provision in preceding financial year/period	—	32	267	23	(80)
At end of financial year/period	1,153	2,748	1,933	2,096	2,472

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Tax (continued)

(c) Deferred income taxes

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
At beginning of financial year/period	711	656	110	110	964
Charged/(credited) to income statement	27	(639)	823	396	(752)
Exchange difference	(82)	93	31	40	(57)
At end of financial year/period	656	110	964	546	155

The movement in the Group's deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the years/periods is as follows:

Deferred tax liabilities

	Accelerated tax depreciation US\$'000	Total US\$'000
At 31 December 2000	711	711
Charged to income statement	489	489
Exchange difference	(82)	(82)
At 31 December 2001	1,118	1,118
At 31 December 2001	1,118	1,118
Charged to income statement	69	69
Exchange difference	116	116
At 31 December 2002	1,303	1,303
At 31 December 2002	1,303	1,303
Charged to income statement	450	450
Exchange difference	39	39
At 31 December 2003	1,792	1,792
At 31 December 2002	1,303	1,303
Charged to income statement	1,948	1,948
Exchange difference	57	57
At 30 June 2003	3,308	3,308
At 31 December 2003	1,792	1,792
Credited to income statement	(71)	(71)
Exchange difference	(94)	(94)
At 30 June 2004	1,627	1,627

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Tax (continued)

(c) Deferred income taxes (continued)

Deferred tax assets

	Provisions US\$'000	Tax losses US\$'000	Other US\$'000	Total US\$'000
At 31 December 2000	—	—	—	—
Credited to income statement	(318)	(122)	(22)	(462)
At 31 December 2001	(318)	(122)	(22)	(462)
At 31 December 2001	(318)	(122)	(22)	(462)
(Credited)/charged to income statement	(724)	122	(106)	(708)
Exchange difference	(22)	—	(1)	(23)
At 31 December 2002	(1,064)	—	(129)	(1,193)
At 31 December 2002	(1,064)	—	(129)	(1,193)
Charged/(credited) to income statement	575	(321)	119	373
Exchange difference	(8)	—	—	(8)
At 31 December 2003	(497)	(321)	(10)	(828)
At 31 December 2002	(1,064)	—	(129)	(1,193)
Charged/(credited) to income statement	291	(1,868)	25	(1,552)
Exchange difference	(17)	—	—	(17)
At 30 June 2003	(790)	(1,868)	(104)	(2,762)
At 31 December 2003	(497)	(321)	(10)	(828)
Charged/(credited) to income statement	17	(720)	22	(681)
Exchange difference	37	—	—	37
At 30 June 2004	(443)	(1,041)	12	(1,472)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Deferred tax assets	(214)	(888)	(466)	(791)	(1,336)
Deferred tax liabilities	870	998	1,430	1,337	1,491

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. EBITDA

	Year ended 31 December			Six months ended 30 June	
	2001	2002	2003	2003	2004
	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)	US\$'000 (unaudited)	US\$'000 (audited)
Profit before tax	9,265	15,927	16,599	8,610	11,314
Interest expense	4,817	6,526	8,208	3,912	3,730
Interest income	(145)	(262)	(175)	(118)	(109)
Depreciation	3,451	4,470	5,987	2,427	3,969
Amortisation	605	636	848	309	739
	17,993	27,297	31,467	15,140	19,643

12. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the financial year/period by the weighted average number of ordinary shares on issue during the financial year/period.

	Year ended 31 December			Six months ended 30 June	
	2001	2002	2003	2003	2004
	(unaudited)	(unaudited)	(audited)	(unaudited)	(audited)
Net profit attributable to members of Petra Foods Pte Ltd (US\$'000)	6,475	11,914	11,750	6,255	8,981
Weighted average number of ordinary shares on issue for basic earnings per share ('000)	28,883	30,600	30,600	30,600	30,600
Basic earnings per share	22 cents	39 cents	38 cents	20 cents	29 cents

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Earnings per share (continued)

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares on issue by assuming conversion of all dilutive potential ordinary shares. Petra Foods Pte Ltd has convertible bonds on issue and these are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect.

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Net profit attributable to members of Petra Foods Pte Ltd	6,475	11,914	11,750	6,255	8,981
Interest expense on convertible bonds (net of tax)	254	537	538	266	265
Net profit used to determine diluted earnings per share	6,729	12,451	12,288	6,521	9,246
	<u>Number of shares '000</u>				
Weighted average number of ordinary shares on issue for basic earnings per share	28,883	30,600	30,600	30,600	30,600
Adjustment for assumed conversion of convertible bonds	6,800	10,200	10,200	10,200	10,200
Weighted average number of ordinary shares for diluted earnings per share	35,683	40,800	40,800	40,800	40,800
Diluted earnings per share	19 cents	31 cents	30 cents	16 cents	23 cents

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Cash and cash equivalents

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Cash at bank and on hand	9,711	8,386	6,746	8,527	7,779
Fixed deposits with financial institutions	3,365	4,008	2,086	2,001	2,960
	13,076	12,394	8,832	10,528	10,739

The fixed deposits with financial institutions mature on varying dates within 11 months from the end of each of the above financial years/periods. The weighted effective interest rate of these deposits was 1.78%, 1.96% and 1.38% per annum as at 31 December 2001, 2002 and 2003 respectively, and 1.01% and 2.65% per annum as at 30 June 2003 and 2004 respectively.

For the purposes of the consolidated cash flow statement, the year end consolidated cash and cash equivalents comprise the following:

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Cash and bank balances	13,076	12,394	8,832	10,528	10,739
Less: Fixed deposits held as collateral with financial institutions	(3,365)	(4,008)	(2,086)	(2,001)	(2,960)
Less: Bank overdrafts	(21,746)	(25,037)	(25,017)	(24,936)	(22,303)
Cash and cash equivalents per consolidated cash flow statement	(12,035)	(16,651)	(18,271)	(16,409)	(14,524)

14. Trade debtors

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Trade debtors	14,232	28,890	33,076	26,935	31,964
Less: Allowance for doubtful debts	(864)	(1,357)	—	(1,333)	—
	13,368	27,533	33,076	25,602	31,964

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Trade debtors (continued)

Movements in allowance for doubtful debts are as follows:

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
At beginning of financial year/period	137	864	1,357	1,357	—
Transfer arising from new acquisition of subsidiaries	—	—	12	—	—
Allowance made during the financial year/period	836	1,306	—	—	—
Bad debts written off against allowance	(106)	(49)	(3)	—	—
Allowance no longer required	(3)	(764)	(1,366)	(24)	—
At end of financial year/period	864	1,357	—	1,333	—

**15. Due from/(to) associates — Non-trade
Due from/(to) related parties — Non-trade**

The amounts due from/(to) associates and related parties are unsecured, interest-free and repayable on demand.

Related parties represent corporations in which certain directors have substantial financial interests.

16. Inventories

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Finished goods	8,916	18,655	38,062	28,036	42,043
Work in progress	1,420	2,517	3,778	4,470	3,318
Raw materials	24,794	55,222	45,481	57,594	47,736
Packaging materials & others	2,573	4,813	4,577	5,287	5,378
	37,703	81,207	91,898	95,387	98,475

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Inventories (continued)

Included in inventories are the following items carried at net realisable value:

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
<i>At net realisable value</i>					
Finished goods	2,660	3,980	5,166	5,410	6,557
Packaging materials & others	249	373	—	—	—

Movements in allowance for inventory obsolescence are as follows:

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
At beginning of financial year/period	66	314	441	441	450
Allowance made during the financial year/period	306	127	280	75	140
Allowance written back during the financial year/period	(58)	—	—	—	—
Write-off against allowance	—	—	(271)	—	—
At the end of financial year/ period	314	441	450	516	590

Inventories of the Group pledged as collateral for loans and trade finance obtained from banks are as follows:

	US\$'000
31 December 2001	28,199
31 December 2002	50,301
31 December 2003	64,257
30 June 2003	70,530
30 June 2004	70,768

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Other current assets

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Deposits	2,416	752	940	1,352	1,084
Prepayments	694	1,673	1,322	3,157	3,416
Other receivables	1,507	3,544	5,442	6,735	2,782
	4,617	5,969	7,704	11,244	7,282
Less: Allowance for doubtful debts	(255)	(241)	(11)	(241)	(31)
	4,362	5,728	7,693	11,003	7,251

Movements in allowance for doubtful debts are as follows:

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
At beginning of financial year/period	317	255	241	241	11
Allowance made during the financial year/period	—	—	—	—	20
Bad debts written off against allowance	(62)	(14)	(230)	—	—
At end of financial year/period	255	241	11	241	31

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Companies in the Group

Name of subsidiary/ Country of incorporation	Principal activities	Country of business	Equity holding				
			As at 31 December			As at 30 June	
			2001 %	2002 %	2003 %	2003 %	2004 %
Held by Petra Foods Pte Ltd							
McKeeson Consultants Private Limited [^] (Singapore)	Management consultants	Singapore	100	100	100	100	100
PT Perusahaan Industri Ceres* (Indonesia)	Manufacturing and marketing of consumer confectionery	Indonesia	95	95	95	95	99.96
PT General Food Industries* (Indonesia)	Manufacturing and marketing of industrial cocoa ingredients	Indonesia	95	95	95	95	99.98
PT Nirwana Lestari* (Indonesia)	Marketing and distribution of chocolate confections and other food products	Indonesia	95	95	95	95	99.99
Delfi Cocoa (Malaysia) Sdn. Bhd.* (Malaysia)	Manufacturing and marketing of industrial cocoa ingredients	Malaysia	100	100	100	100	100
Ceres Sime Confectionery Sdn Bhd* (Malaysia)	Manufacturing and marketing of finished chocolate confectionery products	Malaysia	—	60	60	60	60
Cocoa Specialities, Inc.* (Philippines)	Manufacturing and marketing of industrial cocoa ingredients	Philippines	100	100	100	100	100
Siam Cocoa Products Co. Ltd* (Thailand)	Manufacturing and marketing of industrial cocoa ingredients	Thailand	64	64	100	100	100
Delfi Chocolate Manufacturing S.A.* (Switzerland)	Administrative services	Switzerland	100	100	100	100	100
Petra-SPT Marketing Pte Ltd [@] (Singapore)	Marketing and distribution of chocolate confections and other food products	Singapore	—	—	100	—	100
Delfi Cocoa Investments 1 Pte Ltd [^] (Singapore)	Investment holding	Singapore	—	—	100	—	100
Delfi Cocoa USA, Inc. (United States of America)	Marketing of industrial cocoa ingredients	United States of America	—	—	100	—	100
Held by Ceres Sime Confectionery Sdn Bhd							
Ceres Sime Marketing Sdn Bhd* (Malaysia)	Marketing of consumer confectionery	Malaysia	—	—	100	—	100
Held by Delfi Cocoa Investments 1 Pte Ltd							
DCMX Cocoa, S.A. de C.V.* (Mexico)	Manufacturing and marketing of industrial cocoa ingredients	Mexico	—	—	100	—	100
Petra Management Services, S.A. de C.V.* (Mexico)	Provision of manpower services	Mexico	—	—	100	—	100
Delfi Cacau Brasil Ltda.* (Brazil)	Manufacturing and marketing of industrial cocoa ingredients	Brazil	—	—	100	—	100

[^] Audited by PricewaterhouseCoopers, Singapore.

^{*} Audited by PricewaterhouseCoopers firms outside Singapore.

[@] The subsidiary was previously a 50% owned associate. The additional 50% interest was acquired on 10 September 2003.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Companies in the Group (continued)

(a) Acquisitions of subsidiaries

Year ended 31 December 2001

Effective 2 January 2001, the Company acquired 100% of the issued share capital of Cocoa Specialities, Inc. for US\$269,000 in cash. Cocoa Specialities, Inc. is involved in the manufacturing and marketing of industrial cocoa ingredients.

On 2 January 2001, the Company acquired 100% of the issued share capital of Delfi Chocolate Manufacturing S.A. for US\$500,000 in cash. Delfi Chocolate Manufacturing S.A. is involved in the provision of administrative services.

Effective 1 May 2001, the Company acquired an additional 33% of the issued share capital of Siam Cocoa Products Co. Ltd, previously an associate, for US\$440,000 in cash. Siam Cocoa Products Co. Ltd is involved in the manufacturing and marketing of industrial cocoa ingredients.

Year ended 31 December 2002

On 4 December 2002, the Petra Foods Pte Ltd acquired 60% of the issued share capital of Ceres Sime Confectionery Sdn Bhd for US\$1,800,000 in cash. Ceres Sime Confectionery Sdn Bhd is involved in the manufacturing and marketing of finished chocolate confectionery products.

Ceres Sime Confectionery Sdn Bhd contributed an operating loss of US\$19,000 from 4 December 2002 to 31 December 2002. Its assets and liabilities at 31 December 2002 were US\$2,600,000 and US\$47,000 respectively.

Year ended 31 December 2003

On 31 July 2003, Ceres Sime Confectionery Sdn Bhd, a 60% owned subsidiary of the Company, acquired 100% of the issued share capital of Ceres Sime Marketing Sdn Bhd for US\$237,000 in cash. Ceres Sime Marketing Sdn Bhd is involved in the marketing of consumer confectionery.

On 10 September 2003, Petra Foods Pte Ltd acquired an additional 50% of the issued share capital of Petra-SPT Marketing Pte Ltd, previously an associate, at nil consideration. Petra-SPT Marketing Pte Ltd is involved in the marketing and distribution of chocolate confections and other food products.

Ceres Sime Marketing Sdn Bhd and Petra-SPT Marketing Pte Ltd contributed revenue of US\$2,261,000 and an operating loss of US\$49,000 to the Group from their respective dates of acquisition to 31 December 2003. Their combined assets and liabilities at 31 December 2003 were US\$2,895,000 and US\$2,098,000 respectively.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Companies in the Group (continued)

(a) Acquisitions of subsidiaries (continued)

The fair value of the share of net assets acquired approximated to the book value of the net assets. The effects of the acquisitions to the Group's financial position are as follows:

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Fair values of identifiable net assets of subsidiaries acquired:					
Plant and equipment	6,601	794	167	—	—
Receivables	2,715	6	995	—	—
Inventories	8,474	—	752	—	—
Cash	686	1,819	19	—	—
Bank overdraft	(148)	—	(355)	—	—
Borrowings	—	—	(9)	—	—
Payables	(20,527)	(47)	(773)	—	—
	(2,199)	2,572	796	—	—
Less: Minority interests	(1,196)	(1,029)	—	—	—
Less: Transfer of interest from investment in associate	(1,195)	—	(303)	—	—
	(4,590)	1,543	493	—	—
Goodwill	5,799	257	47	—	—
Negative goodwill write-off	—	—	(303)	—	—
Total consideration — paid in cash	1,209	1,800	237	—	—
Less: Cash and cash equivalents in subsidiaries acquired					
Cash	686	1,819	19	—	—
Bank overdraft	(148)	—	(355)	—	—
	538	1,819	(336)	—	—
Net (outflow)/inflow of cash	(671)	19	(573)	—	—

(b) Acquisitions of additional interests in subsidiaries

Six months ended 30 June 2003

Effective 1 January 2003, Petra Foods Pte Ltd acquired the remaining 36% of the issued share capital of Siam Cocoa Products Co. Ltd from the minority shareholders. Total consideration was US\$1,921,000 in cash. The fair value of the net assets acquired was US\$2,009,000 and negative goodwill arising from the acquisition was US\$88,000.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Companies in the Group (continued)

(b) Acquisitions of additional interests in subsidiaries (continued)

Six months ended 30 June 2004

Effective 1 January 2004, Petra Foods Pte Ltd acquired an additional 4.98%, 4.96% and 4.99% of the issued share capital of PT General Food Industries, PT Perusahaan Industri Ceres and PT Nirwana Lestari respectively from the minority shareholders. Total consideration was US\$1,423,000 payable in the form of allotment of 1,077,700 new ordinary shares of Petra Foods Pte Ltd which were issued on 12 August 2004 [note 26(b)].

During the financial period, Petra Foods Pte Ltd paid an additional consideration of US\$26,000 in connection with the acquisition of Ceres Sime Marketing Sdn. Bhd.

19. Investments in associates

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
At beginning of financial year/period	1,863	3,048	3,996	3,996	3,533
Net tangible assets acquired during the financial year/period	3,041	861	25	—	—
Share of results before and after tax	(251)	(281)	(375)	(162)	(267)
Net tangible assets disposed of during the financial year/period	(415)	—	—	—	—
Transfer of interest to investment in subsidiary	(1,195)	—	(303)	—	—
Exchange differences	5	368	190	270	(333)
At end of financial year/period	3,048	3,996	3,533	4,104	2,933

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Investments in associates (continued)

The details of the associates are as follows:

Name of company	Country of incorporation	Principal activity	Equity holding				
			As at 31 December			As at 30 June	
			2001 %	2002 %	2003 %	2003 %	2004 %
Petra-SPT Marketing Pte Ltd [@]	Singapore	Marketing and distribution of chocolate confections and other food products	50	50	—	50	—
PT Ceres — Meiji Indotama [*]	Indonesia	Manufacturing and marketing of snacks and food products	49.5	49.5	49.5	49.5	49.96
Delfi Foods, Inc.	Philippines	Dormant	—	40	40	40	40
Alsa Industries, Inc. [*]	Philippines	Leasing of property	40	40	40	40	40

[^] Audited by PricewaterhouseCoopers, Singapore.

^{*} Audited by PricewaterhouseCoopers firms outside Singapore.

[@] The company became a wholly-owned subsidiary on 10 September 2003.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Property, plant and equipment

Year ended 31 December 2001 (unaudited)

	Land, buildings & improvements US\$'000	Construction in progress US\$'000	Machinery & equipment US\$'000	Motor vehicles US\$'000	Office equipment US\$'000	Total US\$'000
<i>Cost</i>						
At beginning of financial year	3,851	164	16,802	2,875	1,271	24,963
Exchange rate adjustments	(240)	(21)	(1,186)	(192)	(95)	(1,734)
New subsidiaries acquisition, at cost	4,048	78	11,160	670	316	16,272
Additions, at cost	279	5,691	3,891	841	280	10,982
Disposals, at cost	—	—	(334)	(361)	(20)	(715)
Reclassification	—	(574)	595	(22)	1	—
At end of financial year	7,938	5,338	30,928	3,811	1,753	49,768
<i>Accumulated depreciation</i>						
At beginning of financial year	730	—	5,706	1,258	913	8,607
Exchange rate adjustments	(71)	—	(332)	(86)	(64)	(553)
Disposals	—	—	(176)	(324)	(20)	(520)
Depreciation charge	333	—	2,477	489	152	3,451
Transfer in arising from new subsidiaries acquisition	1,242	—	7,597	566	266	9,671
At end of financial year	2,234	—	15,272	1,903	1,247	20,656
Net book value						
At end of financial year	5,704	5,338	15,656	1,908	506	29,112

Year ended 31 December 2002 (unaudited)

	Land, buildings & improvements US\$'000	Construction in progress US\$'000	Machinery & equipment US\$'000	Motor vehicles US\$'000	Office equipment US\$'000	Total US\$'000
<i>Cost</i>						
At beginning of financial year	7,938	5,338	30,928	3,811	1,753	49,768
Exchange rate adjustments	287	320	1,416	239	136	2,398
New subsidiaries acquisition, at cost	—	—	1,041	—	17	1,058
Additions, at cost	1,872	25,349	703	673	823	29,420
Disposals, at cost	(3)	—	(348)	(361)	(180)	(892)
Reclassification	2,644	(11,555)	8,007	—	904	—
At end of financial year	12,738	19,452	41,747	4,362	3,453	81,752
<i>Accumulated depreciation</i>						
At beginning of financial year	2,234	—	15,272	1,903	1,247	20,656
Exchange rate adjustments	97	—	518	128	94	837
Disposals	(3)	—	(128)	(247)	(173)	(551)
Depreciation charge	400	—	3,188	602	280	4,470
Transfer in arising from new subsidiaries acquisition	—	—	257	—	7	264
At end of financial year	2,728	—	19,107	2,386	1,455	25,676
Net book value						
At end of financial year	10,010	19,452	22,640	1,976	1,998	56,076

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Property, plant and equipment (continued)

Year ended 31 December 2003 (audited)

	Land, buildings & improvements US\$'000	Construction in progress US\$'000	Machinery & equipment US\$'000	Motor vehicles US\$'000	Office equipment US\$'000	Total US\$'000
<i>Cost</i>						
At beginning of financial year	12,738	19,452	41,747	4,362	3,453	81,752
Exchange rate adjustments	317	40	677	120	121	1,275
New subsidiaries acquisition, at cost	161	—	16	1	81	259
Acquisition of business	1,054	—	1,443	7	23	2,527
Additions, at cost	2,274	14,897	2,294	857	1,014	21,336
Disposals, at cost	(30)	(303)	(502)	(263)	(136)	(1,234)
Reclassification	10,555	(27,991)	17,115	—	321	—
At end of financial year	27,069	6,095	62,790	5,084	4,877	105,915
<i>Accumulated depreciation</i>						
At beginning of financial year	2,728	—	19,107	2,386	1,455	25,676
Exchange rate adjustments	47	—	221	61	54	383
Disposals	(25)	—	(480)	(256)	(123)	(884)
Depreciation charge	644	—	3,995	710	638	5,987
Transfer in arising from new subsidiaries acquisition	36	—	10	1	45	92
Reclassification	5	—	39	—	(44)	—
At end of financial year	3,435	—	22,892	2,902	2,025	31,254
Net book value						
At end of financial year	23,634	6,095	39,898	2,182	2,852	74,661

Six months ended 30 June 2003 (unaudited)

	Land, buildings & improvements US\$'000	Construction in progress US\$'000	Machinery & equipment US\$'000	Motor vehicles US\$'000	Office equipment US\$'000	Total US\$'000
<i>Cost</i>						
At beginning of financial period	12,738	19,452	41,747	4,362	3,453	81,752
Exchange rate adjustments	446	55	952	167	163	1,783
Additions, at cost	14	7,677	289	353	292	8,625
Disposals, at cost	—	(237)	—	(141)	(2)	(380)
Reclassification	9,167	(24,838)	15,693	—	(22)	—
At end of financial period	22,365	2,109	58,681	4,741	3,884	91,780
<i>Accumulated depreciation</i>						
At beginning of financial period	2,728	—	19,107	2,386	1,455	25,676
Exchange rate adjustments	42	—	307	86	53	488
Disposals	—	—	—	(136)	—	(136)
Depreciation charge	254	—	1,550	335	288	2,427
At end of financial period	3,024	—	20,964	2,671	1,796	28,455
Net book value						
At end of financial period	19,341	2,109	37,717	2,070	2,088	63,325

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Property, plant and equipment (continued)

Six months ended 30 June 2004 (audited)

	Land, buildings & improvements US\$'000	Construction in progress US\$'000	Machinery & equipment US\$'000	Motor vehicles US\$'000	Office equipment US\$'000	Total US\$'000
<i>Cost</i>						
At beginning of financial period	27,069	6,095	62,790	5,084	4,877	105,915
Exchange rate adjustments	(452)	(72)	(1,450)	(260)	(298)	(2,532)
Additions, at cost	22	4,213	1,169	163	306	5,873
Disposals, at cost	—	(3)	(186)	(183)	(28)	(400)
Reclassification	49	(5,413)	5,093	—	271	—
At end of financial period	26,688	4,820	67,416	4,804	5,128	108,856
<i>Accumulated depreciation</i>						
At beginning of financial period	3,435	—	22,892	2,902	2,025	31,254
Exchange rate adjustments	(109)	—	(558)	(176)	(160)	(1,003)
Disposals	—	—	(54)	(183)	(26)	(263)
Depreciation charge	391	—	2,752	392	434	3,969
At end of financial period	3,717	—	25,032	2,935	2,273	33,957
Net book value						
At end of financial period	22,971	4,820	42,384	1,869	2,855	74,899

- (a) At the balance sheet date, the net book value of plant and equipment of the Group under finance lease agreements amounted to:

	US\$'000
31 December 2001	1,583
31 December 2002	1,267
31 December 2003	293
30 June 2003	1,054
30 June 2004	585

- (b) Bank borrowings are secured on property, plant and equipment of the Group with a carrying value of:

	US\$'000
31 December 2001	13,920
31 December 2002	40,024
31 December 2003	63,298
30 June 2003	50,267
30 June 2004	59,191

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Intangibles

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Goodwill arising on consolidation	5,219	4,870	12,531	4,482	11,836
Expenditure carried forward	42	35	39	38	47
	5,261	4,905	12,570	4,520	11,883
<i>Gross goodwill arising on consolidation</i>					
At the beginning of the financial year/period	—	5,219	4,870	4,870	12,531
Acquisition of new subsidiaries or additional interests in subsidiaries	5,799	257	(41)	(88)	34
Acquisition of new business	—	—	8,531	—	—
Amortisation for the financial year/period	(580)	(606)	(829)	(300)	(729)
At the end of the financial year/period	5,219	4,870	12,531	4,482	11,836
Gross goodwill	5,799	6,056	14,546	5,968	14,580
Accumulated amortisation	(580)	(1,186)	(2,015)	(1,486)	(2,744)
Net book value	5,219	4,870	12,531	4,482	11,836
<i>Expenditure carried forward</i>					
At the beginning of the financial year/period	—	42	35	35	39
Additions during the financial year/period	67	19	20	9	18
Amortisation for the financial year/period	(25)	(30)	(19)	(9)	(10)
Exchange difference	—	4	3	3	—
At the end of the financial year/period	42	35	39	38	47
Cost	67	90	113	102	131
Accumulated amortisation	(25)	(55)	(74)	(64)	(84)
	42	35	39	38	47

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Intangibles (continued)

On 1 October 2003, Delfi Cacau Brasil Ltda. acquired a business involved in the manufacturing and marketing of industrial cocoa ingredients in Brazil, for US\$11,058,000 in cash. The fair value of the net assets acquired approximated to the book value of the assets. The effect of the acquisition of the business to the Group's financial position is as follows:

	2003 US\$'000
Fair values of identifiable net assets acquired — Plant and equipment	2,527
Goodwill	8,531
Total consideration — paid in cash	<u>11,058</u>

22. Other non-current assets

These represent deposits placed under finance leases.

23. Other payables

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Non-trade creditors	2,976	8,468	2,931	5,353	4,340
Accrued operating expenses	3,292	6,652	5,910	6,064	5,117
Dividends payable	—	—	—	—	4,000
	<u>6,268</u>	<u>15,120</u>	<u>8,841</u>	<u>11,417</u>	<u>13,457</u>

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Borrowings

(a) Current

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Bank overdrafts — secured	21,746	25,037	25,017	24,936	22,303
Bank loans — secured	11,924	12,786	19,161	21,576	22,845
Lease liabilities (note 33)	470	476	221	307	148
Trade finance — secured	13,538	38,883	61,298	61,379	63,107
	47,678	77,182	105,697	108,198	108,403

The bank loans and overdrafts are secured by certain pledged deposits, trade receivables, inventories and property, plant and equipment or by letters of corporate guarantee from the shareholders. These are for working capital purposes.

Trade finance is principally comprised of a structured and collateralised finance arrangement for the purposes of financing raw material (cocoa beans) purchases.

(b) Non-current

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Bank loans — secured	4,659	16,829	30,720	20,040	28,728
Lease liabilities (note 33)	600	200	350	276	290
	5,259	17,029	31,070	20,316	29,018

The bank loans are used to finance the newly acquired business as well as plant investment. These loans are secured on the respective property, plant and equipment of the subsidiaries and letters of corporate guarantee from Petra Foods Pte Ltd. The loans as at 30 June 2004 are repayable within 2 to 6 years.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Borrowings (continued)

(c) Analysis by currency

The borrowings are denominated in the following currencies:

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
United States Dollars	39,741	50,503	89,101	71,492	92,681
Others	13,196	43,708	47,666	57,022	44,740
	52,937	94,211	136,767	128,514	137,421

(d) Effective interest rates

	As at 31 December			As at 30 June	
	2001 (unaudited)	2002 (unaudited)	2003 (audited)	2003 (unaudited)	2004 (audited)
<i>The weighted average effective interest rates at the balance sheet date were as follows:</i>					
Bank overdrafts	11.1%	11.7%	6.3%	10.4%	5.1%
Bank loans	11.4%	9.6%	6.5%	9.5%	5.7%
Finance lease liabilities (note 33)	2.0%	3.2%	6.7%	4.4%	6.5%
Trade finance	4.1%	4.2%	3.8%	4.0%	3.8%

The Group's borrowings bear interest at floating rates tied to prevailing market rates.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Borrowings (continued)

(e) Carrying amounts and fair values

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The carrying amounts of short-term borrowings and lease obligations approximate their fair values.

The non-current borrowings are carried in the balance sheet at amounts not significantly different from their fair values.

(f) Maturity of non-current borrowings

Maturity of non-current borrowings (excluding finance lease liabilities) is as follows:

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Between 1 and 2 years	2,427	7,464	8,448	5,627	8,771
Between 2 and 5 years	2,232	9,365	18,721	10,827	15,492
Later than 5 years	—	—	3,551	3,586	4,465
	4,659	16,829	30,720	20,040	28,728

25. Accruals

Non-current

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Employee termination entitlements	616	688	1,274	1,286	1,384
Others	214	440	465	493	428
	830	1,128	1,739	1,779	1,812

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share capital of Petra Foods Pte Ltd

(a) Authorised share capital

The total authorised number of ordinary shares at each balance sheet date was 49 million shares with a par value of S\$1 per share.

The total authorised number of redeemable preference shares at each balance sheet date was 1 million shares with a par value of S\$1 per share.

(b) Issued share capital, fully paid

	As at 31 December			As at 30 June		As at 31 December			As at 30 June	
	2001 Shares '000	2002 Shares '000	2003 Shares '000	2003 Shares '000	2004 Shares '000	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
At beginning of financial year/period										
— Ordinary shares	10,000	30,600	30,600	30,600	30,600	6,297	18,203	18,203	18,203	18,203
— Preference shares	200	—	—	—	—	117	—	—	—	—
Additions — ordinary shares	20,600	—	—	—	—	11,906	—	—	—	—
Redemptions — preference shares	(200)	—	—	—	—	(117)	—	—	—	—
At end of financial year/period — Ordinary shares	30,600	30,600	30,600	30,600	30,600	18,203	18,203	18,203	18,203	18,203

Events occurring after balance sheet date

On 12 August 2004, Petra Foods Pte Ltd issued 1,077,700 new ordinary shares with a par value of S\$1.00 per share to acquire an additional 4.98%, 4.96% and 4.99% of the issued share capital of PT General Food Industries, PT Perusahaan Industri Ceres and PT Nirwana Lestari respectively from minority shareholders. The newly issued shares rank pari passu in all respects with the previously issued shares.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Convertible bonds

In the financial year 2001, the Company issued 3.0% convertible bonds at a nominal value of US\$20 million.

28. Foreign currency translation reserve

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
At beginning of financial year/period	(5,079)	(5,976)	(3,665)	(3,665)	(2,768)
Net exchange differences on translation of financial statements of foreign subsidiaries	(897)	2,311	897	1,157	(2,104)
At end of financial year/period	(5,976)	(3,665)	(2,768)	(2,508)	(4,872)

29. Retained earnings

Retained earnings of the Group are distributable except for the following retained earnings of subsidiaries which are included in the Group's retained earnings.

	US\$'000
31 December 2001	2,111
31 December 2002	2,299
31 December 2003	2,125
30 June 2003	2,517
30 June 2004	2,237

30. General reserve

General reserve represents amounts set aside in compliance with local laws in certain countries where the Group operates and is non-distributable.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Dividends

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Ordinary dividends paid or proposed:					
Interim dividend of 4.07 cents per share, paid net of tax at 24.5% in 2001	940	—	—	—	—
Interim tax exempt one-tier dividend of 13.07 cents per share approved and declared on 3 June 2004 for the financial year ending 31 December 2004	—	—	—	—	4,000

32. Immediate and ultimate holding corporation

The immediate and ultimate holding corporation of Petra Foods Pte Ltd is Fremont Investment Limited, incorporated in Liberia.

33. Lease liabilities

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Not later than one financial year	489	493	241	326	165
Later than one financial year but not later than five financial years	636	228	350	303	292
Later than five financial years	3	—	39	—	28
Minimum lease payments	1,128	721	630	629	485
Less: Future finance charges	(58)	(45)	(59)	(46)	(47)
Provided for in the financial statements	1,070	676	571	583	438
Representing lease liabilities:					
Current [note 24(a)]	470	476	221	307	148
Non-current [note 24(b)]	600	200	350	276	290
	1,070	676	571	583	438

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Guarantees

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Bankers guarantees secured	82	103	82	138	81
Letters of credit in force	1,536	1,682	502	673	749
	1,618	1,785	584	811	830

35. Commitments for expenditure

(a) *Capital commitments*

Capital commitments not provided for in the financial statements:

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Expenditure for property, plant and equipment, contracted for	10,821	5,520	1,942	3,018	1,747
Approved by the directors but not contracted for	19,878	4,553	1,238	1,777	8,506
	30,699	10,073	3,180	4,795	10,253

(b) *Lease commitments*

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:

	As at 31 December			As at 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Not later than one financial year	359	394	695	564	1,002
Later than one financial year but not later than five financial years	295	205	837	721	799
Later than five financial years	84	82	216	140	199
	738	681	1,748	1,425	2,000

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates and cocoa bean price risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses financial instruments such as foreign exchange forward contracts, futures contracts and interest rate caps to hedge certain exposures.

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Singapore Dollars, Great Britain Pounds, Australian Dollars, Indonesian Rupiah, Thailand Baht, Philippines Pesos, Mexican Pesos and Brazilian Reals. The Group Treasury seeks to mitigate such risks by hedging the net position arising from futures contracts and other foreign currency exposures by borrowing in matching currencies, and through the use of foreign currency forward contracts.

The Group has foreign subsidiaries and associated companies, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the Group's subsidiary and associated company in Indonesia is managed primarily through borrowings denominated in the relevant foreign currencies.

(ii) *Interest rate risk*

The Group's income and operating cash flows are exposed to changes in market interest rates. It is the Group's policy to hedge a portion of the interest rate risk of the Group.

(iii) *Credit risk*

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

(iv) *Liquidity risk*

Due to the dynamic nature of the underlying businesses, the Group Treasury adopts prudent liquidity risk management policies in maintaining sufficient credit facilities including the use of structured or trade finance for its raw material (cocoa beans) requirement.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. Financial risk management (continued)

Financial risk factors (continued)

(v) Commodity price risk

The manufacturing of the Group's products requires raw materials such as cocoa beans. The value of the Group's open sales and purchase commitments and inventory of raw materials changes continuously in line with price movements in the respective commodity markets. The Group uses commodity futures and commodity forward contracts to manage price risks associated with this inventory and with open commitments.

37. Financial instruments

(a) Foreign exchange forward contracts

Foreign exchange forward contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates.

At 31 December 2001, 2002 and 2003, the outstanding contracts amounted to:

	2001 Notional values US\$'000	2001 Fair values US\$'000	2002 Notional values US\$'000	2002 Fair values US\$'000	2003 Notional values US\$'000	2003 Fair values US\$'000
Forward contracts:						
— Buy	27,203	17	91,627	79	41,972	(72)
— Sell	27,471	(10)	91,587	73	38,453	62

At 30 June 2003 and 2004, the outstanding contracts amounted to:

	2003 Notional values US\$'000	2003 Fair values US\$'000	2004 Notional values US\$'000	2004 Fair values US\$'000
Forward contracts:				
— Buy	32,965	(62)	23,579	808
— Sell	33,557	7	24,379	(62)

The settlement dates on open forward contracts ranged between 1 month and 2 years from the end of each of the financial years/periods.

The fair value of foreign exchange forward contracts is determined by reference to forward exchange market rates at each of the balance sheet dates.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. Financial instruments (continued)

(b) Futures contracts

The Group enters into futures contracts to hedge its risks associated with the fluctuation in cocoa prices.

At 31 December 2001, 2002 and 2003, the outstanding contracts amounted to:

	2001 Notional values US\$'000	2001 Fair values US\$'000	2002 Notional values US\$'000	2002 Fair values US\$'000	2003 Notional values US\$'000	2003 Fair values US\$'000
Futures contracts:						
— Cocoa terminal market purchases	17,576	3,525	106,668	6,398	60,293	(6,872)
— Cocoa terminal market sales	20,922	(3,993)	99,950	(457)	68,259	9,824

At 30 June 2003 and 2004, outstanding contracts amounted to:

	2003 Notional values US\$'000	2003 Fair values US\$'000	2004 Notional values US\$'000	2004 Fair values US\$'000
Futures contracts:				
— Cocoa terminal market purchases	136,839	(1,807)	89,928	(7,494)
— Cocoa terminal market sales	164,582	12,834	99,567	12,645

The settlement dates on open futures contracts ranged between 3 months and 2 years from the end of each of the financial years/periods.

The fair value of futures contracts is determined by reference to quoted market prices for future contracts with similar terms at each of the balance sheet dates.

(c) Interest rate caps

Interest rate caps are entered into to mitigate the risk arising from potential fluctuations in interest rates.

As at 30 June 2004, the outstanding contracts amounted to:

	Notional value US\$'000	Fair value US\$'000
Interest rate caps	30,000	306

The interest rate options are repriced on semi-annual basis, and mature in May 2010.

There were no outstanding contracts for the previous financial years/periods.

The fair value of interest rate caps is determined based on rates quoted by the Group's bankers assuming these contracts were to be liquidated at the balance sheet date.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Fair values

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash, trade receivables and payables, other receivables and payables, finance lease obligations and current borrowings. Information on the fair values of non-current borrowings and financial instruments are included in notes 24 and 37 respectively.

39. Related party transactions

(a) Sales and purchases of goods and services

In addition to other related party information included elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year/period on terms agreed by the parties concerned:

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Sales to associates	303	711	942	450	228
Purchases from associates	92	2,249	3,153	1,645	1,223
Rental payable to associates	1	2	4	1	2
Service fee receivable from associates	201	—	—	—	—
Service fee payable to associates	113	242	146	99	—
Rental and delivery service receivable from associates	142	109	71	—	—
Sales to related parties	5,272	6,188	9,538	4,201	4,491
Rental payable to related party	—	—	—	47	43
Sale of machinery to a related party	—	—	9	—	—
Purchases from related parties	1,676	1,964	2,577	1,097	1,287

Related parties represent companies in which certain directors have substantial financial interests.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Related party transactions (continued)

(b) Directors' remuneration

Directors' remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and where the Group did not incur any costs, the value of the benefit is included. The total directors' remuneration is as follows:

	Year ended 31 December			Six months ended 30 June	
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)
Directors' remuneration					
— Directors of the Company	731	950	1,056	452	580
— Directors of subsidiaries	538	993	1,178	586	632
Professional fees paid to a firm/company in which a director is a member	355	73	199	27	45
Fees paid to director related corporations	196	216	255	103	72
Directors' fees	20	33	40	—	—

40. Audited financial statements

No audited financial statements of the Group have been prepared for any period subsequent to 30 June 2004.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Segment information

Primary reporting format — business segments

	Cocoa ingredients US\$'000	Consumer chocolate & distribution US\$'000	Elimination US\$'000	Group US\$'000
Year ended 31 December 2001 (unaudited)				
Revenue:				
— external sales	93,273	51,939	—	145,212
— inter-segment sales	8,349	—	(8,349)	—
	<u>101,622</u>	<u>51,939</u>	<u>(8,349)</u>	<u>145,212</u>
Profit from operations	6,238	7,761	—	13,999
Finance costs — net				(4,483)
Share of results of associates				(251)
Profit before tax				9,265
Tax				(2,303)
Profit after tax				6,962
Minority interest				(487)
Net profit				<u>6,475</u>
Segment assets	79,604	24,811	—	104,415
Associates				3,048
Unallocated assets				214
Consolidated total assets				<u>107,677</u>
Segment liabilities	51,048	12,558	—	63,606
Unallocated liabilities				2,023
Consolidated total liabilities				<u>65,629</u>
Other segment items				
Capital expenditure	8,158	2,891	—	11,049
Depreciation	2,280	1,171	—	3,451
Amortisation	605	—	—	605
Other non-cash expenses	1,135	262	—	1,397
Other non-cash income	975	—	—	975
EBITDA ⁽¹⁾	<u>9,312</u>	<u>8,681</u>	<u>—</u>	<u>17,993</u>

⁽¹⁾ EBITDA represents net profit before net interest expense, income tax, depreciation and amortisation expense.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Segment information (continued)

Primary reporting format — business segments (continued)

	Cocoa ingredients US\$'000	Consumer chocolate & distribution US\$'000	Elimination US\$'000	Group US\$'000
Year ended 31 December 2002				
(unaudited)				
Revenue:				
— external sales	159,829	71,961	—	231,790
— inter-segment sales	11,002	—	(11,002)	—
	<u>170,831</u>	<u>71,961</u>	<u>(11,002)</u>	<u>231,790</u>
Profit from operations	11,659	10,858	—	22,517
Finance costs — net				(6,309)
Share of results of associates				(281)
Profit before tax				<u>15,927</u>
Tax				(3,436)
Profit after tax				<u>12,491</u>
Minority interest				(577)
Net profit				<u>11,914</u>
Segment assets	149,509	40,332	—	189,841
Associates				3,996
Unallocated assets				888
Consolidated total assets				<u>194,725</u>
Segment liabilities	106,248	26,737	—	132,985
Unallocated liabilities				3,746
Consolidated total liabilities				<u>136,731</u>
Other segment items				
Capital expenditure	21,328	8,111	—	29,439
Depreciation	2,843	1,627	—	4,470
Amortisation	610	26	—	636
Other non-cash expenses	1,433	—	—	1,433
Other non-cash income	502	262	—	764
EBITDA ⁽¹⁾	<u>15,067</u>	<u>12,230</u>	<u>—</u>	<u>27,297</u>

⁽¹⁾ EBITDA represents net profit before net interest expense, income tax, depreciation and amortisation expense.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Segment information (continued)

Primary reporting format — business segments (continued)

	Cocoa ingredients US\$'000	Consumer chocolate & distribution US\$'000	Elimination US\$'000	Group US\$'000
Year ended 31 December 2003				
(audited)				
Revenue:				
— external sales	228,967	92,873	—	321,840
— inter-segment sales	15,093	—	(15,093)	—
	<u>244,060</u>	<u>92,873</u>	<u>(15,093)</u>	<u>321,840</u>
Profit from operations	12,005	13,114	—	25,119
Finance costs — net				(8,145)
Share of results of associates				(375)
Profit before tax				<u>16,599</u>
Tax				(4,814)
Profit after tax				<u>11,785</u>
Minority interest				(35)
Net profit				<u>11,750</u>
Segment assets	187,194	43,745	—	230,939
Associates				3,533
Unallocated assets				466
Consolidated total assets				<u>234,938</u>
Segment liabilities	136,114	26,759	—	162,873
Unallocated liabilities				3,363
Consolidated total liabilities				<u>166,236</u>
Other segment items				
Capital expenditure	15,443	5,913	—	21,356
Depreciation	3,604	2,383	—	5,987
Amortisation	820	28	—	848
Other non-cash expenses	406	112	—	518
Negative goodwill write-off	—	303	—	303
Other non-cash income	1,357	9	—	1,366
EBITDA ⁽¹⁾	<u>16,317</u>	<u>15,150</u>	<u>—</u>	<u>31,467</u>

⁽¹⁾ EBITDA represents net profit before net interest expense, income tax, depreciation and amortisation expense.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Segment information (continued)

Primary reporting format — business segments (continued)

	Cocoa ingredients US\$'000	Consumer chocolate & distribution US\$'000	Elimination US\$'000	Group US\$'000
Six months ended 30 June 2003				
(unaudited)				
Revenue:				
— external sales	106,821	40,660	—	147,481
— inter-segment sales	5,980	—	(5,980)	—
	<u>112,801</u>	<u>40,660</u>	<u>(5,980)</u>	<u>147,481</u>
Profit from operations	6,381	6,270	—	12,651
Finance costs — net				(3,879)
Share of results of associates				(162)
Profit before tax				<u>8,610</u>
Tax				(2,317)
Profit after tax				6,293
Minority interest				(38)
Net profit				<u>6,255</u>
Segment assets	171,385	41,350	—	212,735
Associates				4,104
Unallocated assets				791
Consolidated total assets				<u>217,630</u>
Segment liabilities	122,836	27,875	—	150,711
Unallocated liabilities				3,433
Consolidated total liabilities				<u>154,144</u>
Other segment items				
Capital expenditure	5,922	2,712	—	8,634
Depreciation	1,319	1,108	—	2,427
Amortisation	296	13	—	309
Other non-cash expenses	75	—	—	75
Other non-cash income	24	—	—	24
EBITDA ⁽¹⁾	<u>7,813</u>	<u>7,327</u>	<u>—</u>	<u>15,140</u>

⁽¹⁾ EBITDA represents net profit before net interest expense, income tax, depreciation and amortisation expense.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Segment information (continued)

Primary reporting format — business segments (continued)

	Cocoa ingredients US\$'000	Consumer chocolate & distribution US\$'000	Elimination US\$'000	Group US\$'000
Six months ended 30 June 2004				
(audited)				
Revenue:				
— external sales	130,660	53,064	—	183,724
— inter-segment sales	8,592	—	(8,592)	—
	<u>139,252</u>	<u>53,064</u>	<u>(8,592)</u>	<u>183,724</u>
Profit from operations	7,569	7,365	—	14,934
Finance costs — net				(3,353)
Share of results of associates				(267)
Profit before tax				<u>11,314</u>
Tax				(2,430)
Profit after tax				<u>8,884</u>
Minority interest				<u>97</u>
Net profit				<u>8,981</u>
Segment assets	189,630	47,536	—	237,166
Associates				2,933
Unallocated assets				1,336
Consolidated total assets				<u>241,435</u>
Segment liabilities	139,998	23,408	—	163,406
Unallocated liabilities				7,963
Consolidated total liabilities				<u>171,369</u>
Other segment items				
Capital expenditure	2,543	3,348	—	5,891
Depreciation	2,618	1,351	—	3,969
Amortisation	722	17	—	739
Other non-cash expenses	155	94	—	249
EBITDA ⁽¹⁾	<u>10,496</u>	<u>9,147</u>	<u>—</u>	<u>19,643</u>

⁽¹⁾ EBITDA represents net profit before net interest expense, income tax, depreciation and amortisation expense.

The Group is organised into two main business segments:

- ▶ Cocoa ingredients — manufacture and marketing of a wide range of speciality cocoa butter, liquor and powder under the Delfi brand; and
- ▶ Consumer chocolate & distribution — manufacture and marketing of chocolate confectionery products under a variety of brands, including Delfi, Silver Queen and Selamat, and distribution of a wide range of food products, including third party brands.

Inter-segment transactions are determined on an arm's length basis. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash and exclude deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to property, plant and equipment, and intangible assets, including additions resulting from acquisition of business.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Segment information (continued)

Secondary reporting format — geographical segments

The Group's two business segments operate in the following main geographical areas:

	Revenue						Total assets						Capital expenditure		
	Year ended 31 December		Six months ended 30 June		As at 31 December		As at 30 June		Year ended 31 December		Six months ended 30 June				
	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2004 US\$'000 (audited)	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2004 US\$'000 (audited)	2001 US\$'000 (unaudited)	2002 US\$'000 (unaudited)	2003 US\$'000 (audited)	2004 US\$'000 (audited)	2003 US\$'000 (unaudited)	2004 US\$'000 (audited)	
Indonesia	64,393	81,110	107,905	47,976	59,523	56,386	81,550	88,042	88,948	90,349	6,793	9,055	5,610	2,693	4,241
Singapore	4,236	6,873	16,732	9,529	11,572	39,850	87,890	80,495	102,233	108,921	1,026	688	576	146	120
Philippines	9,662	18,792	22,702	10,340	11,022	16,198	22,903	17,820	14,226	12,957	71	69	120	16	—
Thailand	4,220	5,761	11,092	5,841	5,378	13,319	25,382	21,037	26,922	20,626	2,421	1,727	58	32	64
Malaysia	625	4,168	10,924	2,801	8,625	2,711	23,977	56,492	38,275	61,603	671	17,881	11,863	5,738	1,394
Other countries in Asia	22,172	28,332	45,665	18,564	27,095	—	—	—	—	—	—	—	—	—	—
Australia	14,466	19,566	34,970	19,008	16,838	—	—	—	—	—	—	—	—	—	—
Europe	5,706	45,559	35,713	15,604	27,514	638	784	847	716	591	67	19	20	9	18
North America	16,304	12,053	21,124	11,006	6,756	—	—	—	—	81	—	—	—	—	—
South America	2,988	7,995	9,963	4,231	7,945	—	—	17,865	—	17,300	—	—	3,109	—	54
Africa	440	1,581	5,050	2,581	1,456	—	—	—	—	—	—	—	—	—	—
Eliminations	145,212	231,790	321,840	147,481	183,724	129,102 (21,425)	242,486 (47,761)	282,598 (47,660)	271,320 (53,690)	312,428 (70,993)	11,049	29,439	21,356	8,634	5,891
	145,212	231,790	321,840	147,481	183,724	107,677	194,725	234,938	217,630	241,435	11,049	29,439	21,356	8,634	5,891

Sales are based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area where the assets are located.

The auditors' report on the audit of the consolidated financial statements of Petra Foods Pte Ltd for the financial year ended 31 December 2002 from which the audited consolidated financial information of the Group as set out on pages F-63 to F-95 was extracted is set out below:

Auditors' Report to the Members of Petra Foods Pte Ltd

We have audited the financial statements of Petra Foods Pte Ltd and the consolidated financial statements of the Group for the financial year ended 31 December 2002 set out on pages 9 to 42. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("the Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group at 31 December 2002, the results and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year ended on that date; and
 - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements of the Company and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of the subsidiaries are stated in note 15 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any material qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under section 207(3) of the Act.

PricewaterhouseCoopers
Certified Public Accountants
Singapore, 13 May 2003

The auditors' report on the audit of the consolidated financial statements of Petra Foods Pte Ltd for the financial year ended 31 December 2001 from which the audited consolidated financial information of the Group as set out on pages F-63 to F-95 was extracted is set out below:

Auditors' Report to the Members of Petra Foods Pte Ltd

We have audited the financial statements of Petra Foods Pte Ltd and the consolidated financial statements of the Group for the financial year ended 31 December 2001 set out on pages 9 to 43. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("the Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group at 31 December 2001, the results and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year ended on that date; and
 - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements of the Company and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' report of the subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of the subsidiaries are stated in note 16 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any material qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under section 207(3) of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 22 April 2002

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED INCOME STATEMENTS

For the financial years ended 31 December 2001 and 2002

	Notes	2001 S\$'000	2002 S\$'000
Revenue	3	266,421	414,535
Other operating income		3,524	4,021
Changes in inventories		38,667	71,465
Purchases and related costs		(233,545)	(384,260)
Staff costs	4	(15,956)	(19,443)
Depreciation		(6,055)	(7,271)
Amortisation		(1,038)	(1,093)
Other operating expenses		(24,453)	(37,039)
Operating profit	5	27,565	40,915
Finance income	6	262	745
Finance costs	7	(10,588)	(11,626)
Share of results of associates		(483)	(500)
Profit before tax		16,756	29,534
Tax	8	(4,252)	(5,764)
Profit from ordinary activities before minority interest		12,504	23,770
Minority interest		(1,015)	(1,078)
Profit after tax attributable to the members of the Company		11,489	22,692

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

As at 31 December 2001 and 2002

	Notes	2001 S\$'000	2002 S\$'000
Current assets			
Cash and cash equivalents	9	24,141	21,342
Trade debtors	10	26,740	48,643
Due from associates			
— Trade		354	285
— Non-trade	11	56	988
Inventories	12	69,721	141,186
Other current assets	13	8,493	9,755
		<u>129,505</u>	<u>222,199</u>
Non-current assets			
Investments in associates	15	5,695	6,801
Property, plant and equipment	16	49,317	94,739
Intangibles	17	9,008	8,434
Deferred tax assets	8	398	2,095
Other non-current assets	18	480	342
		<u>64,898</u>	<u>112,411</u>
Total assets		<u>194,403</u>	<u>334,610</u>
Current liabilities			
Trade creditors		6,328	37,259
Due to associates			
— Trade		123	923
— Non-trade	11	73	432
Other payables	19	12,963	34,643
Provision for current tax	8	2,134	4,732
Borrowings	20	87,583	124,032
		<u>109,204</u>	<u>202,021</u>
Non-current liabilities			
Borrowings	20	9,821	29,390
Accruals	21	1,551	1,921
Deferred tax liabilities	8	1,626	2,037
		<u>12,998</u>	<u>33,348</u>
Total liabilities		<u>122,202</u>	<u>235,369</u>
Net assets		<u>72,201</u>	<u>99,241</u>
Share capital and reserves			
Share capital	22	30,600	30,600
Share premium		2,127	2,127
Convertible bonds		36,000	36,000
Foreign currency translation reserve	23	(18,077)	(16,589)
Retained earnings	24	17,206	39,898
Interests of shareholders of the Company		<u>67,856</u>	<u>92,036</u>
Minority interests		4,345	7,205
		<u>72,201</u>	<u>99,241</u>

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial years ended 31 December 2001 and 2002

	Notes	Share capital S\$'000	Share premium S\$'000	Convertible bonds S\$'000	Asset revaluation reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2001		10,200	19,800	—	—	(18,710)	6,910	18,200
Revaluation surplus		—	—	—	468	—	—	468
Currency translation differences		—	—	—	—	633	—	633
Net gains not recognised in income statement		—	—	—	468	633	—	1,101
Net profit		—	—	—	—	—	11,489	11,489
Total recognised gains and losses for the financial year		—	—	—	468	633	11,489	12,590
Transfer to retained profits		—	—	—	(468)	—	468	—
Preference shares redeemed	22	(200)	(19,800)	—	—	—	—	(20,000)
Issue of convertible bonds		—	—	36,000	—	—	—	36,000
Dividend	25	—	—	—	—	—	(1,661)	(1,661)
Issue of share capital	22	20,600	2,127	—	—	—	—	22,727
Balance at 31 December 2001		30,600	2,127	36,000	—	(18,077)	17,206	67,856
Balance at 1 January 2002								
— as previously reported		30,600	2,127	36,000	—	(18,077)	16,808	67,458
— effect of adopting SAS 12		—	—	—	—	—	398	398
— as restated		30,600	2,127	36,000	—	(18,077)	17,206	67,856
Currency translation differences		—	—	—	—	1,488	—	1,488
Net gains not recognised in income statement		—	—	—	—	1,488	—	1,488
Net profit		—	—	—	—	—	22,692	22,692
Total recognised gains and losses for the financial year		—	—	—	—	1,488	22,692	24,180
Balance at 31 December 2002		30,600	2,127	36,000	—	(16,589)	39,898	92,036

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED CASH FLOW STATEMENTS

For the financial years ended 31 December 2001 and 2002

	Notes	2001 S\$'000	2002 S\$'000
Cash flows from operating activities			
Profit before tax and share of profits less losses of associates		17,239	30,034
Adjustments for:			
Depreciation		6,055	7,271
Amortisation of intangibles		1,038	1,093
Interest income		(262)	(468)
Interest expense		8,814	11,626
Gain on disposal of property, plant and equipment		(563)	113
Gain on disposal of an associate		(190)	—
Revaluation surplus		468	—
Operating cash flow before working capital change		32,599	49,669
Change in operating assets and liabilities, net of effects from purchase of subsidiary:			
Receivables		17,676	(23,880)
Inventories		(23,527)	(71,438)
Payables		(34,927)	54,058
Cash (used in)/from operations		(8,179)	8,409
Income tax paid		(2,564)	(4,585)
Net cash (outflow)/inflow from operating activities		(10,743)	3,824
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	14	(1,223)	6
Payments for property, plant and equipment		(19,756)	(50,950)
Payments for development expenditure		(123)	(33)
Proceeds from sale of associates		1,172	—
Payment for investment in associates		(5,536)	(1,422)
Interest received		262	468
Proceeds from sale of property, plant and equipment		902	360
Net cash outflow from investing activities		(24,302)	(51,571)
Cash flows from financing activities			
Net proceeds from issues of ordinary shares		22,727	—
Redemption of preference shares		(20,000)	—
Net proceeds from issue of convertible bonds		36,000	—
Repayment of loans to immediate holding corporation		(8,101)	—
Proceeds from borrowings		39,483	55,015
Repayment of lease liabilities		(2,553)	(944)
Interest paid		(8,814)	(11,626)
Dividends paid		(1,661)	—
Increase in fixed deposits held as collateral with financial institutions		(2,845)	(701)
Net cash inflow from financing activities		54,236	41,744
Exchange difference on translation		(526)	667
Net increase/(decrease) in cash and cash equivalents held		18,665	(5,336)
Cash and cash equivalents at the beginning of the financial year		(41,497)	(22,832)
Cash and cash equivalents at the end of the financial year	9	(22,832)	(28,168)

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. General

- (a) The Company is incorporated and domiciled in Singapore. The address of its registered office is 900 South Woodlands Drive, Woodlands Civic Centre, #04-03, Singapore 730900.
- (b) The principal activities of Petra Foods Pte Ltd and its subsidiaries (“the Group”) consist of manufacturing and marketing of industrial cocoa ingredients and consumer chocolate confectioneries, and investment holding. The principal activities of each of the subsidiaries are set out in note 14.
- (c) The consolidated financial information of the Group as set out in this section has been prepared for inclusion in the Prospectus to be issued in relation to the initial public offering of the shares of Petra Foods Pte Ltd on the Singapore Exchange Securities Trading Limited.
- (d) The consolidated financial information of the Group for the years ended 31 December 2001 and 2002 was extracted from the underlying audited consolidated financial statements without material adjustments to facilitate comparison of the consolidated financial information of the Group between the financial years as set out in this section. This preceding statement has been included in the Prospectus for the purposes of compliance with the guidelines issued by the Monetary Authority of Singapore pursuant to the Securities and Futures Act (Cap. 289 of Singapore) to include a statement in the Prospectus that “information has been extracted from the underlying audited financial statements without material adjustments”, in the event that audited financial information has been presented in tabular form to facilitate comparison of the financial information between the financial years.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Statements of Accounting Standard. The financial statements have been prepared under the historical cost convention.

The financial statements are expressed in Singapore dollars.

In 2002, the Group adopted SAS 12 (2001) Income Taxes. The effect of adopting SAS 12 is summarised in the consolidated statement of changes in equity and further information is disclosed in note 8.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

2. Significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(c) Foreign currencies

Transactions in currencies other than the reporting currency of individual entities are converted to the respective reporting currency at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into the respective reporting currency at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the income statements.

For the purpose of consolidation of subsidiaries and the equity accounting of associates, the balance sheets are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, and the results are translated using the weighted average exchange rates for the financial year. The exchange differences arising on translation of foreign subsidiaries, and the Group's share of exchange differences arising from the translation of foreign associates, are taken directly to the foreign currency translation reserve. On disposal, these translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(d) Revenue recognition

Revenue comprises the invoiced value for the sale of goods and provision of services net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from the provision of services comprises income generated through long term processing arrangements and is recognised at the time the service is provided.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined such income will accrue to the Group. Dividends are recognised when the right to receive payment is established.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

2. Significant accounting policies (continued)

(e) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and on hand and bank overdrafts but exclude bank balances that are pledged as security for financing facilities. In the balance sheet, bank overdrafts are included under borrowings in current liabilities.

(g) Trade debtors

Trade debtors are carried at original invoice amount less an allowance made for doubtful debtors based on a review of all outstanding amounts at the year end. An allowance for doubtful debtors is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off when identified.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

2. Significant accounting policies (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs in bringing each product to its present location and condition. The cost of manufactured inventories includes raw material cost, direct labour cost and production overheads based on the normal level of activity. The raw material cost, which comprises primarily cocoa beans, includes their purchase price, inward shipping costs and import duties and charges. Direct labour cost comprises primarily manufacturing staff cost. Production overheads comprise primarily utilities charges, rental costs, depreciation of plant and machinery and indirect labour costs related to the manufacturing of the inventories.

The cost of goods purchased includes their purchase price, inward shipping costs and import duties and charges.

Work-in-progress inventories include direct material cost and direct labour cost incurred to the date of the financial statements. The amount also includes an allocated amount of production overheads by applying an overhead rate to the estimated stage of completion.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Allowance for obsolete, slow-moving or defective inventories is made where necessary.

(i) Group accounting

Subsidiaries

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

2. Significant accounting policies (continued)

(i) Group accounting (continued)

Subsidiaries (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Please refer to note 2(k) for the accounting policy on goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Associated companies

Associated companies are entities over which the Group generally has between 20% and 50% of the voting rights, and over which the Group has significant influence, but which it does not control. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising the Group's share of the results of associated companies in the consolidated income statement and the Group's share of post-acquisition movements in reserves in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of investment. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

The Group's investments in associated companies are stated in the balance sheet at an amount that reflects its share of the net assets of the associated companies and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

2. Significant accounting policies (continued)

(j) Property, plant and equipment

All items of property, plant and equipment are recorded at historical cost less accumulated depreciation and impairment losses.

No depreciation is provided on freehold land and construction work in progress. Leasehold land is amortised evenly over the term of the lease.

Depreciation is calculated on a straight line basis to write off the cost of all other items of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Buildings and improvements	10-25 years
Machinery and equipment	10-15 years
Motor vehicles	5 years
Office equipment	5-10 years

The cost of repairs and maintenance is taken to the income statements during the financial year in which it is incurred. The cost of major renovations and restorations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and depreciated over the remaining useful life of the asset.

Interest on borrowings to finance the construction of property, plant and equipment is capitalised during the period of time that is required to complete and prepare each asset for its intended use.

Where an indication of impairment exists, the carrying amount of the asset is assessed and if recorded at above recoverable amount, written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

(k) Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries and associated companies over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

2. Significant accounting policies (continued)

(k) Goodwill (continued)

Goodwill on acquisitions of subsidiaries occurring on or after 1 January 2001 is included as intangible assets. Goodwill on acquisitions of associated companies occurring on or after 1 January 2001 is included in investments in associated companies. Goodwill on acquisitions that occurred prior to 1 January 2001 has been taken in full to retained earnings in shareholders' equity; such goodwill has not been retroactively capitalised and amortised.

Goodwill is amortised using the straight-line method over its estimated useful life. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 2001 acquisitions, the goodwill taken to shareholders' equity.

(l) Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where 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 taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

2. Significant accounting policies (continued)

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(n) Employee benefits

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Post employment benefits

The Group, apart from the legally required social security schemes, operates defined contribution pension plans. The Group's obligation, in regard to the defined contribution plans, is limited to the amount it contributes to the funds. The expenses are disclosed under staff costs (note 4).

Employee termination entitlement

Employee entitlements upon termination are recognised when they accrue to the employees. A provision is made for the estimated liability for employee termination as a result of services rendered by employees up to the balance sheet date.

(o) Dividends

Dividends are recognised in the Group's financial statements in the period in which they are approved by the Group's shareholders.

(p) Financial derivatives

Derivatives are used to manage exposure to foreign exchange and cocoa bean price risks arising from operational and financing activities.

Foreign exchange forward contracts

Foreign exchange forward contracts are used to hedge foreign exchange risk arising from receivables, payables, cocoa bean futures, and physical forward contracts that are denominated in foreign currencies. Foreign exchange forward contracts, including those embedded in cocoa bean futures and physical forward contracts, are stated at fair value and the change in fair value is recognised in the income statements.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

2. Significant accounting policies (continued)

(p) Financial derivatives (continued)

Futures contracts

Cocoa bean futures are used to hedge price risk arising from future purchases of cocoa beans and future sales of cocoa products. The fair value of the cocoa bean futures is recognised as an asset or a liability on the balance sheet and the resulting gain or loss is charged to the cost of sale upon maturity or closing out of the futures.

3. Revenue

	2001	2002
	S\$'000	S\$'000
Revenue from sale of goods	266,421	414,535

4. Staff costs

	2001	2002
	S\$'000	S\$'000
Wages and salaries	14,941	18,505
Employer's contribution to defined contribution plans including Central Provident Fund	574	701
Termination benefits	441	237
	15,956	19,443

	2001	2002
Number of persons employed at the end of the financial year	2,785	3,102

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

5. Operating profit

	2001	2002
	S\$'000	S\$'000
Operating profit is arrived at after:		
<i>Charging:</i>		
Auditors' remuneration paid/payable to:		
Auditors of the Company		
— Current financial year	42	68
— Underprovision of prior financial year	2	27
	<hr/>	<hr/>
	44	95
Other auditors		
— Current financial year	99	136
— Underprovision of prior financial year	20	34
	<hr/>	<hr/>
	119	170
Provision for inventory obsolescence	569	208
Provision for doubtful trade debts	1,502	2,247
Rental expense — operating leases	1,084	1,410
Provision for doubtful non-trade debts	470	—
Loss on disposal of property, plant and equipment	—	113
<i>And crediting:</i>		
Gain on disposal of associate	190	—
Gain on disposal of property, plant and equipment	563	—
Foreign exchange gain (net)	567	4,123
Writeback of provision for obsolete inventories	100	—
Writeback of provision for former related corporation	1,681	—
Provision for doubtful trade debts no longer required	4	1,405

6. Finance income

	2001	2002
	S\$'000	S\$'000
<hr/>		
Interest income		
— Fixed deposits	262	468
Net foreign exchange gain	—	277
	<hr/>	<hr/>
	262	745
<hr/>		

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

7. Finance costs

	2001	2002
	S\$'000	S\$'000
Interest expense		
— Finance leases	183	35
— Bank loans and overdrafts	7,698	9,036
— Trade finance	372	1,500
— Convertible bonds	561	1,055
Net foreign exchange loss	1,774	—
	<u>10,588</u>	<u>11,626</u>

8. Tax

(a) Tax expense

	2001	2002
	S\$'000	S\$'000
Tax expense attributable to profit is made up of:		
Current income tax		
Singapore	1,209	3,053
Foreign	2,980	4,052
	<u>4,189</u>	<u>7,105</u>
Deferred tax		
As previously reported	461	(1,009)
Effect of adopting SAS 12	(398)	—
	<u>63</u>	<u>(1,009)</u>
	<u>4,252</u>	<u>6,096</u>
Under/(over) provision in preceding financial year		
— Current income tax	—	54
— Deferred tax	—	(386)
	<u>4,252</u>	<u>5,764</u>

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

8. Tax (continued)

(a) Tax expense (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	2001	2002
	S\$'000	S\$'000
Profit before tax	16,756	29,534
Tax calculated at a tax rate of 24.5% in 2001 and 22% in 2002	4,105	6,497
Tax concessions	(5)	(1,833)
Effect of different tax rates in other countries	653	1,287
Income not subject to tax	(140)	(442)
Expenses not deductible for tax purposes	816	758
Withholding tax not recovered from tax relief	—	52
Deferred tax not recognised in preceding financial year	(398)	—
Utilisation of previously unrecognised:		
— Tax losses	(773)	(223)
— Capital allowances	(6)	—
	4,252	6,096

(b) Movements in provision for current tax

	2001	2002
	S\$'000	S\$'000
At beginning of financial year	520	2,134
Exchange difference	(11)	24
Income tax paid	(2,564)	(4,585)
Tax expense on profit for the current financial year	4,189	7,105
Under-provision in preceding financial year	—	54
At end of financial year	2,134	4,732

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

8. Tax (continued)

(c) Deferred income taxes

With effect from 1 January 2002, the Group adopted SAS 12. The effect of implementing SAS 12 is disclosed as follows:

	2001	2002
	S\$'000	S\$'000
At beginning of financial year		
— As previously reported	1,230	1,626
— Effect of adopting SAS 12	—	(398)
— As restated	1,230	1,228
Charged/(credited) to income statement	63	(1,397)
Exchange difference	(65)	111
At end of financial year	1,228	(58)

The movement in the Group's deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

Deferred tax liabilities

	Accelerated tax depreciation	Total
	S\$'000	S\$'000
At 31 December 2001	2,087	2,087
Charged to income statement	29	29
Exchange differences	100	100
At 31 December 2002	2,216	2,216

Deferred tax assets

	Provisions	Tax losses	Other	Total
	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2001	(591)	(227)	(41)	(859)
(Credited)/charged to income statement	(1,254)	223	(388)	(1,419)
Exchange differences	(7)	(7)	18	4
At 31 December 2002	(1,852)	(11)	(411)	(2,274)

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

8. Tax (continued)

(c) Deferred income taxes (continued)

Deferred tax assets (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	2001	2002
	S\$'000	S\$'000
Deferred tax assets	(398)	(2,095)
Deferred tax liabilities	1,626	2,037

9. Cash and cash equivalents

	2001	2002
	S\$'000	S\$'000
Cash at bank and on hand	17,877	14,377
Fixed deposits with financial institutions	6,264	6,965
	24,141	21,342

For the purposes of the consolidated cash flow statement, the year end consolidated cash and cash equivalents comprise the following:

	2001	2002
	S\$'000	S\$'000
Cash and bank balances (as above)	24,141	21,342
Less: Fixed deposits held as collateral with financial institutions	(6,264)	(6,965)
Less: Bank overdrafts [note 20(a)]	(40,709)	(42,545)
Cash and cash equivalents per consolidated cash flow statement	(22,832)	(28,168)

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

10. Trade debtors

	2001	2002
	S\$'000	S\$'000
Trade debtors	28,330	50,990
Less: Provision for doubtful debts	(1,590)	(2,347)
	<u>26,740</u>	<u>48,643</u>

Movements in provision for doubtful debts are as follows:

	2001	2002
	S\$'000	S\$'000
At beginning of financial year	237	1,590
Provision made during the financial year	1,502	2,247
Bad debts written off against provision	(145)	(85)
Provision no longer required	(4)	(1,405)
At end of financial year	<u>1,590</u>	<u>2,347</u>

11. Due from/(to) associates — Non-trade

The amounts due from/(to) associates are unsecured, interest-free and repayable on demand.

12. Inventories

	2001	2002
	S\$'000	S\$'000
<i>At cost</i>		
Finished goods	10,485	19,785
Work in progress	2,646	4,322
Raw materials	32,483	58,991
Goods in transit	14,217	42,983
Packaging materials & others	4,473	7,563
	<u>64,304</u>	<u>133,644</u>
<i>At net realisable value</i>		
Finished goods (net of provision of \$340,000 in 2001 and \$595,000 in 2002)	4,953	6,897
Packaging materials & others (net of provision of \$244,000 in 2001 and \$170,000 in 2002)	464	645
	<u>69,721</u>	<u>141,186</u>

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

12. Inventories (continued)

Movements in provision for inventory obsolescence are as follows:

	2001	2002
	S\$'000	S\$'000
At beginning of financial year	115	584
Provision made during the financial year	569	208
Provision written back during the financial year	(100)	—
Exchange difference	—	(27)
At end of financial year	584	765

Inventories amounting to S\$49,570,000 and S\$94,655,000 as at 31 December 2001 and 2002 respectively were pledged as collateral for the loans and trade finance obtained from banks.

13. Other current assets

	2001	2002
	S\$'000	S\$'000
Deposits	4,468	1,306
Prepayments	1,288	2,676
Other receivables	3,207	6,189
	8,963	10,171
Less: Provision for doubtful debts	(470)	(416)
	8,493	9,755

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

14. Companies in the Group

Name of subsidiary/ Country of incorporation	Principal activities	Country of business	Equity holding	
			2001 %	2002 %
Mckeeson Consultants Private Limited (Singapore)	Management consultants	Singapore	100	100
PT Perusahaan Industri Ceres* (Indonesia)	Manufacturing and marketing of consumer confectionery	Indonesia	95	95
PT General Food Industries* (Indonesia)	Manufacturing and marketing of industrial cocoa ingredients	Indonesia	95	95
PT Nirwana Lestari* (Indonesia)	Marketing and distribution of chocolate confections and other food products	Indonesia	95	95
Delfi Cocoa (Malaysia) Sdn. Bhd.* (Malaysia)	Manufacturing and marketing of industrial cocoa ingredients	Malaysia	100	100
Ceres Sime Confectionery Sdn Bhd*# (Malaysia)	Manufacturing and marketing of finished chocolate confectionery products	Malaysia	—	60
Cocoa Specialities, Inc.* (Philippines)	Manufacturing and marketing of industrial cocoa ingredients	Philippines	100	100
Siam Cocoa Products Co. Ltd* (Thailand)	Manufacturing and marketing of industrial cocoa ingredients	Thailand	64	64
Delfi Chocolate Manufacturing S.A.* (Switzerland)	Administrative services	Switzerland	100	100

* Audited by other members of the worldwide PricewaterhouseCoopers organisation.

The subsidiary was acquired on 4 December 2002.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

14. Companies in the Group (continued)

Acquisition of subsidiaries

During the financial year 2002, the Company acquired a subsidiary.

Details of the acquisition are as follows:

	S\$'000
Fair values of identifiable net assets of subsidiary acquired	
Plant and equipment	1,398
Receivables	10
Cash	3,204
Payables	(82)
	<u>4,530</u>
Less: Minority interests	(1,812)
	<u>2,718</u>
Goodwill	480
	<u>3,198</u>
Total consideration — paid in cash	3,198
Less: Cash and cash equivalents in subsidiary acquired — Cash	3,204
	<u>6</u>
Net inflow of cash	6

During the financial year 2001, the Company acquired certain subsidiaries.

Details of the acquisitions are as follows:

	S\$'000
Fair values of identifiable net assets of subsidiaries acquired	
Plant and equipment	11,701
Trade debtors and other assets	4,843
Inventories	15,140
Cash	1,235
Bank overdraft	(269)
Trade creditors and payables	(36,032)
	<u>(3,382)</u>
Less: Minority interests	(4,352)
	<u>(7,734)</u>
Goodwill	9,923
	<u>2,189</u>
Total consideration — paid in cash	2,189
Less: Cash and cash equivalents in subsidiaries acquired	
Cash	1,235
Bank overdraft	(269)
	<u>966</u>
Net outflow of cash	(1,223)

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

15. Investments in associates

	2001	2002
	S\$'000	S\$'000
At beginning of financial year	604	5,695
Net tangible assets acquired during the financial year	5,536	1,422
Share of results before and after tax	(800)	(500)
Exchange differences	355	184
At end of financial year	5,695	6,801

The following information relates to those associates which, in the opinion of the directors, materially affect the consolidated financial statements of the Group.

Name of company	Country of incorporation	Principal activity	Direct ownership interest	
			2001 %	2002 %
<i>Unquoted equity shares</i>				
Petra-SPT Marketing Pte Ltd	Singapore	Marketing and distribution of chocolate confections and other food products	50	50
PT Ceres — Meiji Indotama	Indonesia	Manufacturing and marketing of snacks and food products	40	40

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

16. Property, plant and equipment

Year ended 31 December 2001

	Land, buildings & improvements S\$'000	Construction in progress S\$'000	Machinery & equipment S\$'000	Motor vehicles S\$'000	Office equipment S\$'000	Total S\$'000
<i>Cost</i>						
At 1 January 2001	6,625	1,739	19,418	4,426	2,287	34,495
Exchange rate adjustments	(54)	(92)	(1,210)	(174)	(83)	(1,613)
Additions	1,447	11,754	6,043	1,515	542	21,301
New subsidiaries acquisition, at cost	7,015	—	19,979	1,157	561	28,712
Disposals	—	—	(496)	(651)	(31)	(1,178)
Reclassification	—	(8,022)	8,057	(37)	2	—
At 31 December 2001	15,033	5,379	51,791	6,236	3,278	81,717
<i>Accumulated depreciation</i>						
At 1 January 2001	1,222	—	6,224	1,656	1,578	10,680
Exchange rate adjustments	(50)	—	(337)	(67)	(53)	(507)
Disposals	—	—	(225)	(583)	(31)	(839)
Depreciation charge	658	—	4,263	844	290	6,055
Transfer in arising from new subsidiaries acquisition	2,165	—	13,405	970	471	17,011
At 31 December 2001	3,995	—	23,330	2,820	2,255	32,400
Net book value						
At 31 December 2001	11,038	5,379	28,461	3,416	1,023	49,317

Year ended 31 December 2002

<i>Cost</i>						
At 1 January 2002	15,033	5,379	51,791	6,236	3,278	81,717
Exchange rate adjustments	(543)	156	237	123	62	35
New subsidiaries acquisition, at cost	—	—	1,834	—	29	1,863
Additions, at cost	3,181	44,069	1,246	1,167	1,398	51,061
Disposals, at cost	(5)	—	(425)	(625)	(355)	(1,410)
Reclassification	3,892	(15,655)	10,352	34	1,377	—
At 31 December 2002	21,558	33,949	65,035	6,935	5,789	133,266
<i>Accumulated depreciation</i>						
At 1 January 2002	3,995	—	23,330	2,820	2,255	32,400
Exchange rate adjustments	(162)	—	(561)	27	24	(672)
Disposals	(5)	—	(182)	(427)	(323)	(937)
Depreciation charge	713	—	4,957	1,067	534	7,271
Transfer in arising from new subsidiaries acquisition	—	—	453	—	12	465
Reclassification	—	—	98	36	(134)	—
At 31 December 2002	4,541	—	28,095	3,523	2,368	38,527
Net book value						
At 31 December 2002	17,017	33,949	36,940	3,412	3,421	94,739

- (a) The net book value of plant and equipment of the Group under finance lease agreements amounted to S\$1,510,000 and S\$1,257,000 as at 31 December 2001 and 2002 respectively.
- (b) Bank borrowings are secured on property, plant and equipment of the Group with a carrying value of S\$28,601,000 and S\$51,837,000 as at 31 December 2001 and 2002 respectively.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

17. Intangibles

	2001	2002
	S\$'000	S\$'000
Goodwill arising on consolidation	8,931	8,371
Expenditure carried forward	77	63
	<u>9,008</u>	<u>8,434</u>
<i>Goodwill arising on consolidation</i>		
Unamortised balance at the beginning of the financial year	—	8,931
Acquisition of new subsidiary	9,923	480
Amortisation for the financial year	(992)	(1,040)
Unamortised balance at the end of the financial year	<u>8,931</u>	<u>8,371</u>
Cost	9,923	10,403
Accumulated amortisation	(992)	(2,032)
	<u>8,931</u>	<u>8,371</u>
<i>Expenditure carried forward</i>		
Unamortised balance at the beginning of the financial year	—	77
Additions during the financial year	123	33
Amortisation for the financial year	(46)	(53)
Exchange difference	—	6
Unamortised balance at the end of the financial year	<u>77</u>	<u>63</u>
Cost	123	156
Accumulated amortisation	(46)	(93)
	<u>77</u>	<u>63</u>

18. Other non-current assets

These represent deposits placed under finance leases.

19. Other payables

	2001	2002
	S\$'000	S\$'000
Non-trade creditors	6,777	23,267
Accrued operating expenses	6,186	11,376
	<u>12,963</u>	<u>34,643</u>

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

20. Borrowings

(a) Current

	2001	2002
	S\$'000	S\$'000
Bank overdrafts — secured	40,709	42,545
Bank loans — secured	22,209	21,822
Lease liabilities (note 27)	876	813
Trade finance — secured	23,789	58,852
	<u>87,583</u>	<u>124,032</u>

The bank loans and overdrafts are secured by certain pledged deposits, trade receivables, inventories and property, plant and equipment or by letters of corporate guarantee from the shareholders. These are for working capital purposes.

Trade finance is principally comprised of a structured and collateralised finance arrangement for the purposes of financing raw material (cocoa beans) purchases.

(b) Non-current

	2001	2002
	S\$'000	S\$'000
Bank loans — secured	8,706	29,045
Lease liabilities (note 27)	1,115	345
	<u>9,821</u>	<u>29,390</u>

These loans are secured on the respective property, plant and equipment of the subsidiaries and letters of corporate guarantee from Petra Foods Pte Ltd. The loans as at each balance sheet date were repayable within 2 to 5 years.

(c) Effective interest rates

	2001	2002
The weighted average effective interest rates at the balance sheet date were as follows:		
Bank overdrafts	11.1%	11.7%
Bank loans	11.4%	9.6%
Finance lease liabilities (note 27)	2.0%	3.2%
Trade finance	4.1%	4.2%

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

20. Borrowings (continued)

(d) Secured liabilities

	2001	2002
	S\$'000	S\$'000
Included in the borrowings are the following secured liabilities:		
Bank overdrafts	40,709	42,545
Bank loans	22,168	40,667
Trade finance	23,789	58,852
	<u>86,666</u>	<u>142,064</u>

(e) Carrying amounts and fair values

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The carrying amounts of short-term borrowings and lease obligations approximate their fair value.

The carrying amounts of certain non-current borrowings are as follows:

The Group

	Carrying amount	
	2001	2002
	S\$'000	S\$'000
Non-current bank borrowings	8,706	29,045

The non-current borrowings are carried in the balance sheet at amounts not significantly different from their fair values.

(f) Maturity of non-current borrowings

Maturity of non-current borrowings (excluding finance lease liabilities) is as follows:

	2001	2002
	S\$'000	S\$'000
Between 1 and 2 years	4,530	12,911
Between 2 and 5 years	4,176	16,134
	<u>8,706</u>	<u>29,045</u>

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

21. Accruals

Non-current

	2001	2002
	S\$'000	S\$'000
Employee termination entitlements	1,151	1,173
Others	400	748
	<u>1,551</u>	<u>1,921</u>

22. Share capital of Petra Foods Pte Ltd

(a) Authorised share capital

The total authorised number of ordinary shares at each balance sheet date was 49 million shares with a par value of S\$1 per share.

The total authorised number of redeemable preference shares at each balance sheet date was 1 million shares with a par value of S\$1 per share.

(b) Issued share capital, fully paid

	2001	2002	2001	2002
	Shares	Shares	S\$'000	S\$'000
	'000	'000	S\$'000	S\$'000
At beginning of financial year				
— Ordinary shares	10,000	30,600	10,000	30,600
— Preference shares	200	—	200	—
Issue of share capital	20,600	—	20,600	—
Preference shares redeemed	(200)	—	(200)	—
At end of financial year				
— Ordinary shares	30,600	30,600	30,600	30,600
— Preference shares	—	—	—	—
	<u>30,600</u>	<u>30,600</u>	<u>30,600</u>	<u>30,600</u>

23. Foreign currency translation reserve

	2001	2002
	S\$'000	S\$'000
At the beginning of the financial year	(18,710)	(18,077)
Net exchange differences on translation of financial statements of foreign subsidiaries	633	1,488
At the end of the financial year	<u>(18,077)</u>	<u>(16,589)</u>

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

24. Retained earnings

- (a) Retained profits of the Group are distributable except for accumulated retained profits of subsidiaries amounting to S\$3,919,000 and S\$4,007,000 as at 31 December 2001 and 2002 respectively which are included in the Group's retained profits.
- (b) The retained profits of overseas subsidiaries amounting to S\$7,579,000 and S\$17,081,000 as at 31 December 2001 and 2002 respectively will be subject to further Singapore taxation if they are remitted to Singapore as dividends.

25. Dividends

	2001 S\$'000	2002 S\$'000
Ordinary dividends paid or proposed		
Interim dividend of 7.19 cents per share, paid net of tax at 24.5% in 2001	1,661	—

26. Immediate and ultimate holding corporation

The Company's immediate and ultimate holding corporation is Fremont Investment Limited, incorporated in Liberia.

27. Lease liabilities

	2001 S\$'000	2002 S\$'000
Not later than one financial year	905	842
Later than one financial year but not later than five financial years	1,177	394
Later than five financial years	6	—
Minimum lease payments	2,088	1,236
Less: Future finance charges	(97)	(78)
Provided for in the financial statements	1,991	1,158
Representing lease liabilities:		
Current (note 20)	876	813
Non-current (note 20)	1,115	345
	1,991	1,158

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

28. Commitments for expenditure

(a) Capital commitments

Capital commitments not provided for in the financial statements:

	2001	2002
	S\$'000	S\$'000
Expenditure for property, plant and equipment, contracted for	19,968	9,568
Approved by the directors but not contracted for	36,202	7,959
	<u>56,170</u>	<u>17,527</u>

(b) Lease commitments

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:

	2001	2002
	S\$'000	S\$'000
Not later than one financial year	663	682
Later than one financial year but not later than five financial years	548	355
Later than five financial years	155	141
	<u>1,366</u>	<u>1,178</u>

29. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates and cocoa bean price risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses financial instruments such as foreign exchange forward contracts and futures contracts to hedge certain exposures.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

29. Financial risk management (continued)

Financial risk factors (continued)

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Singapore Dollars, Great Britain Pounds, Australian Dollars, Indonesian Rupiah, Thailand Baht and Philippines Pesos. The Group Treasury seeks to mitigate such risks by hedging the net position arising from futures contracts and other foreign currency exposures by borrowing in matching currencies, and through the use of foreign currency forward contracts.

The Group has foreign subsidiaries and associated companies, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the Group's subsidiary and associated company in Indonesia is managed primarily through borrowings denominated in the relevant foreign currencies.

(ii) *Interest rate risk*

The Group's income and operating cash flows are not materially affected by the movements in market interest rates.

(iii) *Credit risk*

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

(iv) *Liquidity risk*

Due to the dynamic nature of the underlying businesses, the Group Treasury adopts prudent liquidity risk management policies in maintaining sufficient credit facilities including the use of structured or trade finance for its raw material (cocoa beans) requirement.

(v) *Commodity price risk*

The manufacturing of the Group's products requires raw materials such as cocoa beans. The value of the Group's open sales and purchase commitments and inventory of raw materials changes continuously in line with price movements in the respective commodity markets. The Group uses commodity futures and commodity forward contracts to manage price risks associated with this inventory and with open commitments.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

30. FINANCIAL INSTRUMENTS

(a) Foreign exchange forward contracts

Foreign exchange forward contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates.

At 31 December 2001 and 2002, the settlement dates on open forward contracts ranged between 1 month and 2 years. The outstanding contracts amounted to:

	2001 Notional values S\$'000	2001 Fair values S\$'000	2002 Notional values S\$'000	2002 Fair values S\$'000
Forward contracts:				
— Buy	50,054	31	158,514	137
— Sell	50,546	(18)	158,445	126

The fair value of foreign exchange forward contracts is determined by reference to forward exchange market rates at the balance sheet date.

(b) Futures contracts

The Group enters into futures contracts to hedge its risks associated with the fluctuation in cocoa prices.

At 31 December 2001 and 2002, the settlement dates on open futures contracts ranged between 3 months and 2 years. These outstanding contracts amounted to:

	2001 Notional values S\$'000	2001 Fair values S\$'000	2002 Notional values S\$'000	2002 Fair values S\$'000
Futures contracts:				
— Cocoa terminal market purchases	32,339	6,486	184,535	11,069
— Cocoa terminal market sales	38,496	(7,347)	172,913	(791)

The fair value of futures contracts is determined by reference to quoted market prices for future contracts with similar terms at the balance sheet date.

**PETRA FOODS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2001 and 2002

31. Fair values

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash, trade receivables and payables, other receivables and payables, finance lease obligations and current borrowings. Information on the fair values of non-current borrowings and financial instruments is included in notes 20 and 30 respectively.

32. Related party transactions

(a) Sales and purchases of goods and services

In addition to other related party information included elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

	2001	2002
	S\$'000	S\$'000
Sales to associates	542	1,271
Purchases from associates	168	4,009
Service fee receivable from associates	360	—
Service fee payable to associates	202	450
Rental and delivery service receivable from associates	254	195

(b) Directors' remuneration

Directors' remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group, and where the Group did not incur any costs, the value of the benefit is included. The total directors' remuneration is as follows:

	2001	2002
	S\$'000	S\$'000
Directors' remuneration		
— Directors of the Company	1,215	1,648
— Directors of the subsidiaries	981	1,783
Professional fees paid to a firm/company in which a director is a member	1,061	181
Fee paid to a director related company	351	337
Directors' fee	36	59

Exchange Controls

The following is a description of the exchange control restrictions existing in the jurisdictions in which our Group operates.

BRAZIL

The purchase and sale of foreign currency in Brazil is subject to governmental regulation and control.

The repatriation of registered capital invested in Brazil, the remittance of dividends and the payment of principal and of interest on loans, notes, bonds and other debt instruments denominated in foreign currencies are subject to compliance with foreign investment legislation, which generally requires, among others, that the relevant investments, as well as the relevant debts, as the case may be, have been duly registered with the Central Bank of Brazil.

The lack of the investment registration with Central Bank of Brazil may hinder or prevent Brazilian banks from converting dividends, distributions or the proceeds from any sale of shares into any foreign currency and remitting such foreign currency abroad. Delfi Cocoa Investments 1 Pte Ltd's interests in Delfi Cacau Brasil Ltda's share capital has the appropriate registration with the Central Bank of Brazil.

Under Brazilian legislation currently in force, the Federal Government may impose temporary restrictions on remittances of foreign capital abroad whenever there is a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments. The Federal government imposed remittance restrictions for approximately six months in 1989 and early 1990.

There can be no assurance that the Federal Government will not impose similar restrictions on foreign repatriations in the future.

Many factors could cause the Federal Government to institute more restrictive exchange control policies, including the extent of Brazil's foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy towards the International Monetary Fund and political constraints to which Brazil may be subject.

INDONESIA

Indonesia maintains a foreign exchange system based on the free flow of foreign exchange. Residents of Indonesia remain free to hold foreign currencies, and the Rupiah is also freely convertible. Accordingly, remittances of capital, profits, dividends, interest and royalties (subject to payment of withholding tax) in foreign currencies from PT Perusahaan Industri Ceres, PT General Food Industries, PT Nirwana Lestari and PT Ceres Meiji Indotama to the Company are not subject to any exchange controls. However, pursuant to the Foreign Exchange Flow Law (Law No. 24 of 1999), there is a reporting system administered by Bank Indonesia (the central bank) on foreign currency remittances conducted by banks on behalf of residents. Bank Indonesia controls the Indonesian currency and oversees the conversion of the Rupiah to foreign currencies, which may be effected at the foreign exchange licensed banks and licensed money changers. Monitoring by Bank Indonesia is carried out by requiring all banks in Indonesia to report (i) foreign exchange remittances through the bank either for its own account or the account of its customers, and (ii) changes in the position of the banks' foreign assets and liabilities.

For transactions which are not carried out through the Indonesian banking system, pursuant to Bank Indonesia Regulation No. 4/2/PBI/2002 on Monitoring of Foreign Exchange Activities by Non-Financial Institutions, as of 1 June 2002, companies (non-banks and non-financial institutions) having total assets or a total annual gross revenue of at least Rp 100 billion are also required to report to Bank Indonesia on (i) transactions affecting their offshore assets and liabilities, and (ii) changes in position of their foreign assets and liabilities. Individual persons are, however, not subject to any direct reporting obligation to Bank Indonesia.

Regarding the Rupiah remittances, pursuant to Bank Indonesia Regulation Number 3/3/PBI/2001 dated 12 January 2001 and Circular Number 3/5/DPD dated 31 January 2001 on Restrictions on Rupiah Transactions and Foreign Currency Credits Offered by Banks, cross border remittances of Rupiah funds through the Indonesian banking system is prohibited. Pursuant to Bank Indonesia Regulation No. 4/8/PBI/2002 on Requirements and Procedures for Carrying Rupiah out of or into the Customs

Areas of the Republic of Indonesia, Rupiah notes or coins amounting to Rp 100 million and above may only be taken out of Indonesia with prior approval of Bank Indonesia.

MALAYSIA

On 1 September 1998, the Malaysian Government imposed new capital restrictions and pegged the RM against US\$ at RM3.80. Based on the existing exchange control regulations issued by Bank Negara Malaysia (“BNM”), foreign direct investors are freely allowed to repatriate their investment including capital, profit and dividends without being subject to any levy. Foreign direct investment includes an investment made by a non-resident controlled company (“NRCC”).

A “non-resident controlled company” (NRCC) means a resident company in Malaysia, where:

- (a) more than 50% of the company’s shares are held by non-residents and/or another NRCC, irrespective whether the ultimate right of control is held by a resident or a non-resident/NRCC; or
- (b) it is a branch of a company which is incorporated outside Malaysia; or
- (c) although more than 50% of the company’s shares are held by residents, the ultimate right of control is held by non-residents and/or another NRCC.

“Ultimate right of control” means a resident or a non-resident/NRCC is entitled to direct or control the direction of the management of the company. This is usually determined by the number of resident directors versus the number of non-resident directors.

Pursuant to the clarification on the Exchange Control of Malaysia Notices (“ECM”) (issued under the Exchange Control Act, 1953) — Part 21 issued by BNM on 19 July 2001. BNM no longer requires documentary evidence to be furnished to the remitting banks to show that the funds to be remitted are not subject to levy upon effecting conversion and/or repatriation of funds.

Generally, any inflows and outflows of funds (whether in RM or foreign currency) from Malaysia will be subject to the applicable foreign exchange controls. Under ECM 4 (General Payments), RM amount in excess of RM50,000 cannot be paid by our subsidiaries in Malaysia to the Company in Singapore under certain circumstances without the prior approval of the Controller of Foreign Exchange in Malaysia.

In addition to the above, other areas affected include “Credit-facilities to non-residents” (ECM 6), “Investments abroad” (ECM 9), “Foreign currency credit facilities and Ringgit credit facilities from non-residents” (ECM 10) and “Inter-company accounts” (ECM 11). BNM has in recent years introduced various measures with a view to liberalising the aforementioned rules so as to enhance efficiency for businesses operating in Malaysia.

THE PHILIPPINES

The Philippine government allows foreign exchange to be freely bought and sold outside the banking system (Bangko Sentral ng Pilipinas (“BSP”) Circular No. 1398, Sec. 5(1)). However, only foreign investments registered with the BSP are entitled to full and immediate repatriation of capital and remittance of dividends, profits and earnings using foreign exchange sourced or purchased from the local banking system (BSP Circular no. B98, Sec. 40(1)). Registration of foreign investments with the BSP will only be required if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue on such investments shall be sourced from the banking system. Foreign exchange needed for capital repatriation and remittance of dividends, profits and earnings of unregistered foreign investments may be sourced outside of the banking system (BSP Circular No. 1398, Sec. 32, par. 1).

THAILAND

In accordance with the Exchange Controls Act of Thailand, foreign funds and profits made therefrom are subject to the following:-

- (a) the remittance of dividends, investment funds, profits, loan repayment and interest payment thereon, after settlement of all applicable taxes in Thailand, are not restricted under the Exchange Controls Act, B.E. 2485 (1942);
- (b) in respect of the purchase of foreign currencies in excess of US\$20,000 or its equivalent in other currency, the Bank of Thailand requires that notification form of the remittance to the Exchange

Control Officer and documentary evidence shall be furnished to the remitting banks as evidence of the transaction; and

- (c) further, in respect of the purchase of foreign currencies for any purpose, the Bank of Thailand requires that documentary evidence shall be furnished to the remitting banks to establish the legitimacy of the transaction.

Under Thai law, Siam Cocoa Products Co., Ltd. is required to retain 5% of its annual profits as its reserve fund and may only declare 95% of its annual profits as dividends. However, if the company's reserve fund is equal to 10% or more of its capital, all its annual net profit may be declared as dividends. In addition, dividends paid are subject to a withholding tax rate of 10%.

APPENDIX B

Properties and Fixed Assets

As at the Latest Practicable Date, we own the following material properties:-

Location	Land Area (sq. m)	Use of Property	Encumbrances
Indonesia			
PT Perusahaan Industri Ceres⁽¹⁾			
Village: Pesawahan, Sub district: Dayeuh Kolot, No. 92 Regency: Bandung, Province: West Java	4,378	Chocolate factory, warehouse, office	None
Village: Pesawahan, Sub district: Wates No. 84 Regency: Bandung, Province: West Java	8,075	Chocolate factory, warehouse, office	None ⁽²⁾
PT Nirwana Lestari			
Village: Bojong Menteng Sub District: East Bekasi, Jln Raya Narogong, Km 7 Regency: Bekasi Province: West Java	19,450	Office, warehouse	Mortgaged in favour of PT Bank Central Asia, Jakarta
PT General Food Industries			
Village: Pesawahan Sub District: Dayeuh Kolot Regency: Bandung No. 1, Jln Mengger, Province: West Java	25,190	Factory, warehouse	None ⁽²⁾
Malaysia			
PLO No 700, Pasir Gudang Industrial Area, Johor	40,469	Manufacturing plant	Mortgaged in favour of Malayan Banking Berhad
Mexico			
Lago Muritz No. 55, 61, 63, 65, 67 and 73, Col. Anahuac, Delegacion Miguel Hidalgo, Mexico, Federal District	5,412	Manufacturing plant	First priority mortgage granted in favour of Deutsche Investitions- Und Entwicklungsgesellschaft Mbh
Lago Silverio No. 228, Col. Anahuac, Delegacion Miguel Hidalgo, Mexico, Federal District	684	Manufacturing plant	First priority mortgage granted in favour of Deutsche Investitions- Und Entwicklungsgesellschaft Mbh
The Philippines			
Barrio Guyong, Sta. Maria, Bulacan	26,970	Manufacturing plant	Mortgaged in favour of Equitable PCI Bank
118 Herrera St., Legaspi Village, Makati	426	Office	Mortgaged in favour of Philippine Comercial and Industrial Bank

Location	Land Area (sq. m)	Use of Property	Encumbrances
Thailand			
Land title deed no. 11164 Tambol Takam (North Bangpakong), Amphur Bangkapong, Chachoerngsao province	6,424	Manufacturing plant	Mortgaged in favour of Krung Thai Bank Public Company Limited
Land title deed no. 11234 Tambol Takam (North Bangpakong), Amphur Bangkapong, Chachoerngsao province	1,236	Manufacturing plant	Mortgaged in favour of Krung Thai Bank Public Company Limited

Notes:-

- (1) PT Perusahaan Industri Ceres has obtained approval from the Governor of West Java with respect to the use of land owned by Ms. Megawati Leman for a total area of approximately 24,185 sq. m (as described in the table below), pursuant to the Governor Decree No. 593.82/SK.226.S/AGR-DA/190-88 dated 13 January 1988. Previously, the land title comprised six land title certificates and were combined in one land title certificate dated 17 March 2004 covering an area of 24,185 sq. m. The land can only be used for a period of 30 years until 1 June 2017. As at the Latest Practicable Date, the Company is in the process of registering the title of the land in its own name and upon registration, we intend to mortgage this land to secure certain banking facilities. See "Risk Factors — Risks relating to our Business and Industry — We may not be able to enforce our rights against some of our real properties in Indonesia."

Location	Land Area (sq. m)	Use of Property
Village: Pesawahan, Sub district: Dayeuh Kolot, No. 92 Regency: Bandung, Province: West Java	24,185	Chocolate factory, warehouse, office

- (2) We are in the process of formalising the mortgage of this land to secure certain banking facilities.

Delfi Cacau Brasil Ltda acquired the property located at BR415 Centro Industrial de Itabuna, Bahia with an area of 68,138 sq m for use as a cocoa processing factory. However, this real property is subject to a process of dismemberment (land parcelling). The Municipality of Itabuna has issued a certificate authorising the dismemberment but this certificate is still in the process of being registered with the Public Register of Real Property as at the Latest Practicable Date. While Delfi Cacau Brasil Ltda currently has legal possession of the land, the title of this real property will only be transferred to Delfi Cacau Brasil Ltda upon the requisite registration with the Public Register of Real Property.

As at the Latest Practicable Date, we lease the following properties:-

Location	Land Area (sq. m)/ Use of Property	Tenure	Annual Rental	Lessor
Indonesia				
PT Perusahaan Industri Ceres				
Four Seasons Apartment Menara II, 26th floor Unit A, South East, Jalan Jenderal Sudirman, Setiabudi Tengah, Jakarta	200/ staff accommodation	12 months commencing 1 January 2004	Rp480,000,000	PT Sederhana Djaja
Jalan Taman Cibeunying Selatan No 43, Bandung West Java	700/ staff accommodation	one year commencing 1 January 2004	USD12,000	Megawati Leman

Location	Land Area (sq. m)/ Use of Property	Tenure	Annual Rental	Lessor
Jalan Babakan Cibeureum No. 54 Bandung	4,330/ warehouse	11 December 2003 — 31 December 2004	Rp238,923,616 (for 1 year 20 days)	Yulius Lili/Budi Sulistio Lili
Jalan Babakan Cibeureum No. 54 Bandung	967/ warehouse	1 March 2003 — 31 December 2004	Rp 68,425,500	Yulius Lili
Jalan Mohamad Toha No. 167A Kabupaten Bandung	633/ warehouse	4 March 2000 — 4 March 2005	Rp 12,000,000	Soen Tjong King
Jalan Raya Dayeuhkolot Km 6,4 No. 141, Kabupaten Bandung	426/ warehouse	1 September 2002 — 1 September 2007	Rp 40,000,000	Kwee Tjing Hui
Jalan Cibaligo Km 21 No. 84 Cimahi	11,539/ warehouse	10 April 2003 — 10 April 2006	Rp 211,666,666	Maria Elena Tanu
Jalan Radio No.149-150, Mochamad Toha, Jalan Raya Dayeuhkolot, Bandung	6,200/ warehouse	22 October 2003 — 22 October 2006	Rp 300,000,000	PT. Firman Jaya Dua Saudara
PT General Food Industries				
Kondominium Simpruk Teras Jalan Arteri No. 2, 19, 2 (D) RT 004/03 19th floor Unit 06, Block II, Kebayoran Lama, Jakarta	228/ staff accommodation	one year commencing 6 January 2004	Rp336,000,000	PT Sederhana Djaja
Jalan Prof. Dr. Ir. Sutami, Makassar South Sulawesi	9,269/ warehouses	five years commencing 20 May 2003 (for three warehouses) four years commencing 20 May 2004 (for one warehouse)	US\$86,526	Ramli Gunawan Gomasjaya, Iwan Gunawan Gomasjaya, Sianny Octavia
PT Nirwana Lestari				
Jalan Cargo Permail No. 188, Denpasar, Bali, Indonesia (Desa Ubung, Kecamatan Denpasar Barat, Denpasar, Bali)	1,515/ warehouse	31 May 2002 — 11 January 2029	Rp17,500,000	I Made Sujana, I Nyoman Suwastika, I Ketut Siwi

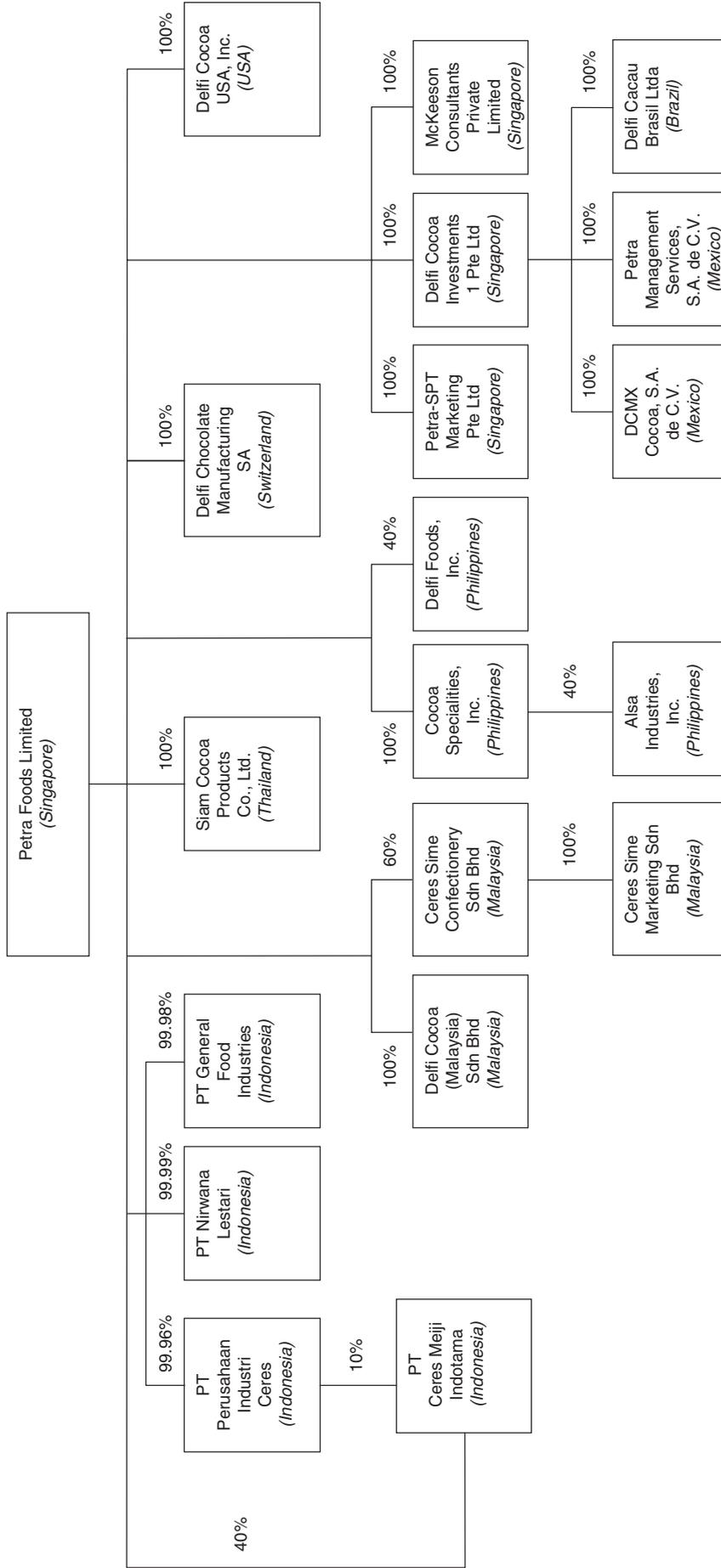
Location	Land Area (sq. m)/ Use of Property	Tenure	Annual Rental	Lessor
Malaysia				
No. 23A, Jalan Siakap 6, Taman Pasir Putih, 81700, Pasir Gudang, Johor	164/ staff accommodation	two years commencing on 1 May 2003 with an option to renew for one year	RM6,000	Lee Chin Cheun
No. 17A, Jalan Siakap 3, Taman Pasir Putih, 81700, Pasir Gudang, Johor	164/ staff accommodation	two years commencing on 1 May 2003 with an option to renew for one year	RM6,000	Ong Seng Tian
No. 21A, Jalan Siakap 3, Taman Pasir Putih, 81700, Pasir Gudang, Johor	164/ staff accommodation	two years commencing on 1 May 2003 with an option to renew for one year	RM6,000	Ng Kim Fong
No. 27-01 Jalan Siakap 8, Taman Pasir Putih, 81700, Pasir Gudang, Johor	164/ staff accommodation	two years commencing on 1 February 2004 with an option to renew for one year	RM6,000	Habibah Bte Zakaria
Unit 18E, Block B, No. 8, Jalan Permas Selatan, Bandar Baru Permas Jaya, 81750, Masai, Johor	156/ staff accommodation	two years commencing 1 June 2004 with an option to renew for 1 year	RM36,000	Chia Chee Khaw
Unit 7-W2, Block C, No. 8, Jalan Permas Selatan, Bandar Baru Permas Jaya, 81750, Masai, Johor	153/ staff accommodation	one year commencing 1 June 2004 with an option to renew for 1 year	RM31,200	Tan Khee Yik
PLO 708, Jalan Keluli 8, Kawasan Perindustrian Pasir Gudang, Mukim Plentong, Johor Bahru, Johor	8,918/ warehouse	one year commencing 1 May 2004 with an option to renew for 3 years	RM1,285,632	Oriental Pulse Sdn Bhd
Sub-lot No. 2, Lot 752, Jalan Subang 3, Taman Perindustrian Sg. Penaga, 47610 Subang Jaya, Selangor	878/ factory and office	two years commencing 1 August 2003	RM91,200	Lin Yau Credit Sdn Bhd

Location	Land Area (sq. m)/ Use of Property	Tenure	Annual Rental	Lessor
Geran No. Hakmilik 44549, Lot No. 6111 Mukim of Kapar District of Klang, Selangor	10,117/ factory and office	three years commencing 1 May 2003	1st year: RM336,000 2nd year: RM360,000 3rd year: RM384,000	Sime Property Holding Sdn Bhd
<i>The Philippines</i>				
Sta. Clara, Sta. Maria, Bulacan	1,134/ warehouse	three months commencing from 1 October 2004	P267,750 (for three month tenure)	Leeba Realty Company
Sta. Clara, Sta. Maria, Bulacan	2,460/ warehouse	one year commencing from 1 January 2004	P2,520,000	Leeba Realty Company
<i>Singapore</i>				
900 South Woodlands Drive #05-05 Woodlands Civic Centre Singapore 730900	942/ corporate head office	three years commencing from 1 June 2004	S\$259,923	Housing and Development Board
900 South Woodlands Drive #04-03 Woodlands Civic Centre Singapore 730900	303/ office	five years commencing from 1 October 2000	S\$87,600	Housing and Development Board
13 Woodlands Link Singapore 738725	1,899/ warehouse cum Branded Consumer Division office	three years commencing from 16 June 2003	S\$369,819	Jurong Town Corporation
<i>Thailand</i>				
2nd Floor of No. 140, Sukhumvit 55 Road, Soi Thonglor 4, Kwaeng Klongtannua, Khet Wattana, Bangkok	206/ office	two years commencing from 1 September 2003	543,840 Baht (including rent of furniture and accessories and service fee)	Kaulin Co., Ltd
Factory buildings no. 1, 3 and 4 at 1/21 Sulkumvit Road, Tambol Takam, Amphur Bangpakong, Chachoengsao province	10,668/ warehouse	two years commencing 1 November 2002	8,961,120 Baht	Trakulkum Feed Manufacturing Company Limited

APPENDIX C

Group Structure

Our Group structure as at the date of this Prospectus is as follows:-



The details of each Group company as at the date of this Prospectus is as follows:-

Name	Date and place of incorporation	Principal business	Issued and paid-up capital	Our effective interest (%)
Alsa Industries, Inc.	2 December 1984, the Philippines	Leasing of property	P2,500,000	40.0
Ceres Sime Confectionery Sdn Bhd	28 October 1993, Malaysia	Manufacturing and marketing of finished chocolate confectionery products	RM11,500,000	60.0
Ceres Sime Marketing Sdn Bhd	31 October 1990, Malaysia	Marketing of consumer confectionery	RM500,000	60.0
Cocoa Specialities, Inc.	14 February 1989, the Philippines	Manufacturing and marketing of industrial cocoa ingredients	P87,625,400	100.0
DCMX Cocoa, S.A. de C.V.	10 July 2003, Mexico	Manufacturing and marketing of industrial cocoa ingredients	MX1,087,530	100.0
Delfi Cocoa (Malaysia) Sdn Bhd	26 August 2000, Malaysia	Manufacturing and marketing of industrial cocoa ingredients	RM16,220,000	100.0
Delfi Cacau Brasil Ltda	1 July 2003, Brazil	Manufacturing and marketing of industrial cocoa ingredients	R600,554	100.0
Delfi Chocolate Manufacturing SA	28 September 1984, Switzerland	Administrative services	CF50,000	100.0
Delfi Cocoa Investments 1 Pte Ltd	27 March 2003, Singapore	Investment holding	S\$18,000	100.0
Delfi Foods, Inc.	7 May 2002, the Philippines	Dormant	P100,000	40.0
Delfi Cocoa USA, Inc.	22 August 2003, USA	Marketing of industrial cocoa ingredients	US\$50,000	100.0
McKeeson Consultants Private Limited	16 August 1983, Singapore	Management consultants	S\$225,000	100.0
Petra-SPT Marketing Pte Ltd	20 June 1992, Singapore	Marketing and distribution of chocolate confections and other food products	S\$1,600,000	100.0
Petra Management Services, S.A. de C.V.	10 July 2003, Mexico	Provision of labour, administration and management services	MX100,000	100.0
PT Ceres Meiji Indotama	4 July 2001, Indonesia	Manufacturing and marketing of snacks and food products	Rp70,297,500,000	50.0
PT General Food Industries	30 July 1969, Indonesia	Manufacturing and marketing of industrial cocoa ingredients	Rp57,097,000,000	99.98
PT Nirwana Lestari	30 March 1987, Indonesia	Marketing and distribution of chocolate confections and other food products	Rp7,250,000,000	99.99
PT Perusahaan Industri Ceres	20 December 1950, Indonesia	Investment holding, manufacturing and marketing of consumer confectionery	Rp28,300,000,000	99.96
Siam Cocoa Products Co., Ltd.	2 February 1988, Thailand	Manufacturing and marketing of industrial cocoa ingredients	Baht 125,000,000	100.0

None of our subsidiaries or associates are listed on any stock exchange.

**Letter From The Independent Financial Adviser
To The Independent Directors Of Petra Foods Limited**

The Independent Directors
Petra Foods Limited
900 South Woodlands Drive
#05-05 Woodlands Civic Centre
Singapore 730900

27 October 2004

Dear Sirs

**THE PROPOSED ADOPTION OF A SHAREHOLDERS' MANDATE FOR INTERESTED PERSON
TRANSACTIONS**

1 INTRODUCTION

Petra Foods Limited (the "Company") is proposing to adopt a shareholders' mandate (the "Shareholders' Mandate") in the form set out in the Singapore Exchange Securities Trading Limited Listing Manual (the "Listing Manual") to enable the entering into of certain categories of transactions with specified classes of the Company's Interested Persons. This letter has been prepared for the use of directors of the Company who are considered independent for the purposes of the Shareholders' Mandate, namely Pedro Francisco Mata-Bruckmann, Davinder Singh, Josephine Price and Richard Owen Pyvis (the "Independent Directors"), to be incorporated into the prospectus of the Company to be issued in relation to the proposed listing of the Company's shares on the Singapore Exchange (the "Prospectus"), which provides, *inter alia*, the details of the Shareholders' Mandate and the recommendation of the Independent Directors thereon. Unless otherwise defined, all terms in this letter have the same meaning in the Prospectus.

To comply with the requirements of Chapter 9 of the Listing Manual, KPMG Corporate Finance Pte Ltd ("KPMG Corporate Finance") has been appointed as the independent financial adviser to provide an opinion on whether the methods and procedures set out in the Shareholders' Mandate as described in pages 132 to 134 of the Prospectus for determining the prices of the Interested Person Transactions are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the minority shareholders.

2 TERMS OF REFERENCE

The objective of this letter is to provide an independent opinion, for the purposes of Chapter 9 of the Listing Manual, on whether the methods and procedures set out in the Shareholders' Mandate for determining the prices of Interested Person Transactions are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

KPMG Corporate Finance is not and was not involved in any aspect of the discussions on the scope of the Shareholders' Mandate, nor were we involved in the deliberations leading up to the decision by the Directors to obtain the Shareholders' Mandate or the methods or procedures adopted by the Company for determining the prices of Interested Person Transactions. In the course of our evaluation of the methods and procedures adopted for determining transaction prices in connection with the Shareholders' Mandate, we have held discussions with the Chief Financial Officer and certain other members of the senior management team of the Company (the "Senior Management"). We have also relied on the information contained in the Prospectus. We have not independently verified such information furnished by the Senior Management of the Company or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information,

representation or assurance. Nevertheless, the Chief Financial Officer has confirmed to us that, to the best of his knowledge and belief, the information provided to us (whether written or verbal) as well as the information contained in the Prospectus constitutes a full and true disclosure, in all material respects, of all material facts relating to the Shareholders' Mandate and there is no material information the omission of which would make any of the information contained herein or in the Prospectus inaccurate, incomplete or misleading in any material respect.

We have also made reasonable enquiries and used our judgment in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Prospectus have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations or financial condition of the Company or the transactions described in pages 126 to 131 of the Prospectus.

Our opinion is delivered to the Independent Directors for their deliberation on the Shareholders' Mandate, and the recommendations made by the Independent Directors shall remain the responsibility of the Independent Directors. Our opinion should not be relied on as a recommendation to any shareholder of the Company ("Shareholder") as to how such Shareholder should vote on the Shareholders' Mandate or any matter related thereto. Each Shareholder may have different investment objectives and considerations and should seek professional advice.

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate and that there are no material facts the omission of which would make any statement in this Prospectus misleading.

Our opinion in relation to the Shareholders' Mandate should be considered in the context of the entirety of this letter and the Prospectus.

3 SHAREHOLDERS' MANDATE

(a) Background

It is envisaged that, in the ordinary course of business of the Company, its subsidiaries and associated companies which are considered to be "entities at risk" within the meaning of Chapter 9 of the Listing Manual (together the "EAR Group"), transactions between the EAR Group and its Interested Persons are likely to occur with some degree of frequency and may arise at any time and from time to time. The categories of Interested Person Transactions are described in page 132 of the Prospectus.

In view of the time-sensitive and frequent nature of such Interested Person Transactions, the Independent Directors are seeking the approval of Shareholders, pursuant to Chapter 9 of the Listing Manual, for the Shareholders' Mandate to enable the EAR Group to enter into Interested Person Transactions with the classes of Interested Persons (as set out in page 132 of the Prospectus), provided that such Interested Person Transactions are made at arm's length and on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders.

The Shareholders' Mandate does not cover any Interested Person Transaction which has a value of less than S\$100,000 as the threshold and aggregation requirements of Chapter 9 of the Listing Manual do not apply to such transactions.

(b) Interested Person Transactions

Salient information on the Interested Person Transactions including:

- (i) the background to the Shareholders' Mandate;
- (ii) the classes of Interested Persons;
- (iii) the scope of and the validity period of the Shareholders' Mandate;
- (iv) the categories of Interested Person Transactions;
- (v) the rationale and benefit to the Shareholders of the Shareholders' Mandate; and

(vi) the review procedures for Interested Person Transactions; is set out in pages 131 to 134 of the Prospectus.

(c) Validity Period of the Shareholders' Mandate

If approved by Shareholders at the extraordinary general meeting ("EGM"), the Shareholders' Mandate will take effect from the passing of the ordinary resolution relating thereto at the EGM, and will (unless revoked or varied by the Company in general meeting) continue in force until the first annual general meeting ("AGM") of the Company following its listing or the first anniversary of the listing date, whichever is earlier. Approval from Shareholders will be sought for the renewal of the Shareholders' Mandate at the first AGM of the Company following its listing or the first anniversary of the listing date, whichever is earlier, and at each subsequent AGM of the Company, subject to satisfactory review by the Company's audit committee of its continued application to transactions with Interested Persons.

(d) Disclosure

In accordance with the requirements of Chapter 9 of the Listing Manual, disclosure is required to be made in the Company's annual report ("Annual Report") of the aggregate value of all Interested Person Transactions conducted with Interested Persons pursuant to the Shareholders' Mandate during the current financial year, and in the Annual Reports for subsequent financial years that the Shareholders' Mandate continues in force. The Company will also announce the aggregate value of transactions conducted pursuant to the Shareholders' Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report.

(e) Other Interested Person Transactions

The Independent Directors should note that any transaction between any company within the EAR Group and the Interested Persons which does not fall within the ambit of the Shareholders' Mandate (as set out in pages 131 to 132 of the Prospectus and in respect of which approval is sought from the Shareholders at the EGM) shall be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

Such transactions will, unless specifically excluded from the ambit of Chapter 9 of the Listing Manual, require an immediate announcement where:

- (i) the transaction is of a value equal to, or more than, 3% of the Company's latest audited consolidated net tangible assets; or
- (ii) the aggregate value of all transactions entered into with the same Interested Person during the same financial year amounts to 3% or more of the Company's latest audited consolidated net tangible assets.

Shareholders' approval (in addition to an immediate announcement) is required where:

- (i) the transaction is of a value equal to, or more than, 5% of the Company's latest audited consolidated net tangible assets; or
- (ii) the transaction, when aggregated with other transactions entered into with the same Interested Person during the same financial year, is of a value equal to, or more than, 5% of the Company's latest audited consolidated net tangible assets.

4 CONCLUSION

In arriving at our opinion on whether the methods and procedures for determining transaction prices of Interested Person Transactions for the purposes of the Shareholders' Mandate, as set out in pages 132 to 134 of the Prospectus, are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders, we have considered the following:

- (i) the Independent Directors' rationale for and the benefit to the Company of the Shareholders' Mandate;

- (ii) the classes of Interested Persons and the categories of Interested Person Transactions covered by the Shareholders' Mandate; and
- (iii) the review procedures for Interested Person Transactions.

Based on the analysis undertaken and subject to the qualifications and assumptions made herein, KPMG Corporate Finance is of the opinion that the current methods and procedures for determining transaction prices of Interested Person Transactions as set out in pages 132 to 134 of the Prospectus are, if applied strictly, sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

We have prepared this letter for the use of the Independent Directors of the Company in connection with and for the purposes of their consideration of the Shareholders' Mandate and for inclusion in the Prospectus. No other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner except with KPMG Corporate Finance's prior written consent in each specific case.

The opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
KPMG Corporate Finance Pte Ltd

Vishal Sharma
Director

Chee Jann Perng
Manager

REGISTERED OFFICE OF PETRA FOODS LIMITED

(Company registration number 198403096C)
900 South Woodlands Drive
#05-05 Woodlands Civic Centre
Singapore 730900

SHARE REGISTRAR AND SHARE TRANSFER AGENT

M&C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

LEGAL ADVISERS

Legal Advisers to the Company

Drew & Napier LLC
as to Singapore law
20 Raffles Place
#17-00 Ocean Towers
Singapore 048620

**Legal Advisers to the Global Co-ordinator,
Bookrunner and Lead Manager**
*as to United States federal law and
English law*

Freshfields Bruckhaus Deringer
11th Floor
Two Exchange Square
Hong Kong

**Legal Advisers to the Global Co-ordinator,
Bookrunner and Lead Manager**
as to Singapore law

Wong Partnership
80 Raffles Place #58-01
UOB Plaza 1
Singapore 048624

AUDITORS

PricewaterhouseCoopers
8 Cross Street
#17-00 PWC Building
Singapore 048424



PETRA FOODS
LIMITED

Address : 900 South Woodlands Drive
#05-05 Woodlands Civic Centre
Singapore 730900

Tel : (65) 6477 5600

Fax : (65) 6752 8258

Email : Enquiry@petrafoods.com



Petra Foods Limited

(Incorporated in Singapore on 22 August 1984 with company registration number 198403096C)

Instructions Booklet
Terms and Conditions and Procedures for
Application in the Offering

This instructions booklet ("Instructions") constitutes part of the prospectus (the "Prospectus") dated 28 October 2004 relating to the Offering in respect of 178,500,000 ordinary shares of par value S\$0.10 each in the capital of our Company. Terms defined or construed in the Prospectus bear the same meaning and construction in these Instructions.

Terms and Conditions and Procedures for Application in the Offering

This instructions booklet (“Instructions”) constitutes part of the prospectus (the “Prospectus”) dated 28 October 2004 relating to the Offering in respect of 178,500,000 ordinary shares of par value S\$0.10 each in our capital. Terms defined or construed in the Prospectus bear the same meaning and construction in these Instructions. Please also refer to the section entitled “GLOSSARY” on page 17 of this document for definitions of certain terms used in these Instructions.

Applications are invited for the subscription and/or purchase of the Offering Shares at the Discounted Offering Price (in the case of applications by Individual Investors and in the case of applications for Reserved Shares) and at the Offering Price (in the case of applications by any other person) on the terms and conditions set out below in the relevant Application Forms or, as the case may be, the Electronic Applications (as defined below).

- 1. YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF OFFERING SHARES WILL BE REJECTED.**
2. You may apply for Offering Shares only during the period commencing at 9.00 a.m. on 29 October 2004 and expiring at 12.00 p.m. on 3 November 2004. The expiration of such period may be extended or shortened to such date and/or time as Petra Foods and the Vendors may, in consultation with the Global Co-ordinator, decide.
3. If you are an Individual Investor, your application for the Offering Shares under the Public Offer may be made by way of the printed WHITE Public Offer Application Forms or through Automated Teller Machines (“ATMs”) belonging to the Participating Banks (“Electronic Applications”) and you will be required to pay the Discounted Offering Price for the Offering Shares.

If you are NOT an Individual Investor, your application for the Offering Shares under the Public Offer may ONLY be made by way of the printed BEIGE Public Offer Application Forms and you will be required to pay the Offering Price for the Offering Shares. If you are NOT an Individual Investor, you will NOT be able to make any application for the Offering Shares under the Public Offer through Electronic Applications.

If you are an Individual Investor, your application for Offering Shares (other than Reserved Shares) under the Placement may ONLY be made by way of the printed GREEN Placement Application Forms and you will be required to pay the Discounted Offering Price for the Offering Shares.

If you are NOT an Individual Investor, your application for Offering Shares (other than Reserved Shares) under the Placement may ONLY be made by way of the printed BLUE Placement Application Forms and you will be required to pay the Offering Price for the Offering Shares.

Applications for Reserved Shares may ONLY be made by way of the printed PINK Reserved Shares Application Forms and you will be required to pay the Discounted Offering Price for the Reserved Shares.

4. **You may NOT use your CPF funds to apply for the Offering Shares.**
5. **You may apply for Offering Shares under the Public Offer and the Placement in addition to Reserved Shares.**

However, only one application may be made for the benefit of one person for the Offering Shares under the Public Offer in his own name. Multiple applications will not be accepted for the Offering Shares under the Public Offer except in the case of applications by approved nominee companies under printed WHITE or BEIGE Public Offer Application Forms where each application is made on behalf of a different beneficiary.

A person submitting an application for the Offering Shares by way of the printed WHITE Public Offer Application Form may not submit another application for the Offering Shares by way of an Electronic Application and vice versa.

A person, other than an approved nominee company, who is submitting an application for the Offering Shares under the Public Offer in his own name may NOT submit any other applications for the Offering Shares under the Public Offer, whether on a printed Application

Form or through an Electronic Application, for any person. Such separate applications will be deemed to be multiple applications and shall be rejected.

An applicant who has agreed to subscribe for and/or purchase Offering Shares under the Placement or who otherwise subscribes for and/or purchases Offering Shares under the Placement may make or procure one separate application for Offering Shares and/or for the Reserved Shares either by way of the printed WHITE or BEIGE Public Offer Application Form or through an Electronic Application or by way of the printed PINK Reserved Shares Application Form, as the case may be. Such separate applications will not be treated as multiple applications.

Conversely, an applicant who has made an application for Offering Shares under the Public Offer and/or the Reserved Shares either by way of the printed WHITE or BEIGE Public Offer Application Form or printed PINK Reserved Shares Application Form or through an Electronic Application, as the case may be, may make a single or multiple application(s) for Offering Shares under the Placement by way of the printed GREEN or BLUE Placement Application Form. Such separate applications will not be treated as multiple applications.

An applicant who has made an application for Reserved Shares using the printed PINK Reserved Shares Application Form may submit (i) one separate application for Offering Shares under the Public Offer in his own name either by way of the printed WHITE or BEIGE Public Offer Application Form or through an Electronic Application, (ii) a single or multiple application(s) for Offering Shares under the Placement through the printed GREEN or BLUE Placement Application Forms or (iii) both (i) and (ii), provided he adheres to the terms and conditions of the Prospectus.

An applicant may submit (i) a single or multiple application(s) for Offering Shares (other than Reserved Shares) under the Placement only, (ii) a single or multiple application(s) for Offering Shares (other than Reserved Shares) under the Placement together with a single application for Offering Shares under the Public Offer or (iii) a single or multiple application(s) for Offering Shares (other than Reserved Shares) under the Placement together with a single application for Offering Shares under the Public Offer and a single application for Reserved Shares.

Joint or multiple applications or those appearing to be or suspected of being multiple applications (other than as permitted above) will be liable to be rejected at the discretion of Petra Foods. Persons submitting or procuring submissions of multiple share applications (other than as permitted above) may be deemed to have committed an offence under the Penal Code (Chapter 224) of Singapore and the Securities and Futures Act (Chapter 289) of Singapore, and such applications may be referred to the relevant authorities for investigations.

6. Petra Foods will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships, chops or non-corporate bodies or joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers.
7. Petra Foods will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of a printed Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 8 below.
8. PETRA FOODS WILL ONLY ACCEPT NOMINEE APPLICATIONS FROM APPROVED NOMINEE COMPANIES. Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies will be rejected.
9. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of application, your application will be rejected (if you apply by way of an Application Form) or you will not be able to complete your Electronic Application (if you apply by way of an Electronic

Application). If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 10 below, your application is liable to be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form, or in the case of an Electronic Application, contained in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained by CDP. If you have more than one individual direct Securities Account with CDP, your application shall be rejected.

10. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/ or allocation will be sent to your address last registered with CDP.**
11. The Prospectus and its accompanying documents (including these Instructions and the Application Forms) have not been registered in any jurisdiction other than in Singapore. The distribution of the Prospectus and its accompanying documents (including these Instructions and the Application Forms) may be prohibited or restricted (either absolutely or unless various securities requirements, whether legal or administrative, are complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. Without limiting the generality of the foregoing, neither the Prospectus and its accompanying documents (including these Instructions and the Application Forms) nor any copy thereof may be published or distributed, directly or indirectly, in or into the United States and they do not constitute an offer of securities for sale into the United States or any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such an offer. The Offering Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Offering Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act and within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act. There will be no public offer of Offering Shares in the United States. Any failure to comply with this restriction may constitute a violation of United States securities laws.

Petra Foods reserves the right to reject any applications for Offering Shares where our Company believes or has reason to believe that such applications may violate the securities laws of any jurisdiction.

No person in any jurisdiction outside Singapore receiving the Prospectus or its accompanying documents (including these Instructions and the Application Forms) may treat the same as an offer or invitation to subscribe for and/or purchase any Offering Shares unless such an offer or invitation could lawfully be made without compliance with any regulatory or legal requirements in those jurisdictions.

12. Petra Foods reserves the right to reject any applications which do not conform strictly to the instructions set out in the Application Forms or the Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of the Prospectus or its accompanying documents (including these Instructions and the Application Forms) or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance. Petra Foods further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of the Prospectus or its accompanying documents (including these Instructions), and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

Without prejudice to the rights of Petra Foods, the Global Co-ordinator, as agent of Petra Foods, has been authorised to accept, for and on behalf of Petra Foods, such other forms of application as the Global Co-ordinator may, in consultation with Petra Foods, deem appropriate.

13. Petra Foods reserves the right to reject or accept, in whole or in part, or to scale down or to ballot, any application, without assigning any reason therefor, and no enquiry and/or correspondence on our decision will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications and by other forms of applications, as the Global Co-ordinator may, in consultation with Petra Foods, deem appropriate. In deciding the basis of acceptance, Petra Foods will give due consideration to the desirability of allotting and/or allocating the Offering Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
14. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after 3 November 2004, being the last day for application and payment for the Offering Shares (the "Closing Date"), and subject to the submission of valid applications and payment for the Offering Shares, a statement of account stating that your Securities Account has been credited with the number of Offering Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by Petra Foods. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Offering Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
15. In the event of an under-subscription for the Offering Shares offered in the Public Offer as at the Closing Date, that number of Offering Shares under-subscribed shall be made available to satisfy excess applications for the Offering Shares offered in the Placement to the extent there is an over-subscription for the Offering Shares offered in the Placement as at the Closing Date.

In the event of an under-subscription for the Offering Shares offered in the Placement as at the Closing Date, that number of Offering Shares under-subscribed shall be made available to satisfy excess applications for the Offering Shares offered in the Public Offer to the extent that there is an over-subscription for the Offering Shares offered in the Public Offer as at the Closing Date.

In the event of an over-subscription for the Offering Shares offered in the Public Offer as at the Closing Date and the Offering Shares offered in the Placement are fully subscribed or over-subscribed as at the Closing Date, the successful applications for the Offering Shares offered in the Public Offer will be determined by ballot or otherwise as determined by Petra Foods and approved by the SGX-ST.

16. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Offering Shares allotted and/or allocated to you pursuant to your application, to our Company, the Vendors, the Co-ordinator of the Public Offer, the Global Co-ordinator and any other parties so authorised by any of the foregoing persons.
17. Any reference to "you" or the "applicant" in this section shall include an individual, a corporation, an approved nominee company or a trustee applying for the Offering Shares by way of an Application Form or by way of an Electronic Application.
18. By completing and delivering an Application Form and, in the case of an Electronic Application, by pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM of the Participating Banks in accordance with the provisions herein, you:
 - (a) irrevocably offer to subscribe for and/or purchase the number of Offering Shares specified in your application (or such smaller number for which the application is accepted) at the Offering Price or the Discounted Offering Price, as applicable, for each Offering Share and agree that you will accept such number of Offering Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in, the Prospectus and its accompanying documents (including these Instructions and the Application Forms) and the Memorandum and Articles of Association of our Company;
 - (b) agree that, in the event of any inconsistency between the terms and conditions for application set out in the Prospectus and its accompanying documents (including these Instructions and the Application Forms) and those set out in the ATMs of the Participating Banks, the terms and conditions set out in the Prospectus and its accompanying documents (including these Instructions and the Application Forms) shall prevail;

- (c) agree that the aggregate Offering Price or Discounted Offering Price, as applicable, for the Offering Shares applied for is due and payable to Petra Foods forthwith;
 - (d) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by Petra Foods in determining whether to accept your application and whether to allot or allocate any Offering Shares to you; and
 - (e) agree and warrant that, if the laws of any jurisdiction outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Vendors, the Co-ordinator of the Public Offer or the Global Co-ordinator will infringe any such laws as a result of the acceptance of your application.
19. Petra Foods' acceptance of applications will be conditional upon, inter alia, our Company being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in, and for quotation of, all our Company's issued Shares (including the Vendor Shares and the Vendor Additional Shares), the New Shares, the Company Additional Shares (in the event the Over-allotment Option in respect of the Company Additional Shares is exercised), the new Shares to be issued pursuant to the exercise of Options under the Share Option Scheme and the new Shares to be issued under the Share Incentive Plan on the Main Board of the SGX-ST; and
 - (b) the Placement Agreement and the Offer Agreement referred to on pages 155 and 156 of the Prospectus have become unconditional and have not been terminated.
20. Petra Foods will not hold any application in reserve.
21. Additional terms and conditions for applications by way of Application Forms are set out in the section entitled "Additional Terms and Conditions for Applications using Printed Application Forms" on pages 6 to 10 of this document.
22. Additional terms and conditions for applications by way of Electronic Applications are set out in the section entitled "Additional Terms and Conditions for Electronic Applications" on pages 11 to 14 of this document.
23. The Prospectus is dated 28 October 2004. No Shares will be allotted and/or allocated on the basis of the Prospectus later than six months after the date of the Prospectus.

Additional Terms and Conditions for Applications using Printed Application Forms

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of the Prospectus and its accompanying documents (including these Instructions and the Application Forms), including but not limited to the terms and conditions appearing below as well as those set out in the section entitled “Terms and Conditions and Procedures for Application in the Offering” on pages 1 to 5 of this document, as well as the Memorandum and Articles of Association of our Company.

1. If you are an Individual Investor, your application for the Offering Shares under the Public Offer must be made using the printed **WHITE** Public Offer Application Forms and official envelopes “A” and “B”, accompanying and forming part of the Prospectus.

If you are **NOT** an Individual Investor, your application for the Offering Shares under the Public Offer must be made using the printed **BEIGE** Public Offer Application Forms and official envelopes “A” and “B”, accompanying and forming part of the Prospectus.

If you are an Individual Investor, your application for Offering Shares (other than Reserved Shares) under the Placement must be made using the printed **GREEN** Placement Application Forms, accompanying and forming part of the Prospectus.

If you are **NOT** an Individual Investor, your application for Offering Shares (other than Reserved Shares) under the Placement must be made using the printed **BLUE** Placement Application Forms, accompanying and forming part of the Prospectus.

Applications for the Reserved Shares may only be made using the printed **PINK** Reserved Shares Application Forms, accompanying and forming part of the Prospectus.

We draw your attention to the detailed instructions contained in the respective Application Forms and the Prospectus and its accompanying documents (including these Instructions) for the completion of the Application Forms, which must be carefully followed. Petra Foods reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and the Prospectus and its accompanying documents (including these Instructions) or to the terms and conditions of the Prospectus and its accompanying documents (including these Instructions) or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper forms of remittances.

2. You must complete your Application Forms in English. Please type or write clearly in ink using BLOCK LETTERS.
3. You must complete all spaces in your Application Forms except those under the heading “FOR OFFICIAL USE ONLY” and you must write the words “NOT APPLICABLE” or “N.A.” in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears in your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Company Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Share Registrar. Petra Foods reserves the right to require you to produce documentary proof of identification for verification purposes.
5.
 - (a) You must complete Sections A and B and sign on page 1 of the Application Form.
 - (b) You are required to delete either paragraph 7 (a) or 7 (b) on page 1 of the Application Form. Where paragraph 7 (a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7 (a) or 7 (b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

6. You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Offering Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.
7. You may apply for the Offering Shares using only cash. Each application must be accompanied by a remittance in Singapore currency for the full amount payable at the Offering Price of S\$0.88 per Offering Share or the Discounted Offering Price of S\$0.83 per Offering Share, as applicable, in respect of the number of Offering Shares applied for, in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**PETRA FOODS SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", with your name and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. Remittances bearing "Not Transferable" or "Non Transferable" crossings will be rejected.
8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you within 24 hours of the balloting at your own risk. Where your application is rejected or accepted in part only, it is expected that the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the Closing Date, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.
9. Capitalised terms used in the Application Forms and defined in the Prospectus shall bear the meanings assigned to them in the Prospectus.
10. By completing and delivering the Application Form, you agree that:
 - (a) in consideration of Petra Foods having distributed the Application Form to you and by completing and delivering the Application Form before the Closing Date:
 - (i) your application is irrevocable; and
 - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (b) all applications, acceptances or contracts resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (c) in respect of the Offering Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on behalf of Petra Foods and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of Petra Foods;
 - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
 - (e) reliance is placed solely on information contained in the Prospectus and that none of our Company, the Vendors, the Co-ordinator of the Public Offer, the Global Co-ordinator or any other person involved in the Offering shall have any liability for any information not so contained;
 - (f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, Securities Account number, and share application amount to our Share Registrar, CDP, SCCS, our Company, the Vendors, the Co-ordinator of the Public Offer and the Global Co-ordinator; and

- (g) you irrevocably agree and undertake to subscribe for and/or purchase the number of Offering Shares applied for as stated in the Application Form or any smaller number of such Offering Shares that may be allotted and/or allocated to you in respect of your application. In the event that Petra Foods decides to allot and/or allocate any smaller number of such Offering Shares or not to allot or allocate any Offering Shares to you, you agree to accept such decision as final.

Applications by Individual Investors for Offering Shares under the Public Offer

11. If you are an Individual Investor, your application for Offering Shares under the Public Offer **MUST** be made using the **WHITE** Public Offer Application Forms and **WHITE** official envelopes "A" and "B".
12. You must:
- (a) enclose the **WHITE** Public Offer Application Form, duly completed and signed, together with your remittance for the full amount payable at the Discounted Offering Price per Offering Share in respect of the number of Offering Shares applied for, in accordance with the terms and conditions of the Prospectus and its accompanying documents (including these Instructions and the Application Forms), in the official envelope "A" provided;
 - (b) in appropriate spaces on the official envelope "A":
 - (i) write your name and address;
 - (ii) state the number of Offering Shares applied for; and
 - (iii) affix adequate Singapore postage;
 - (c) **SEAL THE OFFICIAL ENVELOPE "A"**;
 - (d) write, in the special box provided on the larger official envelope "B" addressed to **UOB ASIA LIMITED, 1 RAFFLES PLACE, #13-01 OUB CENTRE, SINGAPORE 048616**, the number of Offering Shares you have applied for; and
 - (e) insert the official envelope "A" into the official envelope "B", seal the official envelope "B", affix adequate Singapore postage on the official envelope "B" (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to **UOB ASIA LIMITED, 1 RAFFLES PLACE, #13-01 OUB CENTRE, SINGAPORE 048616**, so as to arrive by 12.00 p.m. on 3 November 2004 or such other date(s) and time(s) as Petra Foods and the Vendors may, in consultation with the Global Co-ordinator, decide. **Local Urgent Mail or Registered Post must NOT be used.**
13. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn or improper form of remittances or which are not honoured upon their first presentation are liable to be rejected.
14. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Applications by persons other than Individual Investors for Offering Shares under the Public Offer

15. If you are **NOT** an Individual Investor, your application for Offering Shares under the Public Offer **MUST** be made using the **BEIGE** Public Offer Application Forms and **WHITE** official envelopes "A" and "B".
16. You must:
- (a) enclose the **BEIGE** Public Offer Application Form, duly completed and signed, together with your correct remittance, for the full amount payable at the Offering Price per Offering Share in respect of the number of Offering Shares applied for, in accordance with the terms and conditions of the Prospectus and its accompanying documents (including these Instructions and the Application Forms), in the official envelope "A" provided;

- (b) in appropriate spaces on the official envelope "A":
 - (i) write your name and address;
 - (ii) state the number of Offering Shares applied for; and
 - (iii) affix adequate Singapore postage;
 - (c) **SEAL THE OFFICIAL ENVELOPE "A"**;
 - (d) write, in the special box provided on the larger official envelope "B" addressed to **UOB ASIA LIMITED, 1 RAFFLES PLACE, #13-01 OUB CENTRE, SINGAPORE 048616**, the number of Offering Shares you have applied for; and
 - (e) insert the official envelope "A" into the official envelope "B", seal the official envelope "B", affix adequate Singapore postage on the official envelope "B" (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to **UOB ASIA LIMITED, 1 RAFFLES PLACE, #13-01 OUB CENTRE, SINGAPORE 048616**, so as to arrive by 12.00 p.m. on 3 November 2004 or such other date(s) and time(s) as Petra Foods and the Vendors may, in consultation with the Global Co-ordinator, decide. **Local Urgent Mail or Registered Post must NOT be used.**
17. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn or improper form of remittances or which are not honoured upon their first presentation are liable to be rejected.
18. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Applications by Individual Investors for Offering Shares (other than Reserved Shares) under the Placement

19. Your application for Offering Shares (other than Reserved Shares) under the Placement must be made using the **GREEN** Placement Application Forms.
20. The completed **GREEN** Placement Application Form and your remittance, in accordance with the terms and conditions of the Prospectus and its accompanying documents (including these Instructions and the Application Forms), for the full amount payable at the Discounted Offering Price per Offering Share in respect of the number of Offering Shares applied for, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND the documents at your own risk to M & C SERVICES PRIVATE LIMITED, 138 ROBINSON ROAD #17-00, THE CORPORATE OFFICE, SINGAPORE 068906**, to arrive by 12.00 p.m. on 3 November 2004 or such other date(s) and time(s) as Petra Foods and the Vendors may, in consultation with the Global Co-ordinator, decide. **Local Urgent Mail or Registered Post must NOT be used.**
21. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Applications by persons other than Individual Investors for Offering Shares (other than Reserved Shares) under the Placement

22. If you are NOT an Individual Investor, your application for Offering Shares (other than Reserved Shares) under the Placement must be made using the **BLUE** Placement Application Forms.
23. The completed **BLUE** Placement Application Form and your remittance, in accordance with the terms and conditions of the Prospectus and its accompanying documents (including these Instructions and the Application Forms), for the full amount payable at the Offering Price per Offering Share in respect of the number of Offering Shares applied for, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to **M & C SERVICES PRIVATE LIMITED, 138 ROBINSON ROAD #17-00, THE CORPORATE OFFICE, SINGAPORE 068906**, to arrive by 12.00 p.m. on 3 November 2004 or such other date(s) and time(s) as Petra Foods and the Vendors

may, in consultation with the Global Co-ordinator, decide. **Local Urgent Mail or Registered Post must NOT be used.**

24. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Applications for Reserved Shares

25. Your application for Reserved Shares must be made using the **PINK** Reserved Shares Application Forms.
26. The completed and signed **PINK** Reserved Shares Application Form and your remittance, in accordance with the terms and conditions of the Prospectus and its accompanying documents (including these Instructions and the Application Forms) for the full amount payable at the Discounted Offering Price per Offering Share in respect of the number of Reserved Shares applied for, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to **PETRA FOODS LIMITED, 900 South Woodlands Drive #05-05, Woodlands Civic Centre, Singapore 730900** so as to arrive by 12.00 p.m. on 3 November 2004 or such other date(s) and time(s) as Petra Foods and the Vendors may, in consultation with the Global Co-ordinator, decide. **Local Urgent Mail or Registered Post must NOT be used.**
27. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Additional Terms and Conditions for Electronic Applications

The procedures for Electronic Applications are set out on the ATM screens of the Participating Banks. For illustration purposes, the procedures for Electronic Applications through ATMs of UOB Group are set out in the “Steps for Electronic Application through ATMs of UOB Group” (the “Steps”) appearing on pages 15 and 16 of this document. Please read carefully the terms of the Prospectus and its accompanying documents (including these Instructions), the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” or the “applicant” in these Additional Terms and Conditions for Electronic Applications shall refer to you making an application for Offering Shares under the Public Offer through an ATM of a Participating Bank. No application for Reserved Shares or any Offering Shares under the Placement may be made using Electronic Applications. Accordingly, any reference to “Offering Shares” in these Additional Terms and Conditions for Electronic Applications shall be deemed to exclude Reserved Shares and Offering Shares under the Placement.

An administrative fee of S\$1.00 is payable for each Electronic Application.

The Steps set out the actions that you must take at the ATMs of UOB Group to complete an Electronic Application. The actions that you must take at the ATMs of the other Participating Banks are set out on the ATM screens of the relevant Participating Banks.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application. An ATM card issued by one Participating Bank cannot be used to apply for Offering Shares at an ATM belonging to another Participating Bank. Upon the completion of your Electronic Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your Electronic Application. The Transaction Record is for your retention and should not be submitted with any printed Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

Your Electronic Application shall be made on the terms and, subject to the conditions of the Prospectus, including but not limited to, the terms and conditions appearing below and those set out under the section entitled “Terms and Conditions and Procedures for Application in the Offering” on pages 1 to 5 of this document, as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for the Offering Shares, you are required to confirm statements to the following effect in the course of activating the Electronic Application:
 - (a) that you have received a copy of the Prospectus and its accompanying documents (including these Instructions) and have read, understood and agreed to all the terms and conditions of application for the Offering Shares and the Prospectus and its accompanying documents (including these Instructions) prior to effecting the Electronic Application and agree to be bound by the same;
 - (b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, Securities Account number, and share application details (the “Relevant Particulars”) from your account with the relevant Participating Bank to our Share Registrar, CDP, SCCS, our Company, the Vendors, the Co-ordinator of the Public Offer and the Global Co-ordinator (the “Relevant Parties”); and
 - (c) that this is your only application for the Offering Shares under the Public Offer and it is made in your name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction unless you press the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1 (b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore, including

Section 47(2) of the Banking Act (Chapter 19) of Singapore, to the disclosure by that Participating Bank, of the Relevant Particulars to the Relevant Parties.

2. **By making an Electronic Application, you confirm that you are not applying for Offering Shares as a nominee of any other person and that any Electronic Application that you make is the only application made by you as the beneficial owner. You shall make only one Electronic Application and may not make any other application for the Offering Shares under the Public Offer, whether at the ATMs of the Participating Banks or on a Public Offer Application Form. Where you have made an application for Offering Shares under the Public Offer on an Application Form, you shall not make an Electronic Application for Offering Shares and *vice versa*.**
3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application at the ATM of the relevant Participating Bank, failing which such Electronic Application will not be complete or accepted. Any Electronic Application made at the ATM of the relevant Participating Bank which does not conform strictly to the instructions set out in this document or on the screens of the ATM of the relevant Participating Bank through which your Electronic Application is being made shall be rejected.
4. **You may make an Electronic Application at the ATM of any Participating Bank, using only cash by authorizing such Participating Bank to deduct the full amount payable at the Discounted Offering Price per Offering Share, in respect of the number of Offering Shares applied for, from your account with such Participating Bank.**
5. You irrevocably agree and undertake to subscribe for and/or purchase the number of Offering Shares applied for as stated on the Transaction Record or any smaller number of such Offering Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that Petra Foods decides to allot and/or allocate any smaller number of such Offering Shares or not to allot or allocate any Offering Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM) of the number of Offering Shares applied for shall signify and shall be treated as your acceptance of the number of Offering Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.
6. Petra Foods will not keep any application in reserve. Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank, at your risk, within 24 hours of the balloting, provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.

Where your Electronic Application is accepted in part only, the balance of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 Market Days after the Closing Date provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.

Responsibility for timely refund of application monies from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any money to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offering Shares allotted and/or allocated to you before trading the Shares on the SGX-ST. None of the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Vendors, the Co-ordinator of the Public Offer or the Global Co-ordinator assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

If your Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Bank.

7. If you have made an Electronic Application through the ATMs of the following Participating Banks, you may check the provisional results of your Electronic Application as follows:

Bank	Telephone	ATM/Internet	Operating Hours	Service expected from
DBS Bank	1800-339 6666 (for POSB accountholders) 1800-111 1111 (for DBS accountholders)	Internet Banking http://www.dbs.com	24 hours a day	Evening of the balloting day
OCBC	1800-363 3333	ATM	24 hours a day	Evening of the balloting day
UOB Group	1800-222 2121	ATM (Other Transactions — “IPO Enquiry”) http://www.uobgroup.com ⁽¹⁾	24 hours a day	Evening of the balloting day

⁽¹⁾ If you have made an Electronic Application through the ATMs of UOB Group, you may check the results of your Electronic Application through UOB Personal Internet Banking, UOB Group’s ATMs or UOB Phone Banking Services.

8. **Electronic Applications shall close at 12.00 p.m. on 3 November 2004 or such other date(s) and time(s) as Petra Foods and the Vendors may, in consultation with the Global Co-ordinator, decide.**
9. You are deemed to have irrevocably requested and authorized our Company and the Vendors to:
- register the Offering Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;
 - send the relevant Share certificate(s) to CDP;
 - return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank, at your risk, with the relevant amount within 24 hours of the balloting; and
 - return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank, at your risk, within 14 Market Days after the Closing Date.
10. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdown, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Vendors, the Co-ordinator of the Public Offer and the Global Co-ordinator, and, if in any such event our Company, the Vendors, the Co-ordinator of the Public Offer, the Global Co-ordinator, and/ or the relevant Participating Bank do not receive your Electronic Application, or any data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendors, the Co-ordinator of the Public Offer, the Global Co-ordinator and/ or the relevant Participating Bank for any Offering Shares applied for or for any compensation, loss or damage.
11. Neither Petra Foods nor the Vendors recognize the existence of a trust. Any Electronic Application by a trustee must be made in his own name and without qualification. Petra Foods and the Vendors will reject any Electronic Application by any person acting as nominee.
12. All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank, and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank.

13. You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical. Otherwise, your Electronic Application is liable to be rejected. You should promptly inform CDP of any change in address, failing which the notification letter on successful allocation will be sent to your address last registered with CDP.
14. By making and completing an Electronic Application, you are deemed to have agreed that:
 - (a) in consideration of Petra Foods making available the Electronic Application facility, through the Participating Banks acting as agents of Petra Foods, at the ATMs of the Participating Banks:
 - (i) your Electronic Application is irrevocable; and
 - (ii) your Electronic Application, the acceptance by Petra Foods and the contract resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (b) none of our Company, the Vendors, the Co-ordinator of the Public Offer, the Global Co-ordinator or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdown or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 10 above or to any cause beyond their respective controls;
 - (c) in respect of Offering Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of Petra Foods and not otherwise, notwithstanding any payment received by or on behalf of Petra Foods;
 - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your applications; and
 - (e) reliance is placed solely on information contained in the Prospectus and that none of our Company, the Vendors, the Co-ordinator of the Public Offer, the Global Co-ordinator or any other person involved in the Offering shall have any liability for any information not so contained.

Steps for Electronic Applications through the ATMs of UOB Group

The instructions for Electronic Applications will appear on the ATM screens of the respective Participating Banks. For illustration purposes, the steps for making an Electronic Application through the ATMs of UOB Group are shown below. Instructions for Electronic Applications appearing on the ATM screens of the relevant Participating Banks (other than UOB Group) may differ from that represented below.

Due to space constraints on the screen of UOB Group's ATMs, the following terms will appear in abbreviated form:

"&"	: AND
"A/C" AND "A/CS"	: ACCOUNT AND ACCOUNTS, respectively
"ADDR"	: ADDRESS
"AMT"	: AMOUNT
"APPLN"	: APPLICATION
"CDP"	: THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	: CENTRAL PROVIDENT FUND
"CPFINVT A/C"	: CPF INVESTMENT ACCOUNT
"ESA"	: ELECTRONIC SHARE APPLICATION
"IC/PSSPT"	: NRIC OR PASSPORT NUMBER
"NO" OR "NO."	: NUMBER
"PERSONAL NO."	: PERSONAL IDENTIFICATION NUMBER
"REGISTRARS"	: SHARE REGISTRARS
"SCCS"	: SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD
"YR"	: YOUR

Steps for Electronic Applications through the ATMs of UOB Group

- Step 1 : Insert your personal Unicard, Uniplus card or UOB VISA/MASTER card and key in your personal identification number
- 2 : Select "CASHCARD/OTHER TRANSACTIONS"
- 3 : Select "SECURITIES APPLICATION"
- 4 : Select "ESA-FIXED"
- 5 : Select the share counter which you wish to apply for
- 6 : Read and understand the following statements which will appear on the screen:
 - **THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS.**
(Customer to press "ENTER" to continue)
 - **PLEASE CALL 1800-22-22-121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT.**

- WHERE APPLICABLE, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT.

Press the “ENTER” key to confirm that you have read and understood the above statements.

- 7 : Read and understand the following terms which will appear on the screen:
- **YOU HAVE READ, UNDERSTOOD & AGREED TO ALL THE TERMS OF THE PROSPECTUS/DOCUMENT SUPPLEMENTARY DOCUMENT & THIS ELECTRONIC APPLICATION**
 - **YOU CONSENT TO DISCLOSE YR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YR A/CS TO CDP, CPF, SCCS, REGISTRARS & ISSUER/VENDOR(S)**
 - **THIS IS YR ONLY FIXED PRICE APPLN AND IS IN YR NAME AND AT YR RISK**
(Customer to press “ENTER” to confirm)
- 8 : Screen will display:
- NRIC/PASSPORT NO: XXXXXXXXXXXXX
- IF YOUR NRIC NO/PASSPORT NO IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.**
(Customer to press “CANCEL” or “CONFIRM”)
- 9 : Select mode of payment i.e. “**CASH ONLY**”. You will be prompted to select Cash Account type to debit (i.e., “**CURRENT ACCOUNT/I-ACCOUNT**”, “**CAMPUS**” OR “**SAVINGS ACCOUNT/TX-ACCOUNT**”). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select.
- 10 : After you have selected the account, your Securities Account number will be displayed for you to confirm or change (this screen with your Securities Account number will be shown if your Securities Account number is already stored in the ATM system of UOB Group). If this is the first time you are using UOB Group’s ATM to apply for shares, your Securities Account number will not be stored in the ATM system of UOB Group, and the following screen will be displayed for your input of your Securities Account number.
- 11 : Read and understand the following terms which will appear on the screen:
1. **PLEASE DO NOT APPLY FOR YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
 2. **PLEASE USE YOUR OWN ATM CARD**
 3. **DO NOT KEY IN THE CDP A/C NO. OF YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
 4. **KEY IN YOUR CDP A/C NO. (12 DIGITS) 1681-XXXX-XXXX**
 5. **PRESS ENTER KEY**
- 12 : Key in your Securities Account number (12 digits) and press the “ENTER” key
- 13 : Select your nationality status
- 14 : Key in the number of Offering Shares you wish to apply for and press “ENTER” key
- 15 : Check the details of your Electronic Application on the screen and press “ENTER” key to confirm your Electronic Application
- 16 : Select “**NO**” if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only.

Glossary

<i>“we”, “us”, “our”, “Group”</i>	: Petra Foods Limited and its subsidiaries, taken as a whole
<i>“our Company” and “Petra Foods”</i>	: Petra Foods Limited
<i>“Application Forms”</i>	: The printed application forms to be used for the purpose of the Offering and which form part of the Prospectus
<i>“CDP”</i>	: The Central Depository (Pte) Limited
<i>“Co-ordinator of the Public Offer”</i>	: UOB Asia Limited
<i>“CPF”</i>	: The Central Provident Fund
<i>“Discounted Offering Price”</i>	: S\$0.83 per Offering Share
<i>“Global Co-ordinator”</i>	: ABN AMRO Rothschild (being the unincorporated equity capital markets joint venture between ABN AMRO Bank N.V., Singapore Branch, and N.M. Rothschild & Sons (Singapore) Limited, each trading as ABN AMRO Rothschild)
<i>“Individual Investors”</i>	: Investors who are individuals subscribing and/or purchasing Offering Shares in the Placement or the Public Offer, either in their own names or as beneficiaries of applications by approved nominee companies
<i>“Market Day”</i>	: A day on which the SGX-ST is open for trading in securities
<i>“Offering”</i>	: The Placement and the Public Offer
<i>“Offering Price”</i>	: S\$0.88 per Offering Share
<i>“Offering Shares”</i>	: 65,000,000 Shares offered by the Vendors and 113,500,000 Shares offered by the Company
<i>“Participating Banks”</i>	: DBS Bank Ltd (including POSB) (“DBS Bank”), Oversea-Chinese Banking Corporation Limited (“OCBC”) and United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the “UOB Group”)
<i>“Placement”</i>	: The international placement of 173,500,000 Offering Shares to investors, including institutional and other investors in Singapore
<i>“Public Offer”</i>	: An offering of 5,000,000 Offering Shares to the public in Singapore
<i>“Reserved Shares”</i>	: 12,850,000 Offering Shares in the Placement reserved for subscription and/or purchase by our management staff, independent director, employees, business associates and other persons who have contributed to the success of our Group (to be determined by our Company at its sole discretion)
<i>“SCCS”</i>	: Securities Clearing & Computer Services (Pte) Ltd
<i>“Securities Account”</i>	: Securities account maintained by a depositor with CDP
<i>“SGX-ST”</i>	: The Singapore Exchange Securities Trading Limited
<i>“Share Registrar”</i>	: M & C Services Private Limited
<i>“Shares”</i>	: Ordinary shares of S\$0.10 each in the capital of Petra Foods Limited
<i>“Vendors”</i>	: McKeeson Holdings Limited and Canzone Limited