

# cocoaland<sup>®</sup>



## Cocoaland Holdings Berhad

(Company No. 516019-H)

Annual Report **2007**

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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Eighth Annual General Meeting of the Company will be held at Crystal 2, Level 1, Crystal Crown Hotel Kuala Lumpur, 3, Jalan Jambu Mawar, Off Jalan Kepong, 52000 Kuala Lumpur on Wednesday, 18 June 2008 at 10.00 a.m. for the following purposes: -

## AGENDA

### AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect the following Directors who shall retire in accordance with Article 92 of the Company's Articles of Association and being eligible, offer themselves for re-election :
  - (a) Liew Yoon Kee **(Resolution 2)**
  - (b) Chow Kee Kan @ Chow Tuck Kwan **(Resolution 3)**
3. To approve the payment of Directors' fees amounting to RM156,000 in respect of the financial year ended 31 December 2007. **(Resolution 4)**
4. To re-appoint Messrs. Wong Weng Foo & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

### AS SPECIAL BUSINESS:

5. To consider and if thought fit, to pass the following resolution as ordinary resolution: -

#### **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965.**

**"THAT**, subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company, from time to time and upon such terms and conditions and for such purposes the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate of number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."**(Resolution 6)**

## Notice of Annual General Meeting (cont'd)

6. To transact any other business for which due notice shall have been given.

By Order of the Board

**NG HENG HOOI** (MAICSA 7048492)

**YAP FOO TENG** (MACS 00601)

**LEONG POI SAN** (MAICSA 7052268)

Company Secretaries

Kuala Lumpur

Dated: 27 May 2008

### Notes:-

- (i) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a Member of the Company and if the proxy is not a member, he/she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- (ii) A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account.
- (iii) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.
- (iv) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Suite 405, 4th Floor, Magnum Plaza, 128 Jalan Pudu, 55100 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.
- (v) Details of Directors who are standing for re-election are set out in the Directors' Profile section of this Annual Report. None of the Directors have any direct interests in the Company's subsidiaries.

### Explanatory Note on Special Business

#### Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

The Proposed Resolution 6, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

# Corporate Information

## BOARD OF DIRECTORS

### Dato' Azman bin Mahmood

Chairman / Independent Non-Executive Director

### Lau Pak Lam

Executive Director

### Liew Fook Meng

Executive Director

### Liew Yoon Kee

Executive Director

### Lau Kee Von

Executive Director

### Chow Kee Kan @ Chow Tuck Kwan

Independent Non-Executive Director

## COMPANY SECRETARIES

Ng Heng Hooi (MAICSA 7048492)

Yap Foo Teng (MACS 00601)

Leong Poi San (MAICSA 7052268)

## AUDITORS

Wong Weng Foo & Co.

Chartered Accountants

41, Damai Complex

Jalan Dato' Haji Eusoff

50400 Kuala Lumpur

Tel: 03-4042 4280

Fax: 03-4041 3141

## REGISTERED OFFICE

Suite 405, 4<sup>th</sup> Floor, Magnum Plaza

128 Jalan Pudu, 55100 Kuala Lumpur

Tel: 03-2072 8100

Fax: 03-2072 8101

## SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.

Lot 10, The Highway Centre, Jalan 51/205

46050 Petaling Jaya

Selangor Darul Ehsan

Tel: 03-7784 3922

Fax: 03-7784 1988

## CORPORATE OFFICE

Lot 100, Rawang Integrated Industrial Park

48000 Rawang, Selangor Darul Ehsan

Tel: 03-6091 3131

Fax: 03-6091 5131

## STOCK EXCHANGE LISTING

Main Board of the Bursa Malaysia Securities Berhad

Stock Code: 7205

## PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad

Citibank Berhad

Public Bank Berhad

RHB Bank Berhad

Malayan Banking Berhad

Standard Chartered Bank (M) Berhad

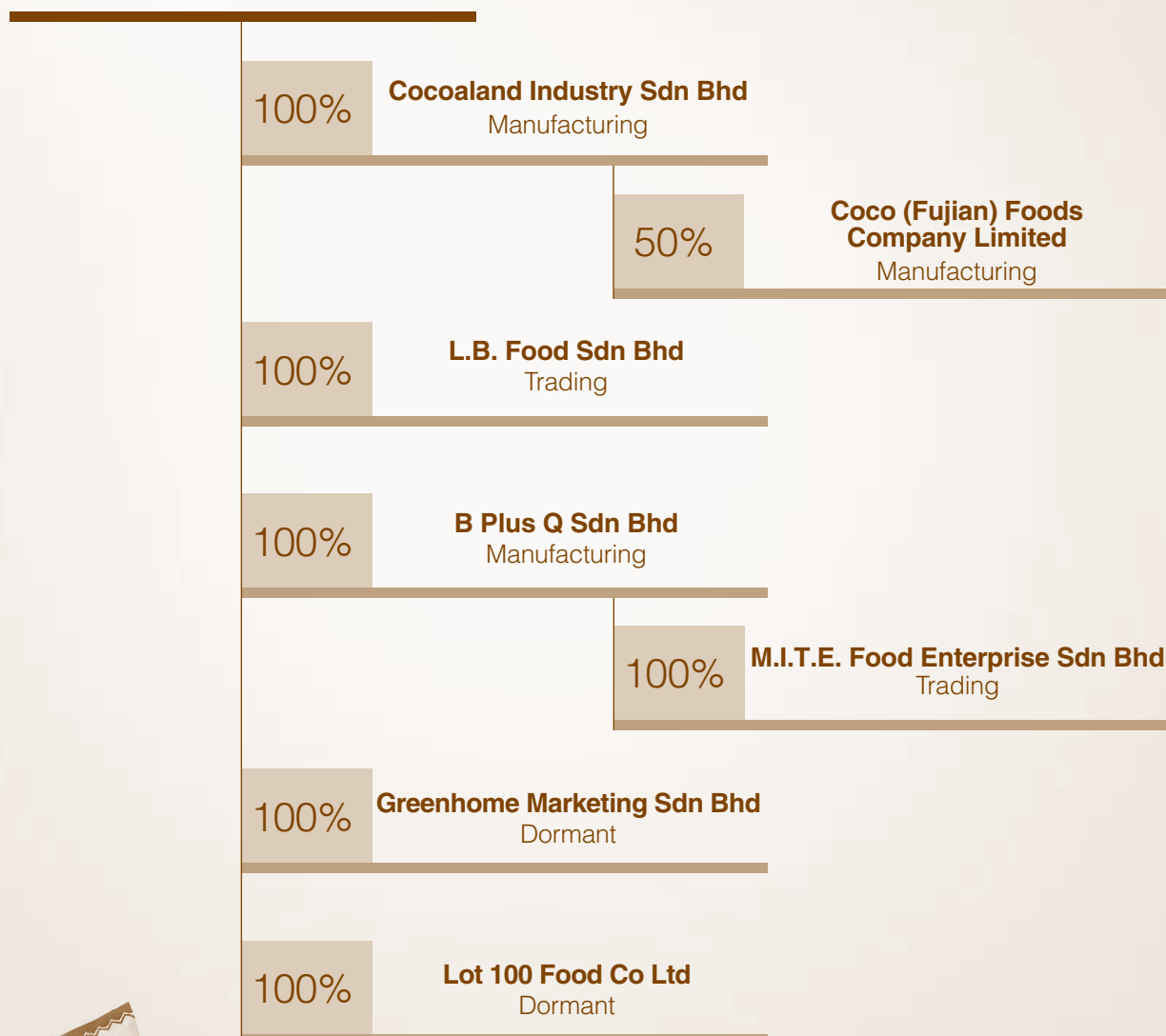
HSBC Bank Malaysia Berhad



# Corporate Structure

**cocoaland<sup>®</sup>**

**Cocoaland Holdings Berhad**  
Investment Holding





## Directors' Profile

### **DATO' AZMAN BIN MAHMOOD**

*57 years of age, Malaysian*

*Chairman and Independent Non-Executive Director*

He was appointed to the Board on 8 October 2004. He is a member of the Institute of Chartered Accountants in England & Wales.

He began his career with Lim, Ali & Co., an auditing firm based in Johor from 1975 to 1978. He later worked with RD Neville & Co., a firm of Chartered Accountants in Essex, England up to 1980. From 1981 to 1983, he worked for MMC Services Limited, London, a subsidiary of Malaysian Mining Corporation Berhad. In 1983, he was the Senior Manager of MUI Bank Berhad (now known as Hong Leong Bank Berhad). From 1983 to 1990, he was in charge of the Finance Division of Kumpulan Perangsang Selangor Berhad. From 1990 to 1996, he was the Managing Director of Worldwide Holdings Berhad, after which he was appointed as the Chairman of Fine Access Sdn. Bhd., an investment holding company with interest in property development business in Kuala Lumpur and Klang Valley.

Currently, he is an Independent Non-Executive Director for Jaks Resources Berhad and Kumpulan Hartanah Selangor Berhad.

He is the Chairman of the Audit Committee and Remuneration Committee. He is also a member of the Nomination Committee.

As at 30 April 2008, he has direct shareholdings of 393,333 ordinary shares of RM0.50 each in the Company. He does not have any family relationship with any directors and/or major shareholders of the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.

### **LIEW FOOK MENG**

*60 years of age, Malaysian*

*Executive Director*

He was appointed to the Board on 8 October 2004.

He has more than 20 years of experience in the manufacturing and marketing of confectionery products. He oversees product development through his active involvement in introducing new ideas and flavouring processes.

Currently, he also holds other directorship in the Cocoaland Group of Companies and several other private limited companies.

He is also the member of the Audit Committee and Remuneration Committee.

His siblings, Mr. Lau Kee Von, Mr. Lau Pak Lam and Mr. Liew Yoon Kee are also members of the Board. He also has a direct shareholding in the Company's substantial shareholder, Leverage Success Sdn. Bhd.

As at 30 April 2008, he has direct shareholdings of 3,804,233 ordinary shares of RM0.50 each in the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.

## Directors' Profile (cont'd)

### **LAU KEE VON**

*55 years of age, Malaysian*

*Executive Director*

He was appointed to the Board on 8 October 2004 and holds a Master degree in Business Administration from American Liberty University, USA.

He has more than 20 years of experience in the manufacturing and wholesale of confectionery products. He started out as a partner of Lau Brothers Food Trading Co. in 1976, which was primarily involved in the distribution of confectionery products. In 1984, he and the other partners incorporated L.B. Food Sdn. Bhd., currently one of the subsidiaries within the Group to take over the operations of the partnership. At the same time, he was appointed as the Managing Director of L.B. Food Sdn. Bhd. Under his stewardship over the past 21 years, the Group has grown from a family business concern into one of the largest confectionery manufacturers and distributors in Malaysia.

Currently, he also holds other directorship in the Cocoaland Group of Companies and several other private limited companies.

His siblings, Mr. Liew Fook Meng, Mr. Lau Pak Lam and Mr. Liew Yoon Kee are also members of the Board. He also has a direct shareholding in the Company's substantial shareholder, Leverage Success Sdn. Bhd.

As at 30 April 2008, he has direct shareholdings of 568,500 ordinary shares of RM0.50 each in the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.

### **LAU PAK LAM**

*50 years of age, Malaysian*

*Executive Director*

He was appointed to the Board on 8 October 2004 and holds a Master degree in Business Administration from American Liberty University, USA.

He has more than 20 years of experience in the manufacturing and wholesale of confectionery products. Having been involved in the convenience food manufacturing industry for over 20 years, he has established long-standing relationships with various local retailers and wholesalers in the same industry.

Currently, he also holds other directorship in the Cocoaland Group of Companies and several other private limited companies.

His siblings, Mr. Liew Fook Meng, Mr. Lau Kee Von and Mr. Liew Yoon Kee are also members of the Board. He also has a direct shareholding in the Company's substantial shareholder, Leverage Success Sdn. Bhd.

As at 30 April 2008, he has direct shareholdings of 777,866 ordinary shares of RM0.50 each in the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.



## Directors' Profile (cont'd)

### **LIEW YOON KEE**

*59 years of age, Malaysian*

*Executive Director*

He was appointed to the Board on 8 October 2004.

He has been the Sales Executive for L.B. Food Sdn. Bhd., currently one of the subsidiaries within the Group for 5 years from 1979 to 1984. Since then, he joined B Plus Q Sdn. Bhd., currently one of the subsidiaries within the Group as Factory Manager until todate.

Currently, he also holds other directorship in the Cocoaland Group of Companies and several other private limited companies.

His siblings, Mr. Liew Fook Meng, Mr. Lau Kee Von and Mr. Lau Pak Lam are also members of the Board. He also has a direct shareholding in the Company's substantial shareholder, Leverage Success Sdn. Bhd.

As at 30 April 2008, he has direct shareholdings of 73,333 ordinary shares of RM0.50 each in the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.

### **CHOW KEE KAN @ CHOW TUCK KWAN**

*55 years of age, Malaysian*

*Independent Non-Executive Director*

He was appointed to the Board on 8 October 2004. He is an approved Company Auditor and Chartered Accountant.

He has his own audit and tax practices and has more than 30 years of practical experience in the same field. He is also a Malaysian Insurance Institute Certified Trainer.

He was a council member of the Malaysian Institute of Accountants from 1987 to 1994. Currently, he serves as a Trustee for the Malaysian Accountancy Research and Education Foundation. He is also a council member of the Malaysian Institute of Taxation since 1991.

Currently, he is also an Independent Non-Executive Director of Merge Housing Berhad. He also holds directorships in several other private limited companies.

He is the Chairman of the Nomination Committee, member of the Audit Committee and Remuneration Committee.

As at 30 April 2008, he does not have any interest in the shares of the Company and family relationship with any directors and/or major shareholders of the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.

# Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2007.

## FINANCIAL PERFORMANCE

For the financial year under review, the Group recorded revenue of RM121.3 million compared with RM119.2 million in the previous corresponding period. Pre-tax profit was RM11.2 million compared with RM14.3 million in the preceding financial year. The Group's net earnings per share (EPS) was 7.36 sen compared with 10.17 sen last year.

### Highlights

	2007	2006	+/- (%)
Revenue (RM million)	121.3	119.2	+1.8
Pre-tax profit (RM million)	11.2	14.3	-21.7
Net profit (RM million)	8.8	12.2	-27.9
EPS (sen)	7.36	10.17	-27.6

## DIVIDEND

An interim dividend of 4 sen per share less 27% income tax for the financial year ended 31 December 2007 was paid on 28 December 2007. The Board does not recommend any final dividend payment for the financial year ended 31 December 2007.

## REVIEW OF OPERATIONS

The Group has been operating under a challenging environment during the financial year 2007. Despite the increased in export sales during the financial year under review, the increase in prices of certain materials and appreciation of the Malaysian Ringgit against the US Dollar have affected the Group's ability to maintain the profit margin. The Board implemented a series of strategies to boost its revenues coupled with internal savings in the production and operation costs in order to mitigate the profit margin erosion.

The Board continues to focus on higher margin products to improve its ability to contribute more significantly to the Group. The new gummy product, "Sour+" has been performing well and will continue to attract a high demand from consumers. The Board keeps up its goals to further strengthen the Group's revenue and profitability by applying more aggressive marketing strategies, embarking in product awareness, brand building, re-imaging of various products and introducing of new offerings in both local and export markets.

In November 2007, Coco (Fujian) Foods Company Limited, the joint venture company between Cocoaland Industry Sdn. Bhd. with Labixiaoxin Investments Company Limited has commenced its operations in Fujian, China. A factory has been set up and now underway its full production capacity. The Joint Venture Company has produced a variety of products under the brand name of *LaBiXiaoXin* and is receiving favorable response.

To continue enhancing the growth in the Group, the Board is planning to expand its business by introducing a new range of healthy beverages with the flavor of green tea and fresh juices which offer greater taste and healthier life to consumers. These products are expected to be in the market in 2008.

## Chairman's Statement (cont'd)

### PROSPECTS

Moving forward, the Group expects that demand for its products, both locally and internationally to remain strong. With the recent penetration into the market of China and Vietnam, the outlook remains positive. However, the instability of the economy in the United States will likely to cause an impact on the overall performance of the Group.

The Board will strive to deliver improved performance in year 2008.

### CORPORATE SOCIAL RESPONSIBILITY

The Board acknowledges that it has a responsibility to the employees, the shareholders and the communities in which they do business as well as to the environment. In line with this the Board has implemented various corporate social responsibilities initiatives to ensure responsible practices are carried out in all areas of our businesses. On the community front, the Group supports a wide range of community-based campaign on helping the less fortunate such as donations and gifts giving to the communities and local schools. The Group has also conducted a public seminar in relation to personal development and corporate ethic. On the environmental front, we adhere to stringent environmental best practices.

### ACKNOWLEDGEMENT & APPRECIATION

On behalf of the Board of Directors, I would like to record our heartfelt gratitude and appreciation to our shareholders, customers, business associates, financiers and the various government agencies for their continued support and confidence to the Group. Our appreciation also accorded to the Management team and employees at all levels for their hard work, dedication and commitment to the Group.

Last but not least, I would like to extend my sincere gratitude to my fellow Board members for their immeasurable contributions made during the course of the year.

### DATO' AZMAN BIN MAHMOOD

Chairman



# Statement on Corporate Governance

The Board of Directors of Cocoaland Holdings Berhad (the “Board”) confirmed that throughout the financial year under review it has continue to ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its duties and responsibilities.

The Board is pleased to report that measures have been taken that the principles and best practices set out in the Malaysian Code on Corporate Governance are observed and practiced to achieve its objectives of protecting and maximising stakeholders’ value and to safeguard the Group’s assets.

## A. DIRECTORS

### Board Composition and Balance

The Company is headed by the Board comprises of six (6) members of whom four (4) are Executive Directors and two (2) are Independent Non-Executive Directors. The Board members, with diverse background and specialisation, collectively bring with them a wide range of experience and expertise to lead and control the Company. With their intimate knowledge of the Group’s business, all Board members are committed to continue to take on the primary responsibilities to direct towards successful growth of the Company and ultimately the enhancement of long-term shareholders’ value.

The Board has a clear division of responsibilities to ensure a balance of authority and power. The Executive Directors are responsible for the day-to-day operations and business activities of the Group, while the Independent Non-Executive Directors ensure that the Board practices good governance in discharging its duties with accountability and transparency.

### Meetings

The Board meets at least four (4) times a year at quarterly intervals with additional meetings to be convened as and when required. During the financial year ended 31 December 2007, the Board convened five (5) meetings, with details on the attendance of Directors listed below: -

Board Members	Attendance
Dato’ Azman bin Mahmood	5/5
Mr. Liew Fook Meng	5/5
Mr. Lau Kee Von	5/5
Mr. Lau Pak Lam	5/5
Mr. Liew Yoon Kee	3/5
Mr. Chow Kee Kan @ Chow Tuck Kwan	5/5

## Statement on Corporate Governance (cont'd)

### Supply of Information

The Board recognises that the decision making process is highly dependent on the quality of information furnished. As such, in discharging their duties, the Directors have full and timely access to all information concerning the Company and the Group. All Board meetings held were preceded by a notice issued by the Company Secretary. Prior to each Board meeting, the agenda together with relevant reports and Board papers would be circulated to all Directors in sufficient time to enable effective discussions and decision making during Board meetings. In addition, the Board is also notified of any corporate announcements released to the Bursa Malaysia Securities Berhad.

The Directors have full access to the advice and services of the Company Secretaries, the senior management staff, the external auditors and other independent professionals at all times in the discharge of their duties and responsibilities.

### Appointments to the Board

The Nomination Committee comprises the following members : -

Mr. Chow Kee Kan @ Chow Tuck Kwan	Chairman / Independent Non-Executive Director
Dato' Azman bin Mahmood	Member / Independent Non-Executive Director

The duties of the Nomination Committee is empowered by its terms of reference to perform amongst others, to recommend to the Board, new candidates as Board members or Board committee members.

### Re-election

The Company's Articles of Association provides that at each Annual General Meeting, one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum of one (1), shall retire from office and an election of Directors shall take place provided always that each Director shall retire at least once in every three (3) years but shall be eligible for re-election. Any Directors appointed during the year shall hold office only until the next Annual General Meeting and then be eligible for re-election.

### Directors' Training

All the Directors of the Company have completed the Mandatory Accreditation Programme prescribed by the Bursa Malaysia Securities Berhad's Listing Requirements. The Directors are also encouraged to, and have attended various conferences and seminars which are conducted both in-house and by external parties, in order to enable them to effectively discharge their duties, as well as keep abreast of the industry, regulatory and other related developments.

## Statement on Corporate Governance (cont'd)

**B. DIRECTORS' REMUNERATION****Remuneration Committee**

The Remuneration Committee comprises the following members: -

Dato' Azman bin Mahmood	Chairman / Independent Non-Executive Director
Mr. Chow Kee Kan @ Chow Tuck Kwan	Member / Independent Non-Executive Director
Mr. Liew Fook Meng	Member / Executive Director

The Remuneration Committee reviews and recommends to the Board on remuneration packages commensurate with the skills, experience and responsibility and other terms of employment of the Executive Directors.

The determination of remuneration of Non-Executive Directors is a matter to be decided by the Board as a whole. The Directors concern will abstain from the deliberation of their own remuneration packages.

**Details of Directors' Remuneration**

The aggregate remuneration of the Directors for the financial year ended 31 December 2007 received by Directors of the Company from the Company is as follows: -

Remuneration	Executive Director RM	Non-Executive Director RM	Total RM
Fees	96,000	60,000	156,000
Salaries and Allowances	11,500	11,500	23,000
Bonuses and Incentives	–	–	–
Benefits in kind	–	–	–
TOTAL	107,500	71,500	179,000

The number of directors whose total remuneration from the Company falls within the following band for the financial year ended 31 December 2007 is disclosed as follows:-

Range of Remuneration	Executive Director	Non-Executive Director
Below RM50,000	4	2

The Board opted not to disclose the remuneration of individual Directors as recommended by the Malaysian Code on Corporate Governance, as it believes that this information will not add significantly to the understanding and evaluation to the Group's governance.

## Statement on Corporate Governance (cont'd)

**C. SHAREHOLDERS****Dialogue Between Companies And Investors**

The Company recognises the importance of communication with shareholders and investors and keeping them informed of the Group's developments. The dissemination of information to shareholders and investors is conducted via various public announcements, announcements of quarterly financial results, the Company's annual reports and circulars to shareholders.

**The Annual General Meeting**

The Annual General Meeting ("AGM") remains the principal forum for dialogue with the shareholders of the Company. Shareholders are encouraged to attend and communicate with the Board at the AGM on any matters pertaining to business and financial performance of the Group and to vote on all proposed resolutions.

**D. ACCOUNTABILITY AND AUDIT****Financial Reporting**

In presenting the annual financial statements and quarterly announcements of financial results, the Board aims to present a balanced and meaningful assessment of the Group's financial positions and prospects. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and accuracy of its financial reporting.

**Internal Control**

The Statement on Internal Control is set out on page 17 of this Annual Report.

**Relationship with Auditors**

The Group has established a transparent and an appropriate relationship with the external auditors through the Audit Committee. The auditors would highlight to the Audit Committee and the Board from time to time on matters that require the Board's attention.



## Statement of Directors' Responsibility in relation to the Financial Statements

The Directors are required under the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and the results and cash flows of the Company and of the Group for that period.

Hence, the Directors have ensured that the financial statements have been prepared in accordance with applicable accounting standards in Malaysia, the requirements of the Act, the Listing Requirements of Bursa Malaysia Securities Berhad and other statutory requirements. In preparing the financial statements, the Directors have applied appropriate accounting policies on a consistent basis and made judgments and estimates that are reasonable and prudent.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and the Company to enable them to ensure that the financial statements comply with the Act. The Directors have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 21 April 2008.



## Additional Compliance Information

### 1. Share Buybacks

The Company did not enter into any share buyback transactions during the financial year ended 31 December 2007.

### 2. Options, Warrants or Convertible Securities

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2007.

### 3. American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2007.

### 4. Imposition of Sanctions and / or Penalties

There were no sanctions and / or penalties imposed on the Company and its subsidiaries, Directors or Management by relevant regulatory bodies during the financial year ended 31 December 2007.

### 5. Non-audit Fees

During the financial year ended 31 December 2007, there was no non-audit fee paid or payable to the external auditors, Messrs. Wong Weng Foo & Co. or a firm or company affiliated to them by the Company and/or its subsidiaries.

### 6. Profit Guarantee

The Company did not receive any profit guarantee during the financial year ended 31 December 2007.

### 7. Material Contracts

There were no material contracts entered into by the Company and / or its subsidiaries during the financial year ended 31 December 2007, which involves the interests of Directors and major shareholders.

### 8. Revaluation Policy

The Company does not adopt a policy of regular revaluation.



# Statement on Internal Control

## INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investments and group assets. The Board affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of those systems. The Group's system of internal control and risk management had been designed with the objective of safeguarding shareholders' investment and its assets. However it is recognized that evaluation and implementation can only manage rather than eliminate the risk of failure to achieve business objectives and that any systems could only provide reasonable and not absolute assurance against material misstatement and losses.

The Group has engaged external advisers to advise and assist in the internal audit functions of the Group. The external advisers report directly to Audit Committee. To date, there were some weaknesses in the internal control being highlighted to the Audit Committee. The weaknesses are minor in nature and did not result in any form of losses that requires disclosures in the Annual Report. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functions effectively.

## RESPONSIBILITIES

The Board asserts the importance of a sound system of internal control, which covers financial, organisational, operational and compliance control. The Board also affirms its overall responsibility for the Group's systems of internal control and systems of compliance with applicable laws, regulations, rules, directives and guidelines. The Board is to review the effectiveness, adequacy and integrity of those systems. Such systems are designed to safeguard shareholders' investments and the Group's assets.

It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to meet the Group's business objectives. In pursuing those objectives, these systems can only provide reasonable, and not absolute, assurance against material misstatement of loss.

## SYSTEMS OF INTERNAL CONTROL

The following key processes have been established in reviewing the adequacy and integrity of the Group's system of internal controls:

### Clear Lines of Accountability & Reporting Within the Organisation

Key responsibilities and accountability in the organizational structure is clearly defined, with clear reporting lines up to the Board and its Committees. Established delegation of authority sets out the appropriate authority levels for decision-making, including matters requiring Board approval.

### Formalised & Documented Policies and Procedures

Internal policies and procedures which are set out in a series of clearly documented standard operating manuals covering a majority of areas within the Group are maintained and subject to review as and when necessary.

## Statement on Internal Control (cont'd)

### Financial Performance

The preparation of periodic and annual results and the state of affairs, as published to shareholders, are reviewed and approved by the Board. The full year financial statements are also audited by the external auditors.

### ISO Standards

ISO (International Organisation for Standardization) is a global network that identifies what International Standards are required by business. ISO standards contribute to making the development, manufacturing and supply of products and services more efficient, safer and cleaner. The Company complies with ISO standards to serve to safeguard consumers, and users in general, of products and services.

### The Audit Committee

The Audit Committee comprises executive and non-executive directors, a majority of whom are independent and all of whom bring with them a wide variety of experience. The Audit Committee has full and unimpeded access to both the internal as well as external auditors.

The Audit Committee operating within its Terms of Reference and ensuring that there are effective risk monitoring and compliance procedures to provide the level of assurance required by the Board.

The Audit Committee, on behalf on the Board, regularly reviews and holds discussions with Management on the action taken on internal control issues identified in reports prepared by the internal auditors, the external auditors and the Management.

### INTERNAL AUDIT FUNCTION

The Internal Audit Function has assisted the Audit Committee and the Board of Directors in reviewing the system of internal controls of the Company in line with the Listing Requirements of Bursa Malaysia Securities Berhad and the Code of Corporate Governance.

The Internal Audit Function provides assurance to the management and Audit Committee that all the requisite controls are in place and managed appropriately and assists the Company in the effective discharge of responsibilities, promoting the establishment of cost-effective controls, assessing risks and recommending measures to mitigate those risks.

The Internal Audit Function had conducted reviews on the areas of inventory control management, human resources, accounts receivables, credit control and collection process, capital management, and procurement and accounts payable procedures for the Company and its subsidiaries as at to date. Audit reports were issued to the Audit Committee and Board of Directors, incorporating findings, recommendations to improve on the weaknesses noted in the course of the audits and management comments on the findings.

An established system has been in place to ensure that all remedial actions had been taken on the agreed audit issues and recommendations highlighted in the audit reports.

This statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 21 April 2008.

# Report on Audit Committee

## 1. MEMBERSHIP

The Audit Committee consists of three (3) members comprises two (2) independent non-executive directors and one (1) executive director. The composition of Audit Committee is as follows: -

Dato' Azman bin Mahmood	Chairman / Independent Non-Executive Director
Mr. Chow Kee Kan @ Chow Tuck Kwan	Member / Independent Non-Executive Director
Mr. Liew Fook Meng	Member / Executive Director

## 2. TERMS OF REFERENCE

### COMPOSITION

- a) The Audit Committee shall be appointed from amongst the Board of Directors (the "Board") and shall comprise of at least three (3) members, a majority of whom are independent.
- b) All members of the Audit Committee should be financially literate and at least one member of the Audit Committee:-
  - must be a member of the Malaysian Institute of Accountants (MIA); or
  - if he is not a member of the MIA, he must have at least three (3) years' working experience and:-
    - i. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - ii. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
- c) No alternate director of the Board shall be appointed as a member of the Audit Committee.
- d) If a member of the Audit Committee for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- e) The Board must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

### CHAIRMAN

The Chairman, who shall be elected by the Audit Committee, shall be an independent director.

## Report on Audit Committee (cont'd)

### SECRETARY

The Company Secretary shall be the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for maintaining the minutes of meetings of Audit Committee and circulating them to members of the Audit Committee.

### MEETINGS

The Audit Committee shall meet at least four (4) times a year, with due notice of issues to be discussed, and should record its conclusion in discharging its duties and responsibilities.

The head of finance, the head of internal audit and a representative of the external auditors should normally attend meetings. Other board members may attend meetings upon invitation of the Audit Committee.

The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

### AUTHORITY

The Audit Committee shall have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full and unrestricted access to information. The Audit Committee should be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.

The Audit Committee shall have direct communication channels with the external auditors and internal auditors. The Audit Committee shall also have the authority to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, at least twice a year.

### DUTIES AND RESPONSIBILITIES:

- a) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- c) To review the quarterly and year-end financial statements prior to the approval by the Board, focusing particularly on: -
  - any change in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- d) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- e) To review the external auditor's management letter and management's response;

## Report on Audit Committee (cont'd)

**DUTIES AND RESPONSIBILITIES: (cont'd)**

- f) To review with the external auditors:-
- their audit plan;
  - evaluation of the system of internal controls and management information systems;
  - problems and reservation arising from their audits; and
  - audit report;
- g) To do the following, in relation to the internal audit function:
- review the adequacy of the scope, functions, competency and resources of the internal audit functions, and that it has the necessary authority to carry out its work;
  - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- h) To review any related party transactions and conflict of interest situation that may arise within the Company or Group;
- i) To consider and review the major findings of internal investigations and management's response;
- j) To review and verify that the allocation of options pursuant to Employees' Share Option Scheme complies with the criteria of allocation; and
- k) To consider and review other topics as defined by the Board.
- l) The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the head of finance, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

**3. MEETINGS AND SUMMARY OF ACTIVITIES**

During the financial year ended 31 December 2007, a total of five (5) meetings were held with all Committee Members present.

Members	Attendance
Dato' Azman bin Mahmood	5/5
Mr. Chow Kee Kan @ Chow Tuck Kwan	5/5
Mr. Liew Fook Meng	5/5



## Report on Audit Committee (cont'd)

### 3. MEETINGS AND SUMMARY OF ACTIVITIES (cont'd)

The Group Accountant and the Company Secretary were present at all meetings. The external auditors and Internal Auditors were also present at meetings where their input and advice are required.

The activities undertaken by the Committee during the financial year were as follows: -

- (i) Reviewed the external auditors' scope of work for the year;
- (ii) Discussed and reviewed the Quarterly Financial Results, focusing particularly on the financial reporting and compliance with the disclosure requirements, prior to the submission to the Board of Directors for consideration and approval;
- (iii) Discussed and reviewed the Audited Financial Statements, focusing particularly on any changes in accounting policies and practices, significant adjustments arising from audit or unusual events, the going concern assumption and compliance with the accounting standards and other requirements, prior to the submission to the Board of Directors for consideration and approval;
- (iv) Considered the Internal Audit function of the Group, reviewed and received the Internal Audit Plan and Reports; and assessed the Internal Auditors' findings and the Management's responses thereto and thereafter, making the necessary recommendations or changes to the Board of Directors;
- (v) Reviewed the Internal Control Statement and Audit Committee Report for inclusion in the Company's Annual Report;
- (vi) Considered and recommended the re-appointment of external auditors for the Board of Directors' approval.

### 4. INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function. The internal auditors report directly to the Audit Committee on a quarterly basis by presenting their Internal Audit Reports on their findings, recommendations and management's response at every Audit Committee Meetings, whereby relevant issues identified in the Internal Audit Reports will be followed-up and addressed accordingly in collaboration with the senior management in the next internal audit. During the financial year, the Internal Auditors conducted reviews on the areas covering financial and non-financial controls such as Accounts Payables Management, Accounts Receivables Management, Inventory Control Management, Capital Assets Management and Human Resource Policies and Procedures for the Company and its subsidiaries. For the year 2007, the cost incurred for outsourcing of internal audit function was RM36,604.

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# Auditors' Report

## to the members of Cocoaland Holdings Berhad

We have audited the financial statements set out on pages 29 to 61. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the 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 estimate made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-
    - (i) the state of affairs of the Group and of the Company as at 31st December, 2007 and of their results and cash flow for the year ended on that date; and
    - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;
- and
- (b) the accounting and other records, and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries of which we have acted as auditors, have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements 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 qualification and did not include any comment made under subsection (3) of Section 174 of the Companies Act, 1965.

**WONG WENG FOO & CO.**

AF: 0829

Chartered Accountants

**WONG WENG FOO**

1218/03/10 (J/PH)

Kuala Lumpur

Dated this : 21st April, 2008

# Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31st December, 2007.

## PRINCIPAL ACTIVITIES

The Company's principal activity is that of investment holding. The principal activities of the subsidiary companies are stated in Note 4 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

## RESULTS

	Group RM	Company RM
Profit after income tax	8,834,735	3,441,841
Retained profit brought forward	17,526,275	827,111
	26,361,010	4,268,952
Interim dividend paid of 8% less 27% income tax on 28th December, 2007	(3,504,000)	(3,504,000)
Retained profit carried forward	22,857,010	764,952

## DIVIDENDS

Since the end of the previous financial year, the directors declared and paid an interim dividend of 8% per ordinary share of RM0.50 each less 27% income tax amounting to RM3,504,000 on 28th December, 2007 in respect of the financial year ended 31st December, 2007.

The directors do not recommend a final dividend for the financial year ended 31st December, 2007.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

## ISSUE OF SHARES OR DEBENTURES

There were no issue of shares or debentures during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No share options were granted during the financial year.

## Directors' Report (cont'd)

### BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and are satisfied that all known bad debts have been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount of bad debts written off or allowance made for doubtful debts inadequate to any substantial extent.

### CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets of the Group and of the Company misleading.

### VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

### CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements of the Group and of the Company that would render any amount stated in the respective financial statements misleading.

## Directors' Report (cont'd)

**ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**DIRECTORS OF THE COMPANY**

The directors who served since the date of the last report are as follows:-

Dato' Azman Bin Mahmood  
Liew Fook Meng  
Lau Kee Von  
Liew Yoon Kee  
Lau Pak Lam  
Chow Kee Kan @ Chow Tuck Kwan

**DIRECTORS' INTEREST**

According to the register of directors shareholdings, the interest of directors in office at the end of the financial year in shares of the Company and related corporations during the financial year ended 31st December, 2007 are follows:-

The Company	No of Ordinary Shares of RM0.50 each			Balance at 31.12.2007
	Balance at 1.1.2007	Bought	Sold	
Dato' Azman Bin Mahmood				
- direct	393,333	—	—	393,333
- indirect	—	—	—	—
Liew Fook Meng				
- direct	6,782,733	4,097,000	(7,075,500)	3,804,233
- indirect	70,626,837	815,533	(2,933,333)	68,509,037
Lau Kee Von				
- direct	261,900	306,600	—	568,500
- indirect	77,147,670	4,605,933	(10,008,833)	71,744,770
Liew Yoon Kee				
- direct	73,333	—	—	73,333
- indirect	77,336,237	4,912,533	(10,008,833)	72,239,937
Lau Pak Lam				
- direct	3,246,266	408,933	(2,933,333)	721,866
- indirect	74,163,304	4,503,600	(7,075,500)	71,591,404
Chow Kee Kan @ Chow Tuck Kwan				
- direct	—	—	—	—
- indirect	—	—	—	—

## Directors' Report (cont'd)

**DIRECTORS' INTEREST (cont'd)**

Ultimate Holding Company - Leverage Success Sdn Bhd	No of Ordinary Shares of RM1.00 each			Balance at 31.12.2007
	Balance at 1.1.2007	Bought	Sold	
Liew Fook Meng				
- direct	1,500	—	—	1,500
- indirect	8,500	—	—	8,500
Lau Kee Von				
- direct	1,500	—	—	1,500
- indirect	8,500	—	—	8,500
Liew Yoon Kee				
- direct	1,500	—	—	1,500
- indirect	8,500	—	—	8,500
Lau Pak Lam				
- direct	1,500	—	—	1,500
- indirect	8,500	—	—	8,500

By virtue of their substantial shareholdings in the Company, Messrs Liew Fook Meng, Lau Kee Von, Liew Yoon Kee and Lau Pak Lam are also deemed interested in the shareholdings of the subsidiary companies to the extent the ultimate holding company has an interest.

**DIRECTORS' BENEFITS**

Since the end of previous financial year, no director of the Company has received or become entitled to receive any benefit (other than as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**ULTIMATE HOLDING COMPANY**

The directors regard Leverage Success Sdn Bhd, incorporated in Malaysia, as the ultimate holding company.

**AUDITORS**

The auditors, Messrs Wong Weng Foo & Co., have expressed their willingness to continue in office.

Signed on behalf of the Board of directors in accordance with a resolution dated 21st April, 2008.

**LIEW FOOK MENG**

Director

Kuala Lumpur

**LAU KEE VON**

Director



# Consolidated Balance Sheet

as at 31st December 2007

	Note	2007 RM	2006 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	42,060,362	42,626,724
Prepaid lease payments	3	9,077,050	9,119,672
Investment in an associated company	5	2,500,125	–
Investment	6	1,000	1,000
		<b>53,638,537</b>	51,747,396
<b>Current assets</b>			
Inventories	7	17,023,241	15,773,666
Trade receivables	8	20,353,571	19,754,193
Other receivables, deposits and prepayments	9	2,412,766	1,834,487
Deposits, cash and bank balances	10	13,183,523	13,111,746
		<b>52,973,101</b>	50,474,092
<b>Total assets</b>		<b>106,611,638</b>	102,221,488
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	11	60,000,000	60,000,000
Reserves	12	23,050,929	17,720,194
<b>Total equity</b>		<b>83,050,929</b>	77,720,194
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Hire-purchase creditors	13	4,065	20,115
Term loans	14	1,996,249	2,761,959
Deferred income tax liabilities	15	3,223,000	3,199,500
		<b>5,223,314</b>	5,981,574
<b>Current liabilities</b>			
Trade payables		14,152,361	13,713,067
Other payables and accruals	16	2,995,983	3,252,226
Hire-purchase creditors	13	16,050	78,949
Term loans	14	782,585	744,479
Bank overdrafts	14	275,486	431,150
Current income tax liabilities		114,930	299,849
		<b>18,337,395</b>	18,519,720
<b>Total liabilities</b>		<b>23,560,709</b>	24,501,294
<b>Total equity and liabilities</b>		<b>106,611,638</b>	102,221,488

The attached notes form an integral part of the Financial Statements.

# Consolidated Income Statement

for the year ended 31st December 2007

	Note	2007 RM	2006 RM
OPERATING REVENUE		121,269,714	119,238,797
COST OF SALES		(95,892,807)	(90,431,496)
GROSS PROFIT		25,376,907	28,807,301
SELLING & DISTRIBUTION EXPENSES		(4,990,479)	(5,573,407)
ADMINISTRATIVE EXPENSES		(9,821,068)	(9,412,983)
OTHER OPERATING INCOME		843,342	608,420
PROFIT FROM OPERATIONS		11,408,702	14,429,331
FINANCE COST	18	(192,599)	(144,881)
PROFIT BEFORE INCOME TAX	18	11,216,103	14,284,450
INCOME TAX EXPENSE	19	(2,381,368)	(2,085,421)
PROFIT FOR THE YEAR		8,834,735	12,199,029
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		8,834,735	12,199,029
BASIC AND DILUTED EARNINGS PER SHARE (SEN)	20	7.36	10.17

The attached notes form an integral part of the Financial Statements.

# Consolidated Statement of Changes in Equity

for the year ended 31st December 2007

	← Attributable to the equity holders of the Company →			
	Share capital (Note 11) RM	Share premium (Note 12) RM	Retained profit (Note 12) RM	Total RM
At 1st January, 2006	45,000,000	374,537	23,783,246	69,157,783
Profit for the year	—	—	12,199,029	12,199,029
Bonus issue	15,000,000	—	(15,000,000)	—
Transfer listing expenses	—	(180,618)	—	(180,618)
Interim dividend paid of 8% less 28% income tax on 28th December, 2006	—	—	(3,456,000)	(3,456,000)
At 31st December, 2006/ 1st January, 2007	60,000,000	193,919	17,526,275	77,720,194
Profit for the year	—	—	8,834,735	8,834,735
Interim dividend paid of 8% less 27% income tax on 28th December, 2007	—	—	(3,504,000)	(3,504,000)
At 31st December, 2007	<b>60,000,000</b>	<b>193,919</b>	<b>22,857,010</b>	<b>83,050,929</b>

The attached notes form an integral part of the Financial Statements.

# Consolidated Cash Flow Statement

for the year ended 31st December 2007

	2007 RM	2006 RM
<b>Cash Flow From Operating Activities</b>		
Profit before income tax	11,216,103	14,284,450
Adjustments for:-		
Property, plant and equipment written off	13,463	5,163
Allowance for doubtful debts	400,227	326,356
Depreciation	4,557,511	4,995,378
Amortisation of prepaid lease payments	152,065	149,854
Dividend income	(206)	—
Gain on disposal of property, plant and equipment	(167,122)	(42,275)
Interest expense	192,599	144,881
Interest income	(392,978)	(255,586)
Operating profit before working capital changes	15,971,662	19,608,221
Increase in inventories	(1,249,575)	(2,626,669)
Increase in receivables	(1,033,666)	(1,611,759)
Increase in payables	183,051	2,568,833
Cash generated from operating activities	13,871,472	17,938,626
Interest paid	(192,599)	(144,881)
Interest received	392,978	255,586
Tax refunded	265,826	—
Tax paid	(3,352,831)	(1,659,062)
Dividend paid	(3,504,000)	(3,456,000)
Net cash provided by operating activities	7,480,846	12,934,269
<b>Cash Flow from Investing Activities</b>		
Proceeds from disposal of property, plant and equipment	198,750	80,000
Dividend received	206	—
^ Purchase of property, plant and equipment	(4,036,240)	(3,819,915)
* Prepayment of land lease	(109,443)	(1,474,446)
Investment in associated companies	(2,500,125)	—
Net cash used in investing activities	(6,446,852)	(5,214,361)

## Consolidated Cash Flow Statement (cont'd)

	2007 RM	2006 RM
<b>Cash Flow From Financing Activities</b>		
Listing expenses	–	(180,618)
Repayment of term loans	(727,604)	(567,030)
Repayment of hire-purchase creditors	(78,949)	(198,365)
Net cash used in financing activities	(806,553)	(946,013)
<b>Net changes in cash and cash equivalents</b>	<b>227,441</b>	6,773,895
<b>* Cash and cash equivalents brought forward</b>	<b>12,680,596</b>	5,906,701
<b>* Cash and cash equivalents carried forward</b>	<b>12,908,037</b>	12,680,596

Note:

\* Cash and cash equivalents consist of:-

Fixed deposits with licensed banks	1,272,087	570,770
Short term deposits with licensed banks	8,015,729	11,200,000
Cash and bank balances	3,895,707	1,340,976
Bank overdrafts	(275,486)	(431,150)
	<b>12,908,037</b>	12,680,596

^Purchase of property, plant and equipment

Property, plant and equipment at aggregate cost of RM4,036,240 (2006 - RM5,412,548) of which Nil (2006 - RM1,592,633) was acquired by means of term loan.

\* Prepayment of land lease

Prepayment of land lease of RM3,881,813 in financial year ended 31st December, 2006 was partly financed by term loan of RM2,407,367.

# Balance Sheet

as at 31st December 2007

	Note	2007 RM	2006 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiary companies	4	39,999,998	39,999,998
		<b>39,999,998</b>	39,999,998
<b>Current assets</b>			
Other receivables deposits and prepayments	9	222,959	26,500
Amount due from subsidiary companies		20,778,771	21,005,475
Deposits, cash and bank balances	10	21,961	50,967
		<b>21,023,691</b>	21,082,942
<b>Total assets</b>		<b>61,023,689</b>	61,082,940
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	11	60,000,000	60,000,000
Reserves	12	958,871	1,021,030
<b>Total equity</b>		<b>60,958,871</b>	61,021,030
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accruals	16	64,818	61,910
		<b>64,818</b>	61,910
<b>Total liabilities</b>		<b>64,818</b>	61,910
<b>Total equity and liabilities</b>		<b>61,023,689</b>	61,082,940

The attached notes form an integral part of the Financial Statements.

# Income Statement

for the year ended 31st December 2007

	Note	2007 RM	2006 RM
OPERATING REVENUE		5,000,000	27,000,000
OTHER OPERATING INCOME		—	4,039
ADMINISTRATIVE EXPENSES		(344,618)	(319,176)
PROFIT BEFORE INCOME TAX	18	4,655,382	26,684,863
INCOME TAX EXPENSE	19	(1,213,541)	(7,541,729)
PROFIT FOR THE YEAR		3,441,841	19,143,134
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		3,441,841	19,143,134



# Statement of Changes in Equity

for the year ended 31st December 2007

	← Attributable to the equity holders of the Company →			
	Share capital (Note 11) RM	Share premium (Note 12) RM	Retained profit (Note 12) RM	Total RM
At 1st January, 2006	45,000,000	374,537	139,977	45,514,514
Profit for the year	–	–	19,143,134	19,143,134
Bonus issue	15,000,000	–	(15,000,000)	–
Transfer listing expenses	–	(180,618)	–	(180,618)
Interim dividend paid of 8% less 28% income tax on 28th December, 2006	–	–	(3,456,000)	(3,456,000)
At 31st December, 2006/ 1st January, 2007	60,000,000	193,919	827,111	61,021,030
Profit for the year	–	–	3,441,841	3,441,841
Interim dividend paid of 8% less 27% income tax on 28th December, 2007	–	–	(3,504,000)	(3,504,000)
At 31st December, 2007	<b>60,000,000</b>	<b>193,919</b>	<b>764,952</b>	<b>60,958,871</b>

# Cash Flow Statement

for the year ended 31st December 2007

	2007 RM	2006 RM
<b>Cash Flow From Operating Activities</b>		
Profit before income tax	4,655,382	26,684,863
Adjustments for:-		
Dividend income	(5,000,000)	(27,000,000)
Interest income	—	(4,039)
Operating loss before working capital changes	(344,618)	(319,176)
Decrease/ (Increase) in receivables	166,704	(15,894,436)
Increase in payables	2,908	2,596
Cash absorbed by operations	(175,006)	(16,211,016)
Dividend received	3,650,000	19,440,000
Interest received	—	4,039
Tax paid	—	(16,729)
Dividend paid	(3,504,000)	(3,456,000)
Net cash used in operating activities	(29,006)	(239,706)
<b>Cash Flow From Investing Activities</b>	—	—
<b>Cash Flow From Financing Activities</b>		
Listing expenses	—	(180,618)
Net cash used in financing activities	—	(180,618)
<b>Net changes in cash and cash equivalents</b>	(29,006)	(420,324)
<b>*Cash &amp; cash equivalents brought forward</b>	50,967	471,291
<b>*Cash &amp; cash equivalents carried forward</b>	21,961	50,967
Note:		
*Cash & cash equivalents consist of:		
Cash and bank balances	21,961	50,967
	21,961	50,967

The attached notes form an integral part of the Financial Statements.

# Notes to the Financial Statements

## 31st December 2007

### 1. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following significant accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

#### 1.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant policies.

The preparation of financial statements in conformity with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965 requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported financial year. Although these estimates are based on the directors' best knowledge of current events and actions, actual results could differ from those estimates.

#### 1.2 Basis of Consolidation

The subsidiary companies have been consolidated using the merger method of accounting. Under this method, the differences between the purchase consideration and nominal value of the share capital of the subsidiary companies acquired are taken to reserve arising from merger or deficit arising from merger. The deficit, if any, are written off against revaluation reserve and retained profit in the financial statements of the subsidiary companies acquired.

Standard on FRS 3 "Business Combinations" states that all business combinations shall be accounted for by applying the purchase method. However, the Group has adopted the exemption allowed to apply FRS 3 on a prospective basis. Accordingly, business combinations entered into prior to 1st January, 2007, have not been restated to comply with this Standard.

All significant intercompany transactions and balances are eliminated on consolidation.

#### 1.3 Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold lands and buildings of the Group have not been revalued since they were first revalued in December, 2003. The directors have not adopted a policy of regular revaluation of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their December, 2003 valuation less accumulated depreciation. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the amount is restated to the revalued amount of the asset.

## Notes to the Financial Statements (cont'd)

### 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 1.3 Property, Plant and Equipment and Depreciation (cont'd)

Freehold lands are not depreciated as they have infinite useful lives.

Depreciation on other property, plant and equipment is calculated on the straight line method to write off their costs to their residual value over their estimated useful lives at the following annual rates:-

Freehold buildings	Over remaining useful lives of between 28 to 48 years
Motor vehicles	20%
Plant and machinery	10%
Office equipment	10%
Furniture and fittings	10%
Warehouse equipment	10%
Electrical fittings	10%
Renovation	10%
Science lab equipment	10%
Factory equipment	10%

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statement.

#### 1.4 Leases

##### i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases

##### ii) Finance Leases

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise, the Group's or Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

## Notes to the Financial Statements (cont'd)

### 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 1.4 Leases (cont'd)

##### ii) Finance Leases (cont'd)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 1.3.

##### iii) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

#### 1.5 Associated Company

Associated company is defined as a company in which the Group has a long term equity interest of between 20% - 50% and is in a position to exercise significant influence over, and participate in, the financial and operating policy decisions of the associated company.

#### 1.6 Investments

Investments in unquoted shares, are stated at cost less accumulated impairment losses, if any.

#### 1.7 Inventories

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on first-in, first-out basis and comprise purchase cost and other incidental costs including transport and handling costs. In the case of finished goods, costs include all direct expenditure and production overheads based on the normal level of activity.

Net realisable value is the estimated selling price in the ordinary course of business less selling expenses. In arriving at net realisable value, due allowance is made for all obsolete, slow moving or defective inventories.

## Notes to the Financial Statements (cont'd)

### 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 1.8 Impairment of Assets

The carrying values of assets other than inventories are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

#### 1.9 Income Tax

Income tax on the profit for the year comprises current and deferred income tax liabilities. Current income tax liabilities is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred income tax liabilities is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred income tax liabilities are recognised for all taxable temporary differences and deferred income tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

A deferred income tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred income tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reduction will be reversed to the extent of the taxable profit.

#### 1.10 Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. Allowance is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

#### 1.11 Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## Notes to the Financial Statements (cont'd)

### 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 1.12 Provisions

Provisions are recognised when there is a present obligation, legal or constructive as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### 1.13 Hire-Purchase

Property, plant and equipment acquired under hire-purchase are capitalised and are depreciated on the same basis as owned assets as stated in Note 1.3 and the corresponding obligations relating to the remaining capital payments are treated as liabilities. Finance charges are charged to the income statement over the period of the plan and accounted for using the sum of digits method (Rule 78 method).

#### 1.14 Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

#### 1.15 Share Capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise it is charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are declared or approved by shareholders at general meeting.

#### 1.16 Cash and Cash Equivalents

Cash and cash equivalents consists of cash in hand, bank balances and short term and fixed deposits with licensed banks, net of outstanding bank overdrafts which have an insignificant risk of changes in value.

#### 1.17 Financial Instruments

Financial instruments are recognised in the balance sheet when the Group have become a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group have a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## Notes to the Financial Statements (cont'd)

**1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****1.18 Foreign Currencies**

Transactions in foreign currencies are converted into Malaysian Ringgit, the Company's functional currency, at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies at the balance sheet date have been converted into Ringgit Malaysia at the rate of exchange ruling at that date. Exchange differences are dealt with through the income statement.

The principal closing rates used in translation of foreign currency amounts are follows:-

<b>Foreign currency</b>	<b>2007 RM</b>	<b>2006 RM</b>
1 US Dollar	3.3	3.5
1 Singapore Dollar	2.3	2.3
1 Euro	4.8	4.7
1 Australian Dollar	2.9	2.8

**1.19 Employee Benefits****(i) Short term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

**(ii) Post-employment benefits****Defined contribution plan**

The Group's contributions to the defined contribution plan ('Employees Provident Fund') are charged to the income statement in the period in which they relate. Once the contributions have been paid, the Group have no further payment obligations.

**1.20 Operating Revenue**

Operating revenue of the Group represents invoiced value of goods sold, net of returns, discounts and allowances. Operating revenue of the Company represents dividend income from subsidiaries.

**1.21 Revenue Recognition**

Revenue from sales of goods are recognised upon delivery of products and customer acceptance, if any, or performance of services.

Other revenue earned by the Group and the Company are recognised on the following basis:-

Rental income - on accrual basis over the period of tenancy, unless its collectibility is in doubt.

Interest income - as it accrues taking into account the effective yield on the assets, unless its collectibility is in doubt.

Dividend income - as and when the shareholders' right to receive payment is established.

Other income - on receipt basis.



## Notes to the Financial Statements (cont'd)

## 2. PROPERTY, PLANT AND EQUIPMENT

## Group

2007	Balance at 1.1.2007 RM	Additions RM	(Disposals/ Written-off) RM	Balance at 31.12.2007 RM
<b>COST/ VALUATION</b>				
<b>At valuation:</b>				
Freehold lands	9,649,988	—	—	9,649,988
Freehold buildings	9,218,086	—	—	9,218,086
<b>At cost:</b>				
Motor vehicles	5,001,221	550,119	(692,662)	4,858,678
Plant and machinery	43,295,951	971,422	(5,500)	44,261,873
Office equipment	794,958	80,003	(9,550)	865,411
Furniture and fittings	179,046	1,406	—	180,452
Warehouse equipment	243,434	42,460	—	285,894
Electrical fittings	873,746	14,219	—	887,965
Renovation	5,565,800	451,468	—	6,017,268
Science lab equipment	167,344	39,599	—	206,943
Factory equipment	6,877,817	1,885,544	(449,448)	8,313,913
	81,867,391	4,036,240	(1,157,160)	84,746,471
<b>ACCUMULATED DEPRECIATION</b>				
<b>At valuation:</b>				
Freehold lands	—	—	—	—
Freehold buildings	644,472	214,823	—	859,295
<b>At cost:</b>				
Motor vehicles	4,590,826	71,244	(662,574)	3,999,496
Plant and machinery	26,338,553	2,942,803	(5,500)	29,275,856
Office equipment	382,871	77,922	(8,010)	452,783
Furniture and fittings	154,589	4,203	—	158,792
Warehouse equipment	166,340	19,667	—	186,007
Electrical fittings	693,503	34,436	—	727,939
Renovation	2,597,739	484,809	—	3,082,548
Science lab equipment	74,362	20,696	—	95,058
Factory equipment	3,597,412	686,908	(435,985)	3,848,335
	39,240,667	4,557,511	(1,112,069)	42,686,109
	<b>RM</b>			<b>RM</b>
<b>NET BOOK VALUE</b>	42,626,724			42,060,362

## Notes to the Financial Statements (cont'd)

## 2. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2006	Balance at 1.1.2006 RM	Additions RM	(Disposals/ Written-off) RM	Balance at 31.12.2006 RM
<b>COST/ VALUATION</b>				
<b>At valuation:</b>				
Freehold lands	7,081,913	2,568,075	–	9,649,988
Freehold buildings	9,218,086	–	–	9,218,086
<b>At cost:</b>				
Motor vehicles	5,073,526	–	(72,305)	5,001,221
Plant and machinery	42,740,009	1,707,552	(1,151,610)	43,295,951
Office equipment	768,739	289,736	(263,517)	794,958
Furniture and fittings	222,039	3,120	(46,113)	179,046
Warehouse equipment	233,574	9,860	–	243,434
Electrical fittings	838,472	35,274	–	873,746
Renovation	5,107,312	469,813	(11,325)	5,565,800
Science lab equipment	156,064	12,710	(1,430)	167,344
Factory equipment	6,741,447	316,408	(180,038)	6,877,817
	78,181,181	5,412,548	(1,726,338)	81,867,391
	<b>Balance at 1.1.2006 RM</b>	<b>Additions RM</b>	<b>(Disposals/ Written-off) RM</b>	<b>Balance at 31.12.2006 RM</b>
<b>ACCUMULATED DEPRECIATION</b>				
<b>At valuation:</b>				
Freehold lands	–	–	–	–
Freehold buildings	429,648	214,824	–	644,472
<b>At cost:</b>				
Motor vehicles	4,456,958	206,173	(72,305)	4,590,826
Plant and machinery	24,128,725	3,344,488	(1,134,660)	26,338,553
Office equipment	562,157	64,036	(243,322)	382,871
Furniture and fittings	196,162	4,516	(46,089)	154,589
Warehouse equipment	150,919	15,421	–	166,340
Electrical fittings	647,078	46,425	–	693,503
Renovation	2,125,238	483,819	(11,318)	2,597,739
Science lab equipment	58,772	16,734	(1,144)	74,362
Factory equipment	3,173,082	598,942	(174,612)	3,597,412
	35,928,739	4,995,378	(1,683,450)	39,240,667
	<b>RM</b>			<b>RM</b>
<b>NET BOOK VALUE</b>	42,252,442			42,626,724

## Notes to the Financial Statements (cont'd)

**2. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

- (i) Details of independent professional valuation of freehold lands and buildings owned by the subsidiary companies at 31st December, 2007 are as follows:-

Year of revaluation	Description of properties	Location	Amount RM	Basis of valuation
2004	Industrial land with a block of single storey factory with 2 storey office annexe, 3 blocks of single storey factory/ warehouses and a 2 storey canteen cum staff quarters	Lot 100, Rawang Intergrated Industrial Park, Mukim of Rawang, District of Gombak, State of Selangor	10,000,000	Cost method and Investment method
2004	Industrial land with a single storey factory/ warehouse with 2 storey office annexe	Lot 5, Rawang Intergrated Industrial Park, Mukim of Rawang, District of Gombak, State of Selangor	6,160,000	Cost method and Investment method
2004	Residential premises (Single - storey Semi - detached)	Title No. Geran 14144, Lot No 75742, Mukim of Kampar, District of Kinta, State of Perak	140,000	Comparison Method and Investment Method

The subsidiary companies freehold lands and buildings were valued by a firm of professional valuers, Messrs Colliers Jordan Lee & Jaafar, in December, 2003.

- ii) Surplus arising from revaluation of these freehold properties, which had been written off upon adopting merger accounting as a basis of consolidation, amounted to RM3,615,748.
- iii) The title to certain freehold land and buildings of a subsidiary company have not been issued by the relevant authorities and have been alienated to the subsidiary company by way of sales and purchase agreements.
- iv) Certain property, plant and equipment of certain subsidiary companies were pledged as securities for banking facilities granted to those subsidiary companies as mentioned in Note 14.
- v) Property, plant and equipment of the Group acquired under hire-purchase instalment plans are as follows:-

	2007 RM	2006 RM
At net book value:		
Motor vehicles	30,200	45,300
Plant and machinery	353,585	412,516

## Notes to the Financial Statements (cont'd)

**2. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

- vi) The net book value of revalued assets had these assets been carried at historical cost less depreciation would have been as follows:-

	2007 RM	2006 RM
Freehold land and buildings	<b>11,949,880</b>	12,133,473

- vii) Cost of assets fully written down but still in use are as follows:-

	2007 RM	2006 RM
Motor vehicles	<b>2,291,229</b>	2,905,773
Plant and machinery	<b>7,209,655</b>	8,197,273
Office equipment	<b>125,025</b>	176,636
Furniture and fittings	<b>116,671</b>	272,008
Electrical fittings	<b>540,791</b>	387,841
Renovation	<b>905,185</b>	936,155
Factory equipment	<b>294,990</b>	678,768
Store equipment	<b>89,220</b>	89,220
	<b>11,572,766</b>	13,643,674

**3. PREPAID LEASE PAYMENTS**

Group	2007 RM	2006 RM
At 1st January	<b>9,119,672</b>	5,387,713
Additions	<b>109,443</b>	3,881,813
Amortisation for the year	<b>(152,065)</b>	(149,854)
At 31st December	<b>9,077,050</b>	9,119,672

**Analysed as**

Long term leasehold land and building		
- at valuation	<b>2,363,012</b>	2,397,259
- at cost	<b>4,014,037</b>	3,947,412
Short term leasehold land and building		
- at valuation	<b>2,700,000</b>	2,775,000
- at cost	<b>1</b>	1
	<b>9,077,050</b>	9,119,672

The subsidiary companies leasehold lands and buildings were valued by a firm of professional valuers, Messrs Colliers Jordan Lee & Jaafar, in December, 2003.

## Notes to the Financial Statements (cont'd)

**3. PREPAID LEASE PAYMENTS (cont'd)**

- (i) Details of independent professional valuation of leasehold lands and buildings owned by the subsidiary companies at 31st December, 2007 are as follows:-

Year of revaluation	Description of properties	Location	Amount RM	Basis of valuation
2004	Industrial lot with a double storey warehouse with a 3 storey office annexe	No. 41, Jalan E ¼, Kawasan Perusahaan Taman Ehsan 52100 Kepong Kuala Lumpur	2,500,000	Cost method and investment method
2004	Industrial land with a detached industrial factory complex comprising a main factory building with an annexe, 2 other factory buildings and a host of other support buildings/ structures	Lot 883, Off Jln Degong Mambang Diawan 31950 Kampar Perak Darul Ridzuan	3,000,000	Cost method and investment method.

- ii) Surplus arising from revaluation of these leasehold properties, which had been written off upon adopting merger accounting as a basis of consolidation, amounted to RM2,724,819.
- iii) Had these prepaid lease assets been carried at historical cost less amortisation the carrying value would have been as follows:-

	2007 RM	2006 RM
Long term leasehold land and building	<b>1,302,451</b>	1,321,327
Short term leasehold land and building	<b>306,433</b>	315,164

**4. INVESTMENT IN SUBSIDIARY COMPANIES**

Company	2007 RM	2006 RM
Unquoted shares, at cost	<b>39,999,998</b>	39,999,998

## Notes to the Financial Statements (cont'd)

**4. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)**

The subsidiary companies, all incorporated in Malaysia, are as follows:-

## a) Direct subsidiary companies

Name of company	Issued and fully paid-up share capital of RM1.00 each RM	Effective equity interest		Principal Activities
		2007 %	2006 %	
Cocoaland Industry Sdn Bhd	1,000,000	100	100	Manufacturing and trading of processed and preserved foods and fruits of all kinds
L.B. Food Sdn Bhd	1,500,000	100	100	Wholesale and retail of processed and preserved foods
B Plus Q Sdn Bhd	500,000	100	100	Manufacturer of fruit juice and foodstuffs

b) Indirect subsidiary company  
(Wholly-owned subsidiary company of B Plus Q Sdn Bhd)

Name of company	Issued and fully paid-up share capital of RM1.00 each RM	Effective equity interest		Principal Activities
		2007 %	2006 %	
M.I.T.E. Food Enterprise Sdn Bhd	225,000	100	100	Trading and distribution of foodstuffs

**5. INVESTMENT IN AN ASSOCIATED COMPANY**

Group	2007 RM	2006 RM
Unquoted shares, at cost	2,500,125	—

The associated company, incorporated in Fujian, People's Republic of China is as follows:-

Name of company	Equity interest		Principal Activities
	2007 %	2006 %	
Coco (Fujian) Foods Company Limited	50	—	Manufacturing and distributing of gummy candy products

## Notes to the Financial Statements (cont'd)

**6. INVESTMENT**

<b>Group</b>	<b>2007 RM</b>	<b>2006 RM</b>
Unquoted shares, at cost	<b>1,000</b>	1,000

**7. INVENTORIES**

<b>Group</b>	<b>2007 RM</b>	<b>2006 RM</b>
At cost:		
Work in progress	<b>996,508</b>	987,957
Packing materials	<b>4,805,202</b>	4,816,082
Raw materials	<b>5,984,141</b>	4,923,797
Finished goods	<b>5,237,390</b>	5,045,830
	<b>17,023,241</b>	15,773,666

**8. TRADE RECEIVABLES**

<b>Group</b>	<b>2007 RM</b>	<b>2006 RM</b>
Trade receivables	<b>22,790,430</b>	21,917,297
Less: Allowance for doubtful debts	<b>(2,436,859)</b>	(2,163,104)
	<b>20,353,571</b>	19,754,193

**9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2007 RM</b>	<b>2006 RM</b>	<b>2007 RM</b>	<b>2006 RM</b>
Other receivables	<b>128,437</b>	222,549	—	—
Deposits	<b>641,821</b>	441,321	<b>46,000</b>	1,000
Prepayments	<b>390,183</b>	462,510	<b>22,500</b>	7,500
Tax recoverable	<b>1,252,325</b>	708,107	<b>154,459</b>	18,000
	<b>2,412,766</b>	1,834,487	<b>222,959</b>	26,500

## Notes to the Financial Statements (cont'd)

## 10. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits with licensed banks	1,272,087	570,770	—	—
* Short term deposits with licensed banks	8,015,729	11,200,000	—	—
Cash and bank balances	3,895,707	1,340,976	21,961	50,967
	13,183,523	13,111,746	21,961	50,967

The interest rates and maturity periods of fixed deposits as at 31st December, 2007 are as follows:-

Group	2007 RM	2006 RM
Interest rates	3.0% to 3.88%	3.0% to 4%
Maturity periods	1 to 15 months	1 to 15 months

\* Short term deposits of the Group are placed at interest rates of between 2.2% to 3.0% (2006 - 2.2% to 3.0%) per annum and maturity periods of between 5 days to 42 days (2006 - 4 days to 29 days).

Fixed deposits of RM1,272,087 (2006 - RM461,864) of the Group have been pledged to licensed banks for banking facilities extended to certain subsidiary companies.

Fixed deposits of certain subsidiary companies amounting to RM258,782 (2006 - RM253,056) are held in the name of certain directors of the subsidiary companies, in trust on behalf of the subsidiary companies.

## 11. SHARE CAPITAL

Company	2007		2006	
	Number of ordinary shares of RM0.50 each	RM	Number of ordinary shares of RM0.50 each	RM
<b>Authorised:</b>				
Balance at 1st January	200,000,000	100,000,000	100,000,000	50,000,000
Created during the year	—	—	100,000,000	50,000,000
Balance at 31st December	200,000,000	100,000,000	200,000,000	100,000,000
<b>Issued and fully paid:</b>				
Balance at 1st January	120,000,000	60,000,000	90,000,000	45,000,000
Bonus issue	—	—	30,000,000	15,000,000
Balance at 31st December	120,000,000	60,000,000	120,000,000	60,000,000



## Notes to the Financial Statements (cont'd)

## 12. RESERVES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable:				
Share premium	193,919	193,919	193,919	193,919
Distributable:				
Retained profit	22,857,010	17,526,275	764,952	827,111
	<b>23,050,929</b>	17,720,194	<b>958,871</b>	1,021,030

## 13. HIRE-PURCHASE CREDITORS

Group	2007 RM	2006 RM
Minimum payments		
Not later than one year	17,100	81,592
Later than one year but not later than five years	4,275	21,375
	<b>21,375</b>	102,967
Less: Future hire-purchase charges	(1,260)	(3,903)
	<b>20,115</b>	99,064
Total payable	<b>20,115</b>	99,064
Less: Payable within one year	(16,050)	(78,949)
Payable after one year	<b>4,065</b>	20,115
Terms	<b>4 years</b>	3 years
Borrowing rate ranges per annum	<b>3.5%</b>	3.15% - 3.50%

The interest rates are fixed at the inception of the hire-purchase arrangements.

## Notes to the Financial Statements (cont'd)

## 14. TERM LOANS, BANK OVERDRAFTS AND OTHER CREDIT FACILITIES (SECURED)

Group	2007 RM	2006 RM
Secured:		
<b>Term loan I</b> at 2% per annum above the bank's base lending rate with monthly rest, repayable by 84 equal monthly instalments of RM686 each commencing 2nd February 2004	<b>25,889</b>	31,526
<b>Term loan II</b> at 2% per annum above the bank's base lending rate with monthly rest, repayable by 84 equal monthly instalments of RM686 each commencing 2nd February 2004	<b>25,889</b>	31,526
<b>Term loan III</b> at 3.48% per annum for 1st year, 1% per annum below the bank's base lending rate for 2nd year, and 0.3% per annum above the bank's base lending rate from 3rd year onwards, repayable by 12 equal monthly instalments of RM72,732 for 1st year, 12 equal monthly instalments of RM74,952 for 2nd year and thereafter 36 equal monthly instalments of RM76,307 with adjustment in the last instalment commencing March, 2006	<b>2,727,056</b>	3,443,386
	<b>2,778,834</b>	3,506,438
Repayable as follows:-		
Within twelve months	<b>782,585</b>	744,479
Later than one year and not later than two years	<b>832,170</b>	766,555
Later than two years and not later than five years	<b>1,164,079</b>	1,995,404
	<b>1,996,249</b>	2,761,959
	<b>2,778,834</b>	3,506,438

The term loans, bank overdrafts and other credit facilities are secured as follows:-

- First party legal charge for a freehold single-storey semi-detached house located at Golden Dragon Garden, 31900 Kampar, Perak;
- First party legal charge for RM44,000 over a freehold single storey terrace house located at PT 4324, Taman Diawan, 31900 Kampar, Perak;
- First party legal charge for RM44,000 over a freehold single storey terrace house located at PT 4325, Taman Diawan, 31900 Kampar, Perak;

## Notes to the Financial Statements (cont'd)

**14. TERM LOANS, BANK OVERDRAFTS AND OTHER CREDIT FACILITIES (SECURED) (cont'd)**

- d) First Party Deed of Assignment for a piece of freehold land held under Master title Geran 57711 for No 1282, Section 20 situated in the Town of Rawang, District of Gombak, State of Selangor Darul Ehsan together with all building(s) and structure(s) to be erected thereon;
- e) First Party Deed of Assignment for a piece of leasehold land held under Master Title Pajakan Negeri No. 5393 for Lot No. 1890 situated in the Mukim of Rawang, District of Gombak, State of Selangor Darul Ehsan together with all building(s) and structure(s) to be erected thereon;
- f) Against fixed deposits belonging to certain directors of the subsidiary companies and certain subsidiary companies;
- g) A debenture created over certain subsidiary companies' fixed and floating assets; and
- h) Corporate guarantee by the Company; and
- i) Joint and several guarantee extended by certain directors of certain subsidiary companies.

(d) and (e) were discharged during the current financial year ended 31st December, 2007.

Interest on overdrafts are charged at the rate of 1.0% per annum above the bank's base lending rate.

**15. DEFERRED INCOME TAX LIABILITIES**

<b>Group</b>	<b>2007 RM</b>	<b>2006 RM</b>
Balance at 1st January	<b>3,199,500</b>	3,315,500
Transferred from/ (to) income statement (Note 19)	<b>23,500</b>	(116,000)
Balance at 31st December	<b>3,223,000</b>	3,199,500
The deferred income tax liabilities are principally in respect of the following temporary differences:-		
Temporary differences between tax bases of assets and liabilities and their carrying values in the financial statements	<b>3,223,000</b>	3,213,500
Unabsorbed tax losses	—	(14,000)
	<b>3,223,000</b>	3,199,500

## Notes to the Financial Statements (cont'd)

**16. OTHER PAYABLES AND ACCRUALS**

	<b>Group</b>		<b>Company</b>	
	<b>2007 RM</b>	<b>2006 RM</b>	<b>2007 RM</b>	<b>2006 RM</b>
Other payables	<b>1,299,317</b>	1,613,714	<b>14,818</b>	12,210
Accruals	<b>1,672,516</b>	1,638,512	<b>50,000</b>	49,700
Deposits	<b>24,150</b>	—	—	—
	<b>2,995,983</b>	3,252,226	<b>64,818</b>	61,910

**17. ULTIMATE HOLDING COMPANY**

The directors regard Leverage Success Sdn Bhd, incorporated in Malaysia, as the ultimate holding company.

**18. PROFIT BEFORE INCOME TAX**

	<b>Group</b>		<b>Company</b>	
	<b>2007 RM</b>	<b>2006 RM</b>	<b>2007 RM</b>	<b>2006 RM</b>
a) Profit before income tax is arrived at after charging/(crediting):-				
Auditors' remuneration				
- current year	<b>62,500</b>	60,500	<b>11,000</b>	10,000
- under / (over)provision in prior years	—	1,000	—	500
Depreciation (Note 2)	<b>4,557,511</b>	4,995,378	—	—
Amortisation of prepaid lease				
Payments (Note 3)	<b>152,065</b>	149,854	—	—
Loss on foreign exchange	<b>750,729</b>	703,960	—	—
Rental of premises	<b>214,190</b>	185,390	—	—
Bad debts written off	<b>26,605</b>	19,500	—	—
Allowance for doubtful debts	<b>400,227</b>	326,356	—	—
Allowance for doubtful debt no longer required	<b>(5,717)</b>	(77,673)	—	—
Property, plant and equipments written off	<b>13,463</b>	5,163	—	—
Gain on disposal of property, plant and equipment	<b>(167,122)</b>	(42,275)	—	—
Income from rental of premises	<b>(3,600)</b>	(1,200)	—	—
Interest income				
- fixed and short term deposit interest	<b>(392,978)</b>	(255,586)	—	(4,039)
Dividend income				
- tax exempt				
- unquoted investment	<b>(206)</b>	—	—	—
- non tax exempt				
- subsidiary companies	—	—	<b>(5,000,000)</b>	(27,000,000)

## Notes to the Financial Statements (cont'd)

## 18. PROFIT BEFORE INCOME TAX (cont'd)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Labour costs:				
(Included in cost of sales)				
Salaries, wages, bonus & allowances	<b>9,786,074</b>	8,600,487	—	—
EPF and Socso	<b>484,171</b>	517,713	—	—
Others	<b>274,636</b>	234,279	—	—
	<b>10,544,881</b>	9,352,479	—	—
Staff costs:				
Directors' remuneration				
- fees	<b>156,000</b>	156,000	<b>156,000</b>	156,000
- other than fees				
- current director	<b>2,629,900</b>	2,228,840	<b>23,000</b>	23,500
- past directors	—	27,400	—	—
Salaries, wages, bonus & allowances	<b>2,388,730</b>	2,519,090	—	—
EPF and Socso	<b>747,407</b>	691,359	—	—
Others	<b>222,966</b>	208,389	—	—
	<b>6,145,003</b>	5,831,078	<b>179,000</b>	179,500
Finance cost:				
Interest expense				
- LC charges	<b>1,324</b>	2,326	—	—
- bank overdrafts	<b>5,648</b>	8,873	—	—
- hire-purchase	<b>2,643</b>	12,212	—	—
- overdue interest	<b>282</b>	115	—	—
- term loan interest	<b>181,478</b>	121,355	—	—
- bank interest	<b>1,224</b>	—	—	—
	<b>192,599</b>	144,881	—	—

## b) Directors' remuneration

Directors' remuneration is analysed as follows:

**Directors of the Company**

Executive directors				
- fees	<b>96,000</b>	96,000	<b>96,000</b>	96,000
- salaries and other emoluments	<b>1,364,200</b>	1,208,340	<b>11,500</b>	12,000
Non-executive directors				
- fees	<b>60,000</b>	60,000	<b>60,000</b>	60,000
- other emoluments	<b>11,500</b>	11,500	<b>11,500</b>	11,500

## Notes to the Financial Statements (cont'd)

## 18. PROFIT BEFORE INCOME TAX (cont'd)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Other directors (on board of subsidiary companies)</b>				
Executive directors				
- salaries and other emoluments				
- current director	1,254,200	1,009,000	—	—
- past director	—	27,400	—	—
<b>Group</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
The number of directors whose remuneration fell within the following ranges (per annum):-	<b>Executive</b>	<b>Non-Executive</b>	<b>Executive</b>	<b>Non-Executive</b>
<b>Directors of the Company</b>				
RM1 - RM100,000	—	2	—	2
RM100,001 - RM200,000	1	—	1	—
RM200,001 - RM300,000	—	—	3	—
RM300,001 - RM400,000	—	—	—	—
RM400,001 - RM500,000	3	—	—	—
<b>Other directors (on board of subsidiary companies)</b>				
RM1 - RM100,000	1	—	2	—
RM100,001 - RM200,000	1	—	2	—
RM200,001 - RM300,000	1	—	1	—
RM300,001 - RM400,000	1	—	—	—
RM400,001 - RM500,000	1	—	—	—

## 19. INCOME TAX EXPENSE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current taxation:				
Estimate for the year	2,217,800	2,223,640	1,270,000	7,542,000
Under/x (Over)provision in prior years	140,068	(22,219)	(56,459)	(271)
	<b>2,357,868</b>	<b>2,201,421</b>	<b>1,213,541</b>	<b>7,541,729</b>

## Notes to the Financial Statements (cont'd)

## 19. INCOME TAX EXPENSE (cont'd)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Deferred income tax liabilities:				
Transferred (from)/ to deferred income tax liabilities (Note 15)	23,500	(116,000)	—	—
	<b>2,381,368</b>	2,085,421	<b>1,213,541</b>	7,541,729
Reconciliation of effective tax rate:-				
Profit before income tax	<b>11,216,103</b>	14,284,450	<b>4,655,382</b>	26,684,863
Taxation using statutory tax rate of 27% (2006 - 28%)	<b>3,028,346</b>	3,999,646	<b>1,256,953</b>	7,471,761
Reduction in statutory tax rate	<b>(110,248)</b>	(82,148)	—	—
Non-deductible expenses for tax purposes	<b>1,271,910</b>	1,553,637	<b>13,149</b>	70,185
Tax exempt income	—	—	—	—
Capital allowances utilised	<b>(1,366,037)</b>	(1,503,219)	—	—
Balancing charges	<b>30,904</b>	22,400	—	—
Reinvestment allowance utilised	<b>(543,816)</b>	(1,582,989)	—	—
Non taxable gain	<b>(1,215)</b>	(4,760)	—	—
Other items	<b>387</b>	1,213	<b>(102)</b>	54
Expenses eligible for double deduction	<b>(92,431)</b>	(180,140)	—	—
Transferred to/ (from) deferred income tax liabilities	<b>23,500</b>	(116,000)	—	—
	<b>2,241,300</b>	2,107,640	<b>1,270,000</b>	7,542,000
Under/ (Over)provision in prior years	<b>140,068</b>	(22,219)	<b>(56,459)</b>	(271)
	<b>2,381,368</b>	2,085,421	<b>1,213,541</b>	7,541,729

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax exempt and tax credit under section 108 of the Income Tax Act, 1967 to frank in full its retained profits as at 31st December, 2007 if distributed as dividends.

## 20. EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the Group's profit attributable to ordinary equity holders for the year of RM8,834,735 (2006 - RM12,199,029) by the number of ordinary shares in issue during the financial year of 120,000,000 (2006 - 120,000,000) shares.

## Notes to the Financial Statements (cont'd)

### 21. SEGMENTAL REPORTING

The Group operates principally in the business of manufacturing and trading of processed and preserved foods and other related foodstuffs. Accordingly, information by segment on the Group's operations is not presented.

The Group operates predominantly in Malaysia and accordingly, information by geographical location on the Group's operations is also not presented.

### 22. FINANCIAL INSTRUMENTS

#### Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including credit risk, foreign currency exchange risk, interest rate risk, liquidity and cash flow risk and market risk. The Group has formulated guidelines and policies as well as internal controls which seek to minimize the Group's exposure to risks associated with the financing, investing and operating activities of the Group.

#### (a) Credit risk

The Group has a credit policy in place to evaluate customers requiring credit over a certain amount or period. Credit risk is further minimize and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

#### (b) Foreign currency exchange risk

The Group is exposed to currency risk as a result of the Group's transactions with foreign vendors of plant and equipment and foreign trade receivables and payables. The Group monitors the movements in foreign currency exchange rates closely to ensure their exposure is minimize.

#### (c) Interest rate risk

The Group's exposure to interest rate risk arises from interest-bearing borrowings and the placement of excess funds in interest earning deposits of which the Management reviews and monitors the interest rates at regular intervals.

#### (d) Liquidity risk and cash flow risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements and prudently balances its portfolio of short term and long term funding requirements.



## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (cont'd)

#### (e) Market risk

The Group is principally involved in the manufacturing and trading of processed and preserved foods and fruits of all kinds and is therefore subject to certain risks inherent in the food-processing industry. These risks include, inter-alia the possible increase in the operating and capital costs due to increase in the cost of labour and raw materials, changes in consumer demands and changes in general economic conditions. The Group seeks to limit these risks through, inter-alia, expansion of both existing and new markets, developing and maintaining a diversified market network and continues upgrading of machinery to improve efficiency.

#### Fair values

In the opinion of the directors, the carrying values of financial assets and financial liabilities of the Group as at 31st December, 2007 are not materially different from their fair values.

### 23. SIGNIFICANT EVENT DURING THE YEAR

On 21st May, 2007 and 11th December, 2007, the Company's wholly-owned subsidiary, Cocoaland Industry Sdn. Bhd. ("CISB") entered into a Joint-venture Agreement ("JVA") and Supplementary Agreement ("SA") with La Bi Xiao Xin International Company Ltd ("LBXX Intl") and Labixiaoxin Investments Company Ltd ("LBXX Inv"), respectively, to change its joint venture partner from LBXX Intl to LBXX Inv, to manufacture and to distribute gummy candy products through a joint-venture company in Fujian, People's Republic of China.

The joint-venture company has been incorporated under the name of Coco (Fujian) Foods Company Limited ("JV Company") on 16th November, 2007. Subsequent to the incorporation of the JV Company, CISB has on 10th December, 2007 and on 18th January, 2008, injected USD750,000 and USD550,000, respectively, into the JV Company, in total, representing 26% of the registered capital of the JV Company, in accordance with the terms and conditions of the JVA.

In accordance to the JVA and the SA, CISB will eventually hold USD2,500,000 (50%) of the registered capital of the JV Company whilst the remaining will be held by its joint venture partner, LBXX Inv.

The current registered capital of the JV Company stands at USD5,000,000.

### 24. SUBSEQUENT EVENT

On 15th April, 2008, the Company acquired 2 ordinary shares of RM1.00 each in Greenhome Marketing Sdn Bhd (Company No: 796912-P) incorporated in Malaysia, for a total consideration of RM2.00.

The principal activities of this Company will be that of marketing, trading and distributing of all kind of beverages and foodstuff.

## Notes to the Financial Statements (cont'd)

**25. CONTINGENT LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	<b>2007 RM</b>	<b>2006 RM</b>	<b>2007 RM</b>	<b>2006 RM</b>
Capital expenditure retained in respect of purchase of property, plant and equipment due to unsatisfactory performance	—	258,878	—	—
Corporate guarantees given to a licensed bank for banking facility granted to a subsidiary company as at 31st December	—	—	<b>2,727,056</b>	3,443,386
Bank guarantees issued to third party	<b>600,000</b>	210,000	—	—

**26. CAPITAL COMMITMENTS**

<b>Group</b>	<b>2007 RM</b>	<b>2006 RM</b>
Capital expenditure authorised and contracted for but not provided in the financial statements in respect of:		
- purchase of property, plant and equipment	<b>269,508</b>	126,336
- further capital outlay of USD1,750,000 in Coco (Fujian) Foods Company Limited, China	<b>5,775,000</b>	—

**27. GENERAL INFORMATION**

27.1 The Company is a public limited company, incorporated and domiciled in Malaysia, quoted on the Main Board of the Bursa Malaysia Securities Berhad.

27.2 The Company's principal place of business is Lot 100, Rawang Integrated Industrial Park, 48000 Rawang, Selangor Darul Ehsan.

27.3 The financial statements of the Group and of the Company were authorised for issue by the Board of directors in accordance with a resolution dated 21st April, 2008

**28. RELATED PARTIES TRANSACTIONS**

<b>Company</b>	<b>2007 RM</b>	<b>2006 RM</b>
Dividend income from subsidiary companies		
- non tax exempt	<b>5,000,000</b>	27,000,000

**29. PRESENTATION CURRENCY**

All amounts are stated in Ringgit Malaysia.

## Directors' Statement

We, the undersigned, being two directors of the Company, do hereby state that in the opinion of the directors, the financial statements set out on pages 29 to 61 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 2007 and of their results and cash flow for the year ended on that date.

Signed on behalf of the Board of directors in accordance with a resolution dated 21st April, 2008.

**LIEW FOOK MENG**

Director

**LAU KEE VON**

Director

Kuala Lumpur

## Statutory Declaration

I, **LIEW FOOK MENG** being the director responsible for the financial management of **COCOALAND HOLDINGS BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 29 to 61 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared )  
by the abovenamed at Kuala Lumpur )  
this 21st April, 2008 ) **LIEW FOOK MENG**

Before me:-

**K. MARIASOOSAY**

No. W344

Commissioner for Oaths

Kuala Lumpur

## List of Properties

as at 31 December 2007

Owner / Location	Description of Asset / Existing Use	Area	Tenure	Approx Age of Building (years)	Net Book Value / Carrying Value RM'000	Date of Valuation / Acquisition
L.B. Food Sdn. Bhd. No. 41, Jalan E1/4 Kawasan Perusahaan Taman Ehsan 52100 Kepong Selangor Darul Ehsan	A double-storey warehouse with a 3-storey office annexe.	26,000 sq. ft.	Leasehold 99 years expiring on 09.07.2078	26	2,363	1.12.2003 / Year 1991
L.B. Food Sdn. Bhd. Lot 883, Off Jalan Degong Mambang Diawan 31950 Kampar Perak Darul Ridzuan	A detached industrial factory complex comprising a main factory building with an annexe, 2 other factory buildings and a host of other support buildings/ structures.	130,652 sq. ft.	Leasehold 60 years expiring on 15.04.2046	16 to 20	2,700	1.12.2003 / Year 1988
Cocoaland Industry Sdn. Bhd. Lot 100, Rawang Integrated Industrial Park 48000 Rawang Selangor Darul Ehsan	A block of single storey factory with a 2-storey factory with annexe, 3 blocks of single storey factory / warehouses and a 2-storey canteen cum staff quarters.	190,634 sq. ft.	Freehold	11 to 14	9,479	1.12.2003 / Year 1993
Cocoaland Industry Sdn. Bhd. Lot 5, Rawang Integrated Industrial Park 48000 Rawang Selangor Darul Ehsan	A single storey factory / warehouse with a 2-storey office annexe.	89,371 sq. ft.	Freehold	5	5,832	1.12.2003 / Year 2001
Cocoaland Industry Sdn. Bhd. Geran 57711, No. Lot 1282 Seksyen 20 Bandar Rawang Daerah Gombak Selangor Darul Ehsan	Vacant	130,865 sq. ft.	Freehold	–	2,568	8.12.2005

## List of Properties (cont'd)

Owner / Location	Description of Asset / Existing Use	Area	Tenure	Approx Age of Building (years)	Net Book Value / Carrying Value RM'000	Date of Valuation / Acquisition
Cocoaland Industry Sdn. Bhd. H.S. (D) 58472, PT5266 Bandar Rawang Daerah Gombak Selangor Darul Ehsan	Vacant	197,811 sq. ft.	Leasehold 99 years expiring on 28.08.2105	–	3,912	8.12.2005
M.I.T.E. Food Enterprise Sdn. Bhd. No. 309, Golden Dragon Garden 31900 Kampar Perak Darul Ridzuan	A single storey semi-detached house / Staffs' hostel	4,230 sq. ft.	Freehold	26	130	1.12.2003/ Year 1982
B Plus Q Sdn. Bhd. No. 324, Taman Diawan Mambang Diawan 31950 Kampar Perak Darul Ridzuan	A single storey terrace house / Staffs' hostel	1,400 sq. ft.	Leasehold 99 years Expiring on 29.12.2081	5	51	18.08.2003
B Plus Q Sdn. Bhd. No. 325, Taman Diawan Mambang Diawan 31950 Kampar Perak Darul Ridzuan	A single storey terrace house / Staffs' hostel	1,400 sq. ft.	Leasehold 99 years Expiring on 29.12.2081	5	51	18.08.2003

# Analysis of Shareholdings

as at 30 April 2008

## 1. SHARE CAPITAL

<b>Authorised Share Capital</b>	: RM100,000,000.00
<b>Issued and fully paid-up</b>	: RM60,000,000.00
<b>Class of Shares</b>	: Ordinary Shares of RM0.50 each
<b>No. of Shareholders</b>	: 2,266
<b>Voting Rights</b>	: One vote per Ordinary Share held

## 2. DISTRIBUTION SCHEDULE OF SHARES

Size of Holdings	No. of Holders	Total Holdings	% of Holdings
1 – 99	250	11,659	0.01
100 – 1000	240	175,191	0.15
1,001 – 10,000	1,299	6,321,220	5.27
10,001 – 100,000	408	12,571,870	10.48
100,001 to less than 5% of issued shares	68	35,635,089	29.69
More than 5% of issued shares	1	65,284,971	54.40
<b>Total</b>	<b>2,266</b>	<b>120,000,000</b>	<b>100.00</b>

## 3. THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shares	% of Shares
1.	Leverage Success Sdn. Bhd.	65,284,971	54.40
2.	Poon Lee Wah	3,487,633	2.91
3.	M.I.T Nominees (Tempatan) Sdn. Bhd. <i>[Pledged Securities Account for Liew Fook Meng]</i>	3,245,500	2.70
4.	TA Nominees (Tempatan) Sdn. Bhd. <i>[Pledged Securities Account for Victor Chan Yew Fai]</i>	2,042,200	1.70
5.	TA Nominees (Tempatan) Sdn. Bhd. <i>[Pledged Securities Account for Norshamsi Binti Omar Talib]</i>	1,956,500	1.63
6.	TA Nominees (Tempatan) Sdn. Bhd. <i>[Pledged Securities Account for Ong Soon Peng]</i>	1,371,600	1.14
7.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. <i>[Pheim Assets Management Sdn. Bhd. for Employees Provident Fund]</i>	1,160,200	0.97
8.	Chew Pui Ming	1,141,200	0.95
9.	Ho Sek Kee Sdn. Bhd.	1,134,284	0.95
10.	Apollo Food Holdings Berhad	911,000	0.76
11.	Hon Yew Chong	817,300	0.68
12.	Sim Sian Hiap	791,000	0.66
13.	Lau Yoke Kiew	751,761	0.63
14.	Chew Mun Kah	680,500	0.57
15.	Lau Yook Chan	639,000	0.53
16.	Lau Pa Sin	620,711	0.52
17.	Eng Ah Thung @ Eng Bean Keng	600,000	0.50
18.	Lok Siew Dhan	590,000	0.49
19.	Lau Kee Von	568,500	0.47
20.	Low Yoon Sun	526,495	0.44
21.	Lau Yook Chan	520,000	0.43

## Analysis of Shareholdings (cont'd)

## 3. THIRTY LARGEST SHAREHOLDERS (cont'd)

Name of Shareholders	No. of Shares	% of Shares
22. Tan Lee Hwa	510,000	0.43
23. Tan Song Cheng	510,000	0.43
24. Lee Yoke Choo	506,400	0.42
25. Wong Yoke Chou	478,200	0.40
26. Soh Siew Twee	478,067	0.40
27. MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account For Liew Fook Meng]	465,300	0.39
28. Low Soo Har	420,000	0.35
29. Kok Chan Kheong	407,561	0.34
30. Lo Keng Yip	406,100	0.34

## 4. INFORMATION ON SUBSTANTIAL SHAREHOLDERS (AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name of Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Leverage Success Sdn. Bhd.	65,284,971	54.40	0	0.00
Liew Fook Meng	3,804,233	3.17	68,623,637 (a)	57.19
Lau Kwai Choon	20,000	0.02	72,407,870 (a)	60.34
Lau Pak Lam	777,866	0.65	71,650,004 (a)	59.71
Liew Yoon Kee	73,333	0.06	72,354,537 (a)	60.30
Lau Kim Chew	0	0.00	72,427,870 (a)	60.36
Lew Foo Chay @ Lau Foo Chay	0	0.00	72,427,870 (a)	60.36
Lau Kee Von	568,500	0.47	71,859,300 (a)	59.88
Lau Pa Sin	620,711	0.52	71,955,825 (b)	59.96
Lau Yoke Kiew	751,761	0.63	71,676,109 (c)	59.73
Low Yoon Sun	526,495	0.44	71,901,375 (c)	59.92

(a) Deemed interested by virtue of his shareholding in Leverage Success Sdn. Bhd. and his siblings' shareholdings in the Company.

(b) Deemed interested by virtue of his siblings' shareholdings in the Company and his spouse's shareholding in the Company.

(c) Deemed interested by virtue of his / her siblings' shareholdings in the Company.

## 5. DIRECTORS' SHAREHOLDINGS (AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS)

Name of Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Azman Bin Mahmood	393,333	0.33	0	0.00
Liew Fook Meng	3,804,233	3.17	68,623,637 (a)	57.19
Lau Pak Lam	777,866	0.65	71,650,004 (a)	59.71
Liew Yoon Kee	73,333	0.06	72,354,537 (a)	60.30
Lau Kee Von	568,500	0.47	71,859,300 (a)	59.88
Chow Kee Kan @ Chow Tuck Kwan	0	0.00	0	0.00

(a) Deemed interested by virtue of his shareholding in Leverage Success Sdn. Bhd. and his siblings' shareholdings in the Company.

# Proxy Form

Number of Shares held

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member/members of **Cocoaland Holdings Berhad** hereby appoint the Chairman of the Meeting\* \_\_\_\_\_  
or \_\_\_\_\_ (NRIC NO : \_\_\_\_\_)  
of \_\_\_\_\_  
or failing him/her, \_\_\_\_\_ (NRIC NO : \_\_\_\_\_)  
of \_\_\_\_\_

*\*Delete the words "the Chairman of the Meeting" if you wish to appoint another person to be your proxy.*

as my/our proxy to vote for me/us on my/our behalf at the 8th Annual General Meeting of the Company to be held at **Crystal 2, Level 1, Crystal Crown Hotel Kuala Lumpur, 3, Jalan Jambu Mawar, Off Jalan Kepong, 52000 Kuala Lumpur** on **Wednesday, 18 June 2008 at 10.00 a.m.** and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. Receive the Audited Financial Statements for the financial year ended 31 December 2007 and the Reports of the Directors and Auditors thereon		
2. Re-election of Liew Yoon Kee as Director		
3. Re-election of Chow Kee Kan @ Chow Tuck Kwan as Director		
4. Approve payment of Directors' fee amounting to RM156,000 in respect of the financial year ended 31 December 2007		
5. Re-appointment of Messrs. Wong Weng Foo & Co. as Auditors		
6. Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965		

(Please indicate with an 'X' in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion).

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008

Signature: \_\_\_\_\_

## NOTES:-

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a Member of the Company and if the proxy is not a member, he/she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.
- The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Suite 405, 4th Floor, Magnum Plaza, 128 Jalan Pudu, 55100 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.
- Any alteration in this form must be initialed.



Please Fold Along This Line

AFFIX  
STAMP  
HERE

The Secretary  
**COCOALAND HOLDINGS BERHAD**  
Suite 405, 4th Floor  
Magnum Plaza  
128, Jalan Pudu  
55100 Kuala Lumpur

Please Fold Along This Line

[www.cocoaland.com](http://www.cocoaland.com)