



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 2004.

## FINANCIAL PERFORMANCE

For the financial year under review, the Group achieved a turnover of RM89.9 million, a 1.9% growth compared to the proforma consolidated turnover of RM88.2 million for year ended 2003. Group profit before tax improved to 9.1 million, 9.6% higher than the proforma consolidated profit before tax of RM8.3 million for year ended 2003, while profit after tax rose to RM7.6 million, 22.6% higher than the proforma consolidated profit after tax of RM6.2 million for year ended 2003. The earnings per share for the financial year ended 2004 was 9.44 sen.

## REVIEW OF OPERATIONS

The Group is planning to execute a two-prong export market strategy. The Group plans to further increase their export market penetration into new markets by identifying new countries at international food exhibitions and fairs held during the year. These new markets shall primarily be outside the Southeast Asia region. Although the Group currently exports to over 40 countries around the world, market penetration in the respective countries are done through the local distributors or wholesalers. Apart from having a product presence, the Group does not have a marketing or distribution presence in those countries.

Due to the encouraging demand for the Group's fruit gummy from countries like Hong Kong and Taiwan, the Group plans to use its fruit gummy product as the premier export market product to further expands its fruit gummy penetration into other neighboring countries. Aside from further increasing the Group's export market penetration through international food exhibitions and fairs, the Group also plans to set up representative offices in neighboring countries such as Vietnam, Thailand, the Philippines and Indonesia, which involve lower transportation costs and are believed to be receptive to their fruit gummy product.

The representative offices shall serve the Group's local marketing office and shall be primarily responsible for identifying and implementing the most appropriate means of advertising and promoting the Group's products in the respective countries in order to build a stronger market presence in these countries. The role of the distributor shall to the country's local distributor or wholesaler.

The continuing sustainability and long term success of the Group lies in its ability to expand their existing product range and develop new and innovative products. As part of a product diversification strategy resulting from the Group's R&D efforts, the Group purchased a new set of machinery in 2004 to diversify its existing range of products by:

- (i) Introducing new flavours;
- (ii) Changing product texture;
- (iii) Introducing new designs and shape; and
- (iv) Introducing different sizes.



In line with the Group's expansion plans, the Group acquired new machinery and carried out renovation works for the expansion of the fruit gummy product line costing approximately RM9 million in total. This new gummy production line can produce 1,500 kg gummy per hour and is expected to produce approximately RM2.5 million worth of output per month at full production capacity. Commencement of commercial production run from this new line expected to take place in the second quarter of the year 2005.

In addition to the above, Cocoaland Industry Sdn. Bhd. has set up a new factory at Lot 5, Rawang Integrated Industrial Park, Selangor, opposite its present headquarters to facilities the production of a new product range of cookies. Further, based on the current growth projection, the Group believes that its production capacity will be fully utilized in another 2 to 3 years. Therefore, the Group is already scouting for a new factory outlet where it could expand its production capacity and storage space.

### DIVIDEND

The Board does not recommend any dividend payment for the financial year ended 31 December 2004.

### PROSPECTS

The Directors of the Group view the future prospects of the Group to be favourable. Underlying fundamentals in Malaysia contribute to positive prospects for the food industry. The country has a large middle class population with high disposable income, strong birth rate, an open economy which exposes its consumers to new products from overseas, and multi-cultural population which is tolerant and adaptable to new influences. In such an environment, growth in the food industry is likely to be strong as it serves the domestic consumers needs.

### ACKNOWLEDGEMENT & APPRECIATION

On behalf of the Directors, I would like to express my heartfelt gratitude and appreciation to our shareholders, customers, business associates, bankers and various government agencies for the continued support. To all our management and staff, we thank you for your contribution, commitment and loyalty towards the Group.

Lastly, my sincere thanks to my fellow Directors for their invaluable advice and guidance to the Board.

**DATO' AZMAN BIN MAHMOOD**  
Chairman





The Board is committed to ensuring the highest standards of corporate governance are practiced throughout the Group to achieve its objectives of protecting and maximizing stakeholders' value and to safeguard the Group's assets.

This statement sets out the commitment of the Board towards good corporate governance and the extent to which it has complied with the Principles and Best Practices of the Malaysian Code on Corporate Governance.

## 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 different background and specialization, 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 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 Company was listed on the Second Board of Bursa Malaysia Securities Berhad on 18 January 2005. The Board plans to meet at least four (4) times a year at quarterly intervals with additional meetings to be convened as and when required. Subsequent to the Company's listing, the Board convened two (2) meetings, with details on the attendance of Directors listed below:-

Board Members	Attendance
Dato' Azman bin Mahmood	2/2
Mr. Liew Fook Meng	2/2
Mr. Lau Kee Von	2/2
Mr. Lau Pak Lam	2/2
Mr. Liew Yoon Kee	1/2
Mr. Chow Kee Kan @ Chow Tuck Kwan	2/2

### Supply of Information

The Board recognizes 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, formed on 11 January 2005 comprises of 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 Nomination Committee is primarily 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.

The details of Directors' who will retire at the forthcoming Annual General Meeting are disclosed in the Statement Accompanying Notice of the Fifth Annual General Meeting on page 4.

## Directors' Training

Save for Dato' Azman bin Mahmood and Mr. Chow Kee Kan @ Chow Tuck Kwan, the other Directors have yet to attend the Mandatory Accreditation Programme ("MAP") conducted by Bursatra Sdn. Bhd. (formerly known as Bursa Malaysia Training Sdn. Bhd). However, all the remaining Directors are aware that they are required to complete the said MAP and each of them has respectively signed up and will undergo the MAP accordingly.

The Directors having noted the latest guidelines on the Continuous Education Programme, will continue to undergo other relevant training programmes to further enhance their knowledge and skills which are important to carrying out their role respectively as directors.

## B. DIRECTORS' REMUNERATION

### Remuneration Committee

The Remuneration Committee was formed on 29 November 2004 comprises of the following members:-

Name	Position
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 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 be abstained 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 2004 received by Directors of the Company from the Group are as follows:-

Remuneration	Executive Director RM	Non-Executive Director RM	Total RM
Fees	18,000	-	18,000
Salaries and Allowances	939,840	-	939,840
Bonuses and Incentives	-	-	-
Benefits in kind	-	-	-
<b>TOTAL</b>	<b>957,840</b>	<b>-</b>	<b>957,840</b>

The number of directors whose total remuneration fall within the respective bands for the financial year ended 31 December 2004 is disclosed as follows:-

Range of Remuneration	Executive Director	Non-Executive Director
Below RM50,000	-	-
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	1	-
RM250,001 to RM300,000	2	-

## C. SHAREHOLDERS

### Dialogue Between Companies And Investors

The Company recognizes 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 and to vote on all 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 16 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 the 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 26 April 2005.

## ADDITIONAL COMPLIANCE INFORMATION

### 1. Utilisation of Proceeds

As at the date of this report, the gross proceeds of RM6,500,000 raised from the public issue of 10,000,000 new ordinary shares of nominal value RM0.50 each at an issue price of RM0.65 per share pursuant to the Company's listing on 18 January 2005 has been utilized in the following manner:-

Purpose	Amount Raised (RM'000)	Amount Utilised (RM'000)	Balance Utilised (RM'000)	Utilisation Timing
1) Repayment of bank borrowings	4,000	0	4,000	Within 1 month after Listing
2) Working capital	1,000	1,000	0	Within 6 months after Listing
3) Estimated listing expenses	1,500	1,125	375	Within 2 months after Listing
<b>Total</b>	<b>6,500</b>	<b>2,125</b>	<b>4,375</b>	



### 2. Share Buybacks

The Company did not enter into any share buyback transactions during the financial year ended 31 December 2004.

### 3. Options, Warrants or Convertible Securities

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2004.

### 4. 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 2004.

### 5. 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 2004.

### 6. Non-audit Fees

During the financial year ended 31 December 2004, non-audit fees paid to the external auditors as Reporting Accountants for the Company's Initial Public Offer exercise amounted to RM100,000.00

### 7. Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2004.

### 8. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries during the financial year ended 31 December 2004, which involves the interest of Directors and major shareholders.

### 9. Revaluation Policy

The Company does not adopt a policy of regular revaluation.



## STATEMENT ON INTERNAL CONTROL

In accordance with Paragraph 15.27(b) of the Bursa Malaysia's Listing Requirements, the Board is pleased to present herewith its statement on the state of internal control of the Group.

### RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of internal control that would provide reasonable assurance in ensuring the effectiveness and efficiency of operations and reliability of financial reporting as well as compliance with applicable laws, rules, regulations, guidelines and risk management. The Board is ultimately responsible for the Group's system of internal control includes the establishment of an appropriate control environment and framework as well as processes for reviewing its adequacy and integrity.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of objectives through the year under review.

### KEY ELEMENTS OF THE SYSTEM OF INTERNAL CONTROL

The key elements that the Board has established in reviewing the adequacy and integrity of the system of internal control are as follows:-

1. The management structure of the Company and its subsidiaries are defined with clear lines of responsibility and delegation of authority. Key responsibilities are appropriately segregated and defined authorization levels have been established.
2. Policies and procedures of most operating units within the Group are documented in the Standard Practice Instructions under the quality management system ISO 9001:2000.
3. The results of all subsidiaries are reported monthly to the senior management and the Executive Directors where the performance are analyzed and appropriation actions are taken.
4. There is a system of financial reporting to the Board based on quarterly results.
5. The professionalism and competence of staff is maintained through continuous training and regular performance review system. The senior executives have many years of experience, high involvement and close supervision in daily operations and financial affairs of the Group and establish strong relationship with its advisors, suppliers and stakeholders.

### REVIEWING THE ADEQUACY AND INTEGRITY OF INTERNAL CONTROL

To the best of the Board's knowledge, there was no material internal control failure nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year. The effectiveness of the system of internal control will be continuously reviewed and updated in response to changes in the operating environment.





## 1. MEMBERSHIP

The Audit Committee was established on 2 December 2004. It 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:-

Name	Position
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

The Audit Committee shall be appointed by the Board of Directors from amongst its members (excluding alternate directors) which shall fulfill the following requirements:-

- (a) The Audit Committee must be composed of no fewer than three members;
- (b) A majority of the Audit Committee must be independent directors; and
- (c) at least one member of the Audit Committee:-
  - (i) must be member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
    - (aa) he must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountant Act 1967; or
    - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountant Act 1967; or
  - (iii) fulfils such other requirements as prescribed by the Bursa Malaysia Securities Berhad.

If a member of the Audit Committee resigns, dies, or 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 one (1) month of the event appoint such number of new members as may be required to fill the vacancy.

### Chairman

The Chairman of the Audit Committee shall be appointed by the Board of Directors and shall be an independent director.

### Secretary

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

### Meetings

The Audit Committee shall meet at least four (4) times a year. The Head of Finance will normally be invited to attend all meetings of the Audit Committee. The presence of external auditors will be requested if required and the external auditors may also request a meeting if they consider it necessary. The quorum for a meeting shall be two (2) members of which the majority must be independent directors.

### Authority

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference and shall have unrestricted access to information, documents and resources it requires for the purpose of discharging its functions and responsibilities.

The Audit Committee shall have the authority to convene meetings with the external auditors excluding the attendance of the executive members of the Committee, whenever deemed necessary and is also authorized to obtain legal or other independent professional advice if necessary.

### Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be:-

- (i) To review and recommend the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- (ii) To discuss with the external auditors before the audit commences, the nature and scope of the audit for the Company and the Group;
- (iii) To review the quarterly and year-end financial statements prior to the approval by the Board, focusing particularly on:-
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Compliance with accounting standards and other legal requirements.
- (iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- (v) To review the external auditor's management letter and management's response;
- (vi) To do the following in relation to the internal audit function:
  - review the adequacy of the scope, functions and resources of the internal audit function, 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 action is 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;
  - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (vii) To review any related party transactions and conflict of interest situation that may arise within the Company or Group;
- (viii) To consider the major findings of internal investigations and management's response;



## 3. MEETINGS AND SUMMARY OF ACTIVITIES

The Company was listed on the Second Board of Bursa Malaysia Securities Berhad on 18 January 2005. The Committee plans to meet at least four (4) times a year at quarterly intervals with additional meetings to be convened as and when required. Subsequent to the Company's listing, the Committee convened two (2) meetings with all Committee Members present.

Members	Attendance
Dato' Azman bin Mahmood	2/2
Mr. Chow Kee Kan @ Chow Tuck Kwan	2/2
Mr. Liew Fook Meng	2/2

The activities undertaken by the Committee included the following:-

1. Reviewed the Terms of Reference of the Committee;
2. Reviewed the quarterly financial results prior to submission to the Board of Directors for approval;
3. Reviewed the external auditors' scope of work and audit plan for the year;
4. Reviewed the Audit Committee Report and Statement on Internal Control for inclusion in the Annual Report;
5. Recommended the nomination of Messrs. Wong Weng Foo & Co for re-appointment as external auditors.

## 4. INTERNAL AUDIT FUNCTION

The Company has yet to set up a formal internal audit department. However, it recognizes that an internal audit department would compliment the review of the effectiveness of the Group's systems of internal control and is an essential and integral part of the risk management process. Therefore, the Board has outsourced the internal audit function in order to review and improve its existing processes for identifying and managing the Group's risks and the control procedures to manage those risks.