

12. ACCOUNTANTS' REPORT



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Your Ref:

Date: 20th December, 2004

Our Ref:

The Board of Directors
COCOALAND HOLDINGS BERHAD
Suite 405, 4th Floor
Magnum Plaza
128, Jalan Pudu
55100 Kuala Lumpur

Dear Sirs,

ACCOUNTANTS' REPORT
(Prepared for the inclusion in the Prospectus
to be dated 24th December, 2004)

1 INTRODUCTION

1.1 This report has been prepared by Wong Weng Foo & Co, an approved company auditor, for inclusion in the Prospectus to be dated 24th December, 2004 in connection with the Public Issue of 10,000,000 new ordinary shares of RM0.50 each in COCOALAND HOLDINGS BERHAD (hereinafter referred to as "CHB" or "the Company") at an issue price of RM0.65 per ordinary share and the listing of and quotation for its entire issued and paid up share capital, comprising 90,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Malaysia Securities Berhad (hereinafter referred to as "Bursa Securities").

2. GENERAL INFORMATION

2.1 BACKGROUND

2.1.1 CHB was incorporated in Malaysia on 6th June, 2000 as a public limited company with an authorised and issued and paid-up share capital of RM100,000 and RM2 respectively, comprising ordinary shares of RM1.00 each. The authorised share capital of CHB was increased to RM50,000,000 comprising 100,000,000 ordinary shares of RM0.50 each on 7th October, 2004.

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- 2.1.2 CHB is principally involved in investment holding and was incorporated to facilitate the Listing Scheme as described in Section 2.2 below.
- 2.1.3 CHB's wholly-owned subsidiaries are Cocoaland Industry Sdn Bhd ("CISB"), L.B. Food Sdn Bhd ("LBFSB") and B Plus Q Sdn Bhd ("BPQSB"). BPQSB owns 100% of the issued and paid-up share capital in M.I.T.E. Food Enterprise Sdn Bhd ("MFESB"), thus making MFESB, a wholly-owned indirect subsidiary of CHB.
- 2.1.4 The subsidiary companies are principally engaged in the manufacturing and trading of food products.

2.2 LISTING SCHEME

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of CHB on the Second Board of Bursa Securities, CHB's will undertake a listing scheme which was approved by the relevant authorities and involves the following transactions:-

- a) Share split of every one (1) ordinary share of RM1.00 each in CHB into two (2) ordinary shares of RM0.50 each in CHB ("Share Split");
- b) Revaluation of the landed properties of CISB, LBFSB and MFESB resulting in a revaluation surplus of RM6,340,567;
- c) Acquisition of the entire issued and paid-up share capital of CISB comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM32,967,365 satisfied by the issuance of 50,844,093 new CHB ordinary shares of RM0.50 each at approximately RM0.65 per share ("Acquisition of CISB");
- d) Acquisition of the entire issued and paid-up share capital of LBFSB comprising 1,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM9,613,210 satisfied by the issuance of 14,873,576 new CHB ordinary shares of RM0.50 each at approximately RM0.65 per share ("Acquisition of LBFSB");

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- e) Acquisition of the entire issued and paid-up share capital of BPQSB comprising 500,000 ordinary shares of RM1.00 each for a purchase consideration of RM9,242,197 satisfied by the issuance of 14,282,327 new CHB ordinary shares of RM0.50 each at approximately RM0.65 per share (“Acquisition of BPQSB”);
 - f) Consolidation of interests of several vendors to CHB comprising 48,963,724 CHB ordinary shares into a nominee company, Leverage Success Sdn Bhd (“Consolidation of Interests”);
 - g) A public issue of 10,000,000 new CHB ordinary shares of RM0.50 each at an issue price of RM0.65 per share (“Public Issue”) in the following manner:-
 - i) 1,800,000 new CHB ordinary shares of RM0.50 each reserved for eligible employees of the CHB Group;
 - ii) 600,000 new CHB ordinary shares of RM0.50 each reserved for Bumiputera investors nominated and approved by the Ministry of International Trade and Industry (“MITI”);
 - iii) 6,000,000 new CHB ordinary shares of RM0.50 each available for application by the Malaysian public; and
 - iv) 1,600,000 new CHB ordinary shares of RM0.50 each by way of private placement to identified public investors;
- and
- h) Admission of CHB to the Official List and the listing of and quotation for the entire issued and paid-up share capital of CHB on the Second Board of Bursa Securities.

All new ordinary shares issued pursuant to the Listing Scheme rank *pari-passu* in all respects with the existing ordinary shares of CHB.

The abovementioned transactions set out on paragraph 2.2(a) to 2.2(g) were duly approved by the shareholders of CHB, CISB, LBFSB and BPQSB.

12. ACCOUNTANTS' REPORT**3. INFORMATION ON SUBSIDIARY COMPANIES**

Details of the subsidiary companies of CHB, all of which are incorporated in Malaysia as at the date of this report are as follows:-

a) Direct subsidiary companies of CHB

Name	Date of incorporation	Authorised share capital RM	Issued and fully paid up share capital RM	Effective equity interest %	Principal activities
CISB	22.8.1990	1,000,000	1,000,000	100	Manufacturing and trading of processed and preserved foods and fruits of all kinds
LBFSB	23.1.1984	2,000,000	1,500,000	100	Wholesale and retail of processed and preserved foods
BPQSB	29.8.1985	500,000	500,000	100	Manufacturer of fruit juice and foodstuffs

b) Indirect subsidiary company of CHB
- Subsidiary company of BPQSB

Name	Date of incorporation	Authorised share capital RM	Issued and fully paid up share capital RM	Effective equity interest %	Principal activities
MFESB	10.9.1980	500,000	225,000	100	Trading and distribution of foodstuffs

12. ACCOUNTANTS' REPORT**4. SHARE CAPITAL**

The changes in the issued and paid-up share capital of the Company since its incorporation are as follows:-

Date of allotment	Number of ordinary shares of RM0.50 each	Consideration	Cumulative total issued and paid-up share capital RM
6.6.2000	*2	Cash (Subscribers' shares)	2
7.10.2004	4	Sub-division of par-value from RM1.00 per ordinary share to RM0.50 per ordinary share	2
8.10.2004	79,999,996	Issued as consideration for the Acquisitions of CISB, LBFSB and BPQSB	40,000,000

* Ordinary shares issued at par value of RM1.00 each

5. FINANCIAL STATEMENTS AND AUDITORS

We were appointed as the statutory auditors of CHB, CISB, LBFSB, BPQSB and MFESB for the financial year ended 31st December, 2003 and for the financial period ended 30th June, 2004. The said financial statements were reported upon by us without any qualifications or emphasis of matters.

The financial statements of CHB since its incorporation date on 6th June, 2000 to 31st December, 2002 and the audited financial statements of CISB, LBFSB, BPQSB and MFESB for the financial years ended 31st December, 1999 to 2002 were audited by other firms of chartered accountants and their respective reports did not contain any qualifications or emphasis of matters.

12. ACCOUNTANTS' REPORT**6 SUMMARISED INCOME STATEMENTS****6.1 PROFORMA CHB GROUP**

The summarised proforma income statements of the CHB Group for the five (5) financial years ended 31st December, 1999 to 2003 and the six (6) months period ended 30th June, 2004 are set out below:-

	Financial year ended 31 st December					6 months period ended 30 th June
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	55,313	59,972	60,958	70,112	88,217	43,556
Profit before charging depreciation, interest, exceptional items and extraordinary items	8,717	9,375	10,503	10,015	12,724	5,987
Depreciation	(2,857)	(3,234)	(3,627)	(4,238)	(4,361)	(2,273)
Interest	(184)	(114)	(54)	(100)	(76)	(58)
Exceptional items	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-
Profit before taxation	5,676	6,027	6,822	5,677	8,287	3,656
Taxation	201	(1,587)	(2,449)	(693)	(2,116)	(423)
Profit attributable to shareholders of CHB	5,877	4,440	4,373	4,984	6,171	3,233
Number of ordinary shares of RM0.50 each assumed in issue ('000)	80,000	80,000	80,000	80,000	80,000	80,000
Gross earnings per share (RM)	0.07	0.08	0.09	0.07	0.10	0.05
Net earnings per share (RM)	0.07	0.06	0.05	0.06	0.08	0.04

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NOTES:

- a) CHB has not carried out any business operations since its date of incorporation on 6th June, 2000.
- b) The summarised CHB Group income statements as set out above have been prepared on a proforma basis, consolidating the audited results of CHB, CISB, LBFSB, BPQSB and BPQSB's wholly-owned subsidiary, MFESB for the last five (5) financial years ended 31st December, 2003 or since its date of incorporation and for the six (6) months period ended 30th June, 2004, on the assumption that the CHB Group had been in existence prior to 1st January, 1999.
- c) The proforma consolidated income statements for the relevant periods have been prepared based on accounting policies consistent with those adopted in the preparation of the audited financial statements of the CHB Group.
- d) There were no extraordinary items or exceptional items in respect of the five (5) financial years and six (6) months period under review.
- e) Inter-company transactions are eliminated on consolidation and the consolidated results reflect external transactions only.
- f) Gross and net earnings per share are calculated by dividing the profit before and after taxation, attributable to the shareholders, respectively, by the number of CHB ordinary shares assumed in issue, after the Acquisitions of CISB, LBFSB and BPQSB but before the Public Issue, throughout the financial years/period under review.

12. ACCOUNTANTS' REPORT**6.2 CHB (COMPANY)**

The summarised results of CHB based on its audited income statements for the relevant financial periods ended 31st December, 2000, three (3) financial years ended 31st December, 2001 to 2003 and the six (6) months period ended 30th June, 2004 are set out below:-

	Period from 6 th June 2000 to 31 st December				6 months period ended 30 th June
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	-	-	-	-	-
(Loss)/Profit before charging depreciation, interest, exceptional items and extraordinary items	(11,404)	(21,953)	(18,822)	46,538	(5,049)
Depreciation	-	-	-	-	-
Interest	-	-	-	-	-
Exceptional items	-	-	-	-	-
Extraordinary items	-	-	-	-	-
Profit before taxation	(11,404)	(21,953)	(18,822)	46,538	(5,049)
Taxation	-	-	-	-	-
(Loss)/Profit attributable to shareholders of CHB	(11,404)	(21,953)	(18,822)	46,538	(5,049)
Number of ordinary shares of RM0.50 each in issue	4	4	4	4	4
Gross (loss)/earnings per share (RM)	(2,851)	(5,488)	(4,705)	11,634	(1,262)
Net (loss)/earnings per share (RM)	(2,851)	(5,488)	(4,705)	11,634	(1,262)

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NOTES:

- a) CHB is incorporated as an investment holding company to facilitate the Listing Scheme.
- b) CHB, since its date of incorporation on 6th June, 2000, has not carried out any business operations. Losses incurred for the financial period ended 31st December, 2000, financial years ended 31st December, 2001 and 2002 and the six (6) months period ended 30th June, 2004 were mainly attributed to operating and administrative expenses incurred by the Company. In the financial year ended 31st December, 2003, profit of RM46,538 was due to a reversal of provision for prior years' expenses no longer required.
- c) Gross and net (loss)/earnings per share are calculated by dividing the (loss)/profit before and after taxation, attributable to the CHB's shareholders, respectively, by the number of CHB's ordinary shares in issue as at the respective financial years/period.
- d) There were no extraordinary items or exceptional items in respect of the five (5) financial years and six (6) months period under review.
- e) No dividends were paid by CHB since its date of incorporation.

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The summarised audited income statements of CISB for the five (5) financial years ended 31st December, 1999 to 2003 and the six (6) months period ended 30th June, 2004 are set out below:-

	Financial year ended 31 st December					6 months period ended 30 th June
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	26,045	31,436	29,764	26,226	34,795	19,739
Profit before charging depreciation, interest, exceptional items and extraordinary items	6,053	6,319	6,748	6,271	7,476	4,074
Depreciation	(1,732)	(1,920)	(2,197)	(2,758)	(2,804)	(1,419)
Interest	(102)	(57)	(19)	(36)	(37)	(27)
Exceptional items	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-
Profit before taxation	4,219	4,342	4,532	3,477	4,635	2,628
Taxation	188	(970)	(844)	(662)	(562)	(176)
Profit attributable to shareholders of CISB	4,407	3,372	3,688	2,815	4,073	2,452
Dividends						
- Interim (tax exempt)	(1,000)	-	-	-	(3,000)	-
- Final (tax exempt)	-	-	-	(2,700)	-	-
	3,407	3,372	3,688	115	1,073	2,452
Number of ordinary shares of RM1.00 each in issue ('000)	1,000	1,000	1,000	1,000	1,000	1,000
Gross earnings per share (RM)	4.22	4.34	4.53	3.48	4.63	2.63
Net earnings per share (RM)	4.41	3.37	3.69	2.82	4.07	2.45

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NOTES:

- a) Revenue represents invoiced value of goods delivered less sales tax, returns and discounts.

The increase in revenue for the financial year ended 31st December, 2003, as compared with 31st December, 2002 was due to benefits derived from aggressive marketing strategies on the Company's products in particular, its fruit gummy.

- b) No provision was made for Malaysian income tax in respect of business income earned in 1999 in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999. The positive position in taxation in 1999 was principally due to a prior year's overprovision.

The taxation charge for the financial years ended 31st December, 2000 to 2003 and the six (6) months period ended 30th June, 2004 was lower than the statutory income tax rate due principally to allowances and claims being made for Reinvestment Allowances under Schedule 7A of Income Tax Act, 1967.

- c) Gross and net earnings per share are calculated by dividing the profit before taxation and after taxation, attributable to the CISB's shareholders, respectively, by the number of CISB's ordinary shares in issue as at the respective financial years/period.

- d) There were no extraordinary items or exceptional items in respect of the five (5) financial years and six (6) months period under review.

- e) An interim dividend of 100% amounting to RM1,000,000 (tax exempt) in respect of the financial year ended 31st December, 1999 was paid on 4th November, 1999.

A final dividend of 270% amounting to RM2,700,000 (tax exempt) in respect of the financial year ended 31st December, 2001 was paid on 1st October, 2002.

An interim dividend of 300% amounting to RM3,000,000 (tax exempt) in respect of the financial year ended 31st December, 2003 was paid on 20th June, 2003.

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Other than the above, there were no dividends paid in respect of the other financial years/period under review.

The disclosure of the dividends is in accordance with the provisions of MASB Standard No 19 which recognises dividends in the income statements in the year of payment.

- f) Results of CISB's subsidiary companies, namely Cocoland Industry Pte Ltd, incorporated in Singapore, and Paradise Cake House Sdn Bhd (formerly known as Jasa Idaman Sdn Bhd), incorporated in Malaysia, had not been previously consolidated in the audited accounts of CISB as the control was temporary and the amount involved insignificant. The subsidiaries were disposed of in 1999.

12. ACCOUNTANTS' REPORT**6.4 LBFSB**

The summarised audited income statements of LBFSB for the five (5) financial years ended 31st December, 1999, 2000, 2001, 2002 and 2003 and the six (6) months period ended 30th June, 2004 are set out below:-

	Financial year ended 31 st December					6 months period ended 30 th June
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	40,402	41,981	40,734	47,186	62,202	31,832
Profit before charging depreciation, interest, exceptional items and extraordinary items	885	1,280	1,444	1,390	2,789	889
Depreciation	(205)	(249)	(260)	(336)	(394)	(200)
Interest	(26)	(21)	(7)	(13)	(22)	(15)
Exceptional items	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-
Profit before taxation	654	1,010	1,177	1,041	2,373	674
Taxation	-	(332)	(334)	(317)	(973)	(133)
Profit attributable to shareholders of LBFSB	654	678	843	724	1,400	541
Dividends						
- Interim (net of 28% income tax)	(1,080)	-	-	-	(108)	-
- Final (net of 28% income tax)	-	-	-	(648)	-	-
- Interim (tax exempt)	-	-	-	-	(975)	-
	(426)	678	843	76	317	541
Number of ordinary shares of RM1.00 each in issue ('000)	1,500	1,500	1,500	1,500	1,500	1,500
Gross earnings per share (RM)	0.44	0.67	0.78	0.69	1.58	0.45
Net earnings per share (RM)	0.44	0.45	0.56	0.48	0.93	0.36

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NOTES:

- a) Revenue represents invoiced value of goods delivered less returns and discounts.

The increase in revenue for the financial year ended 31st December, 2003, as compared with 31st December, 2002 was due to benefit derived from aggressive marketing strategies on the Company's products in particular, its fruit gummy.

- b) No provision was made for Malaysian income tax in respect of business income earned in 1999 in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999.

The taxation charge for the financial years ended 31st December, 2000 to 2003 was disproportionate to the statutory income tax rate due principally to certain expenses incurred being disallowed for taxation purposes. Taxation charged in the six (6) months period ended 30th June, 2004 included a reversal of deferred taxation amounting to RM76,107 to the income statement.

- c) Gross and net earnings per share are calculated by dividing the profit before and after taxation, attributable to the LBFSB's shareholders, respectively, by the number of LBFSB's ordinary shares in issue as at the respective financial years/period.

- d) There were no extraordinary items or exceptional items in respect of the five (5) financial years and six (6) months period under review.

- e) An interim dividend of 100% amounting to RM1,080,000 (net of 28% income tax) in respect of the financial year ended 31st December, 1999 was paid on 17th September, 1999.

A final dividend of 60% amounting to RM648,000 (net of 28% income tax) in respect of the financial year ended 31st December, 2001 was paid on 30th September, 2002.

An interim dividend of 10% amounting to RM108,000 (net of 28% income tax) in respect of the financial year ended 31st December, 2003 was paid on 18th June, 2003.

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An interim dividend of 65% amounting to RM975,000 (tax exempt) in respect of the financial year ended 31st December, 2003 was paid on 18th June, 2003.

Other than the above, there were no dividends paid in respect of the other financial years/period under review.

The disclosure of the dividends is in accordance with the provisions of MASB Standard No 19 which recognises dividends in the income statements in the year of payment.

12. ACCOUNTANTS' REPORT**6.5 BPQSB - GROUP**

The summarised audited consolidated income statements of BPQSB and its wholly-owned subsidiary company, MFESB for the five (5) financial years ended 31st December, 1999 to 2003 and the six (6) months period ended 30th June, 2004 are set out below:-

	Financial year ended 31 st December					6 months period ended
	1999	2000	2001	2002	2003	30 th June 2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	20,727	21,228	21,800	27,435	28,531	13,575
Consolidated profit before charging depreciation, interest, exceptional items and extraordinary items	1,706	1,865	2,354	2,339	2,487	1,006
Depreciation & amortisation	(920)	(1,065)	(1,170)	(1,152)	(1,172)	(616)
Interest	(56)	(36)	(28)	(51)	(30)	(16)
Exceptional items	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-
Consolidated profit before taxation	730	764	1,156	1,136	1,285	374
Taxation	13	(285)	(1,271)	286	(582)	(114)
Consolidated profit/(loss) attributable to shareholders of BPQSB Group	743	479	(115)	1,422	703	260
Number of ordinary shares of RM1.00 each in issue ('000)	500	500	500	500	500	500
Gross earnings per share (RM)	1.46	1.53	2.31	2.27	2.57	0.75
Net earnings/(loss) per share (RM)	1.49	0.96	(0.23)	2.84	1.41	0.52

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NOTES:

- a) Revenue represents invoiced value of goods delivered less sales tax, returns and discounts.
- b) No provision was made for Malaysian income tax in respect of business income earned in 1999 in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999. The taxation charged was principally due to a net transfer to the deferred taxation account.

In 2001, the taxation charge of RM1.271 million included an underprovision of taxation amounting to RM867,000 relating to prior years. The positive position of the taxation charged in 2002 resulted from a reversal of deferred taxation to the income statement. In 2003, BPQSB Group incurred an additional deferred taxation liability of RM432,000 explaining the high taxation charged. Taxation charged in the six (6) months period ended 30th June, 2004 included an underprovision of taxation amounting to RM49,770 relating to prior years.

- c) There were no extraordinary items or exceptional items in respect of the five (5) financial years and six (6) months period under review.
- d) There were no dividends paid in respect of the financial years/period under review.
- e) Gross and net earnings/(loss) per share are calculated by dividing the consolidated profit/(loss) before and after taxation, attributable to the BPQSB's shareholders, respectively, by the number of BPQSB's ordinary shares in issue as at the respective financial years/period.

12. ACCOUNTANTS' REPORT**6.6 BPQSB – COMPANY**

The summarised audited income statements of BPQSB for the five (5) financial years ended 31st December, 1999 to 2003 and the six (6) months period ended 30th June, 2004 are set out below:-

	Financial year ended 31 st December					6 months period ended 30 th June
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	17,515	17,776	17,783	22,616	23,265	10,891
Profit before charging depreciation, interest, exceptional items and extraordinary items	1,334	1,245	1,536	1,518	1,715	725
Depreciation	(753)	(798)	(868)	(843)	(825)	(446)
Interest	(32)	(17)	(2)	(14)	(14)	(13)
Exceptional items	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-
Profit before taxation	549	430	666	661	876	266
Taxation	(25)	(188)	(1,088)	455	(447)	(69)
Profit/(Loss) attributable to shareholders of BPQSB	524	242	(422)	1,116	429	197
Number of ordinary shares of RMI.00 each in issue (^{'000})	500	500	500	500	500	500
Gross earnings per share (RM)	1.10	0.86	1.33	1.32	1.75	0.53
Net earnings/(loss) per share (RM)	1.05	0.48	(0.84)	2.23	0.86	0.39

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NOTES:

- a) Revenue represents invoiced value of goods delivered less sales tax, returns and discounts.
- b) No provision was made for Malaysian income tax in respect of business income earned in 1999 in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999. The taxation charged relate to a transfer to deferred taxation account.

In 2001, the taxation charged of RM1.088 million includes an underprovision of taxation amounting to RM867,000 million relating to prior years. The positive position of taxation charged in 2002 resulted from a reversal of deferred taxation to the income statement. In 2003, BPQSB incurred an additional deferred taxation liability of RM411,000 explaining the high taxation liability. Taxation charged in six (6) months period ended 30th June, 2004 included an underprovision of taxation of RM26,420 relating to prior years.

- c) Gross and net earnings/(loss) per share are calculated by dividing the profit before and after taxation, attributable to the BPQSB's shareholders, respectively, by the number of BPQSB's ordinary shares in issue as at the respective financial years/period.
- d) There were no extraordinary items or exceptional items in respect of the five (5) financial years and six (6) months period under review.
- e) There were no dividends paid in respect of the financial years/period under review.

12. ACCOUNTANTS' REPORT**6.7 MFESB (WHOLLY OWNED SUBSIDIARY COMPANY OF BPQSB)**

The summarised audited income statements of MFESB for the five (5) financial years ended 31st December, 1999 to 2003 and the six (6) months period ended 30th June, 2004 are set out below:-

	Financial year ended 31 st December					6 months period ended 30 th June
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	17,899	17,598	18,642	23,927	25,119	11,651
Profit before charging depreciation, interest, exceptional items and extraordinary items	372	620	818	821	772	280
Depreciation	(167)	(267)	(302)	(301)	(339)	(165)
Interest	(24)	(19)	(26)	(37)	(16)	(3)
Exceptional items	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-
Profit before taxation	181	334	490	483	417	112
Taxation	38	(97)	(183)	(169)	(135)	(45)
Profit attributable to shareholders of MFESB	219	237	307	314	282	67
Number of ordinary shares of RM1.00 each in issue ('000)	225	225	225	225	225	225
Gross earnings per share (RM)	0.80	1.48	2.18	2.15	1.85	0.50
Net earnings per share (RM)	0.97	1.05	1.36	1.40	1.25	0.30

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NOTES:

- a) Revenue represents invoiced value of goods delivered less returns and discounts.
- b) No provision was made for Malaysian income tax in respect of business income earned in 1999 in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999. The positive taxation charged was principally due to reversal of deferred taxation to the income statement.

The taxation charged for the financial years ended 31st December 2000 to 2003 and the six (6) months period ended 30th June, 2004 was disproportionate to the statutory income tax rate due principally to certain expenses incurred being disallowed for taxation purposes.

- c) Gross and net earnings per share are calculated by dividing the profit before and after taxation, respectively, attributable to the MFESB's shareholders, by the number of MFESB's ordinary shares in issue as at the respective financial years/period.
- d) There were no extraordinary items or exceptional items in respect of the five (5) financial years and six (6) months period under review.
- e) There were no dividends paid in respect of the financial years/period under review.

12. ACCOUNTANTS' REPORT**7. SUMMARISED BALANCE SHEETS****7.1 CHB**

The summarised audited balance sheets of CHB as at 31st December, 2000 to 2003 and as at 30th June, 2004 are set out below:-

	As at 31 st December			As at 30 th June	
	2000	2001	2002	2003	2004
	RM	RM	RM	RM	RM
<u>ASSETS EMPLOYED</u>					
CURRENT ASSETS	2	2	2	2	2
CURRENT LIABILITIES	(11,404)	(33,357)	(52,179)	(5,641)	(10,690)
NET CURRENT LIABILITIES	(11,402)	(33,355)	(52,177)	(5,639)	(10,688)
<u>REPRESENTED BY</u>					
SHARE CAPITAL	2	2	2	2	2
REVENUE RESERVES	(11,404)	(33,357)	(52,179)	(5,641)	(10,690)
SHAREHOLDERS' DEFICITS	(11,402)	(33,355)	(52,177)	(5,639)	(10,688)
Net tangible liabilities per share of RM0.50 each (RM)	(2,851)	(8,339)	(13,044)	(1,410)	(2,672)

12. ACCOUNTANTS' REPORT**7.2 CISB**

The summarised audited balance sheets of CISB as at 31st December, 1999 to 2003 and as at 30th June, 2004 are set out below:-

	As at 31 st December					As at
	1999	2000	2001	2002	2003	30 th June
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
<u>ASSETS EMPLOYED</u>						
PROPERTY, PLANT AND EQUIPMENT	16,263	18,627	24,703	26,703	25,782	25,875
CURRENT ASSETS	13,427	12,194	10,672	10,076	15,311	17,182
CURRENT LIABILITIES	(7,894)	(5,702)	(6,344)	(7,121)	(10,157)	(9,637)
NET CURRENT ASSETS	5,533	6,492	4,328	2,955	5,154	7,545
	21,796	25,119	29,031	29,658	30,936	33,420
<u>REPRESENTED BY</u>						
SHARE CAPITAL	1,000	1,000	1,000	1,000	1,000	1,000
REVENUE RESERVES	20,188	23,560	27,248	27,363	28,436	30,888
SHAREHOLDERS' FUNDS	21,188	24,560	28,248	28,363	29,436	31,888
LONG TERM LIABILITIES	73	24	-	-	-	-
DEFERRED TAXATION	535	535	783	1,295	1,500	1,532
	21,796	25,119	29,031	29,658	30,936	33,420
Net tangible assets per share of RM1.00 each (RM)	21.19	24.56	28.25	28.36	29.44	31.89

12. ACCOUNTANTS' REPORT**7.3 LBFSB**

The summarised audited balance sheets of LBFSB as at 31st December, 1999 to 2003 and as at 30th June, 2004 are set out below:-

	As at 31 st December					As at
	1999	2000	2001	2002	2003	30 th June
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
<u>ASSETS EMPLOYED</u>						
PROPERTY, PLANT AND EQUIPMENT	3,522	3,676	3,511	3,675	3,758	3,659
CURRENT ASSETS	10,111	11,060	10,794	9,036	13,521	13,506
CURRENT LIABILITIES	(8,561)	(8,986)	(8,398)	(6,105)	(9,941)	(9,357)
NET CURRENT ASSETS	1,550	2,074	2,396	2,931	3,580	4,149
	5,072	5,750	5,907	6,606	7,338	7,808
<u>REPRESENTED BY</u>						
SHARE CAPITAL	1,500	1,500	1,500	1,500	1,500	1,500
REVENUE RESERVES	3,474	4,152	4,347	5,071	5,388	5,929
SHAREHOLDERS' FUNDS	4,974	5,652	5,847	6,571	6,888	7,429
LONG TERM LIABILITIES	-	-	-	-	157	162
DEFERRED TAXATION	98	98	60	35	293	217
	5,072	5,750	5,907	6,606	7,338	7,808
Net tangible assets per share of RM1.00 each (RM)	3.32	3.77	3.90	4.38	4.59	4.95

12. ACCOUNTANTS' REPORT**7.4 BPQSB - GROUP**

The summarised audited consolidated balance sheets of BPQSB and its wholly-owned subsidiary, MFESB, as at 31st December, 1999 to 2003 and as at 30th June, 2004 are set out below:-

	As at 31 st December					As at
	1999	2000	2001	2002	2003	30 th June
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
<u>ASSETS EMPLOYED</u>						
PROPERTY, PLANT AND EQUIPMENT	4,672	4,946	5,442	5,601	5,204	6,273
INVESTMENTS	1	1	1	1	1	1
INTANGIBLE ASSETS	158	158	158	150	142	138
CURRENT ASSETS	6,829	7,150	7,241	8,669	10,285	10,637
CURRENT LIABILITIES	(4,574)	(4,439)	(4,730)	(5,724)	(5,829)	(6,041)
NET CURRENT ASSETS	2,255	2,711	2,511	2,945	4,456	4,596
	7,086	7,816	8,112	8,697	9,803	11,008
<u>REPRESENTED BY</u>						
SHARE CAPITAL	500	500	500	500	500	500
REVENUE RESERVES	6,169	6,648	6,533	7,955	8,658	8,918
SHAREHOLDERS' FUNDS	6,669	7,148	7,033	8,455	9,158	9,418
LONG TERM LIABILITIES	-	203	552	75	46	983
DEFERRED TAXATION	417	465	527	167	599	607
	7,086	7,816	8,112	8,697	9,803	11,008
Net tangible assets per share of RM1.00 each (RM)	13.02	13.98	13.75	16.61	18.03	18.56

12. ACCOUNTANTS' REPORT**7.5 BPQSB - COMPANY**

The summarised audited balance sheets of BPQSB as at 31st December, 1999 to 2003 and as at 30th June, 2004 are set out below:-

	As at 31 st December					As at
	1999	2000	2001	2002	2003	30 th June
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
<u>ASSETS EMPLOYED</u>						
PROPERTY, PLANT AND EQUIPMENT	4,309	4,195	4,576	4,614	4,312	5,495
INVESTMENT IN A SUBSIDIARY	450	450	450	450	450	450
CURRENT ASSETS	4,266	4,602	4,390	5,677	7,017	7,240
CURRENT LIABILITIES	(4,199)	(4,112)	(4,232)	(5,201)	(5,413)	(5,677)
NET CURRENT ASSETS	67	490	158	476	1,604	1,563
	4,826	5,135	5,184	5,540	6,366	7,508
<u>REPRESENTED BY</u>						
SHARE CAPITAL	500	500	500	500	500	500
REVENUE RESERVES	3,931	4,173	3,751	4,867	5,296	5,493
SHAREHOLDERS' FUNDS	4,431	4,673	4,251	5,367	5,796	5,993
LONG TERM LIABILITIES	-	-	439	53	39	959
DEFERRED TAXATION	395	462	494	120	531	556
	4,826	5,135	5,184	5,540	6,366	7,508
Net tangible assets per share of RM1.00 each (RM)	8.86	9.34	8.50	10.73	11.59	11.98

12. ACCOUNTANTS' REPORT**7.6 MFESB (WHOLLY-OWNED SUBSIDIARY COMPANY OF BPQSB)**

The summarised audited balance sheets of MFESB as at 31st December, 1999 to 2003 and as at 30th June, 2004 are set out below:-

	As at 31 st December					As at
	1999	2000	2001	2002	2003	30 th June
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
<u>ASSETS EMPLOYED</u>						
PROPERTY, PLANT AND EQUIPMENT	363	751	866	987	891	778
INVESTMENTS	1	1	1	1	1	1
CURRENT ASSETS	4,053	3,937	4,130	5,454	6,794	6,849
CURRENT LIABILITIES	(1,865)	(1,716)	(1,777)	(2,985)	(3,942)	(3,816)
NET CURRENT ASSETS	2,188	2,221	2,353	2,469	2,852	3,033
	2,552	2,973	3,220	3,457	3,744	3,812
<u>REPRESENTED BY</u>						
SHARE CAPITAL	225	225	225	225	225	225
REVENUE RESERVES	2,305	2,542	2,849	3,163	3,445	3,512
SHAREHOLDERS' FUNDS	2,530	2,767	3,074	3,388	3,670	3,737
LONG TERM LIABILITIES	-	203	113	22	6	24
DEFERRED TAXATION	22	3	33	47	68	51
	2,552	2,973	3,220	3,457	3,744	3,812
Net tangible assets per share of RM1.00 each (RM)	11.25	12.30	13.66	15.06	16.31	16.61

8. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

8.1 The following statements of assets and liabilities of CHB (Group and Company) have been prepared for illustrative purposes only and are based on the audited financial statements of CHB, CISB, LBFSB, BPQSB and BPQSB's wholly-owned subsidiary, MFESB, as at 30th June, 2004 after making such adjustments which we considered necessary and also to reflect the transactions referred to in paragraph 2.2(a) to 2.2(g) and the utilisation of the proceeds from the Public Issue on the assumption that these transactions had been effected on 30th June, 2004, but does not necessarily incorporate all adjustments that would be required in the preparation of consolidated financial statements.

12. ACCOUNTANTS' REPORT

	Note	Proforma Group RM'000	Proforma Company RM'000	Audited Company RM'000
NON-CURRENT ASSETS				
Property, plant & equipment	9.2	42,105	-	-
Investment in subsidiary companies	9.3	-	40,000	-
Investment	9.4	1	-	-
CURRENT ASSETS				
Inventories	9.5	8,721	-	-
Trade receivables	9.6	15,301	-	-
Other receivables, deposits & prepayments		5,413	-	-
Fixed deposits with licensed banks	9.7	382	-	-
Cash & bank balances		7,220	5,000	*
		<u>37,037</u>	<u>5,000</u>	<u>*</u>
LESS: CURRENT LIABILITIES				
Trade payables		9,203	-	-
Other payables & accruals		3,974	11	11
Amount due to directors	9.8	558	-	-
Hire-purchase creditors	9.9	515	-	-
Term loans	9.10	10	-	-
Bank overdrafts	9.10	1,468	-	-
Taxation		213	-	-
		<u>15,941</u>	<u>11</u>	<u>11</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>21,096</u>	<u>4,989</u>	<u>(11)</u>
		<u>63,202</u>	<u>44,989</u>	<u>(11)</u>
FINANCED BY				
SHARE CAPITAL	9.11	45,000	45,000	*
SHARE PREMIUM	9.12	-	-	-
REVENUE RESERVES	9.13	14,701	(11)	(11)
SHAREHOLDERS' FUNDS/(DEFICITS)		<u>59,701</u>	<u>44,989</u>	<u>(11)</u>
LONG TERM AND DEFERRED LIABILITIES				
Hire-purchase creditors	9.9	1,067	-	-
Term loans	9.10	78	-	-
Deferred taxation	9.14	2,356	-	-
		<u>63,202</u>	<u>44,989</u>	<u>(11)</u>
Net tangible assets per share of RM0.50* each (RM)		<u>0.66</u>	<u>0.50</u>	<u>(2,672)</u>

* As at 30th June, 2004, the issued and fully paid-up share capital of CHB is RM2 comprising 2 ordinary shares of RM1.00 each. For the purposes of this proforma statements of assets and liabilities, it is assumed that the Share Split set out on paragraph 2.2 (a) had taken place and therefore the issued and fully paid-up share capital of RM2 is made up of 4 ordinary shares of RM0.50 each. All ordinary share capital referred to in paragraphs 6.1, 6.2, 7.1, 8 and 9 will be at RM0.50 each unless stated otherwise.

The notes set out in Paragraph 9 form an integral part of and should be read in conjunction with the above proforma statements of assets and liabilities.

**9. NOTES TO PROFORMA STATEMENTS OF ASSETS AND LIABILITIES****9.1 SIGNIFICANT ACCOUNTING POLICIES****a) Basis of Accounting**

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the valuation of freehold and leasehold land and buildings, comply with the provisions of the Companies Act, 1965 and in accordance with Approved Accounting Standards in Malaysia in all material aspects.

b) Subsidiary Company and Basis of Consolidation

The proforma group financial statements consolidate the financial statements of the Company and its subsidiary companies, CISB, LBFSB, BPQSB and MFESB, made up to 30th June, 2004, prepared on the assumption that the Listing Scheme as detailed in paragraph 2.2(a) to 2.2(g) respectively, had been effected as at 30th June, 2004.

A subsidiary company is an enterprise controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. Investment in subsidiary companies is stated at cost in the Proforma Company's financial statements. Allowances for diminution in value is made when there is a permanent impairment in value of the investment and this is recognised as an expense in the year in which the impairment in value occurred.

The financial statements of the subsidiary companies are consolidated using the merger method of accounting in accordance with the provisions of Malaysian Accounting Standard No. 2 (MAS No. 2). Under the merger method of accounting, the difference between the nominal value of the share capital of the Company issued as purchase consideration and the nominal value of the share capital of the subsidiary companies acquired is taken to the merger reserve. Differences, if any, are set off against balances of capital reserve, share premium and retained profits in the financial statements of the subsidiary companies acquired.

All inter-company transactions are eliminated on consolidation and the Group financial statements reflect external transactions only.

12. ACCOUNTANTS' REPORT

c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss.

No depreciation is provided on freehold land.

All other property, plant and equipment are depreciated on a straight-line basis to write off the cost of property, plant and equipment over the expected useful lives of the assets concerned.

The principal annual rates used are as follows:-

Freehold buildings	2%
Leasehold lands and buildings	between 10 to 87 years
Plant and machinery	10%
Factory and lab equipment	10%
Store equipment	10%
Motor vehicles	20%
Furniture and fittings	10%
Office equipment	10%
Electrical installation and renovation	10%

d) 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.

Subsequent increase in the recoverable amount of an asset is treated as a 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) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

12. ACCOUNTANTS' REPORT



e) Investments

Investments in unquoted shares are held on a long-term basis. These are shown at cost unless in the opinion of the directors, there has been a permanent decline in value in which case an allowance is made for the diminution in value as expense in the year in which the decline occurred.

f) Inventories

Inventories are valued at the lower of cost and net realisable value.

In general, cost is determined on a first-in, first-out basis and comprises purchase cost and other incidental costs including transport and handling costs. In the case of finished goods, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, allowance is made for obsolete, slow-moving or defective inventories.

g) Receivables

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

h) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances and fixed deposits, net of bank overdrafts.

i) 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.

12. ACCOUNTANTS' REPORT



j) 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 9.1(c) 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).

k) 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 that 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.

l) Share Capital

Ordinary shares are recorded at their nominal value and classified as equity.

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

m) Income Tax

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

12. ACCOUNTANTS' REPORT

Deferred tax 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 tax liabilities are recognised for taxable temporary differences and deferred 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 tax asset is recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred 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 tax asset to be utilised, the carrying amount of the deferred 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.

n) **Foreign Currency**

Transactions in foreign currencies are converted into Ringgit Malaysia 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 the translation of foreign currency amounts are as follows:-

Foreign currency	RM
1 US Dollar	3.8
1 Singapore Dollar	<u>2.2</u>

12. ACCOUNTANTS' REPORT



o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provision of the instrument.

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 has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

p) Revenue Recognition

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

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

Other revenue earned is recognised on the following basis:-

- | | | |
|-----------------|---|---|
| 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. |

12. ACCOUNTANTS' REPORT**9.2 PROPERTY, PLANT AND EQUIPMENT**

Proforma Group	At valuation/ cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
At Group Cost			
Freehold land & buildings*	16,300	106	16,194
Long-term leasehold land & buildings*	2,500	17	2,483
Short-term leasehold land & buildings*	3,000	38	2,962
Long-term leasehold land & buildings	109	-	109
Short-term leasehold land & building	68	67	1
Plant & machinery	34,097	19,001	15,096
Factory & lab equipment	4,541	2,290	2,251
Store & warehouse equipment	233	116	117
Motor vehicles	4,963	3,562	1,401
Furniture & fittings	219	186	33
Office equipment	724	497	227
Electrical installation & renovation	3,284	2,053	1,231
Total	70,038	27,933	42,105

Included in the above property, plant and equipment are assets acquired under hire-purchase instalment plans at net book value of RM2,031,942.

Property, plant and equipment at cost of RM7,974,974 has been fully written down but are still in use.

* Freehold land and buildings and certain long-term and short-term leasehold land and buildings of the CHB Group were revalued in December, 2003 by a firm of professional valuers, Messrs Colliers Jordan Lee & Jaafar. The methods of valuation adopted by the valuers were the "Cost", "Investment" and/or "Comparison" method of valuation".

These values have been adjusted to include the revaluation surplus amounting to RM6,340,567, as approved by SC in its letter dated 19th August, 2004.

Deferred taxation arising on revaluation surpluses amounted to RM390,701 was not provided for in the financial statements as these properties are meant to be held for long term with no immediate intention for resale.

12. ACCOUNTANTS' REPORT**9.3 INVESTMENT IN SUBSIDIARY COMPANIES****Proforma Company**

	RM'000
Unquoted shares at cost	<u>40,000</u>

Details of the subsidiary companies, all incorporated in Malaysia, are as follows:-

a) Direct subsidiary companies

Name	Issued and fully paid-up share capital of RM1.00 each RM	Effective equity interest %	Principal activities
CISB	1,000,000	100	Manufacturing and trading of processed and preserved foods and fruits of all kinds
LBFSB	1,500,000	100	Wholesale and retail of processed and preserved foods
BPQSB	500,000	100	Manufacturer of fruit juice and foodstuffs

b) Indirect subsidiary company
(Wholly-owned subsidiary company of BPQSB)

Name	Issued and fully paid-up share capital of RM1.00 each RM	Effective equity interest %	Principal activities
MFESB	225,000	100	Trading and distribution of foodstuffs

12. ACCOUNTANTS' REPORT**9.4 INVESTMENT**

Proforma Group	RM'000
Unquoted shares in Malaysia - At cost	<u>1</u>

9.5 INVENTORIES

Proforma Group	RM'000
At cost:	
Raw materials	6,346
Finished goods	<u>2,375</u>
	<u>8,721</u>

9.6 TRADE RECEIVABLES

Proforma Group	RM'000
Trade receivables	16,390
Less : Allowance for doubtful debts	<u>(1,089)</u>
	<u>15,301</u>

9.7 FIXED DEPOSITS WITH LICENSED BANKS**Proforma Group**

The interest rates and maturity periods of fixed deposits are as follows:-

Interest rates	3% to 4%
Maturity periods	<u>1 to 15 months</u>

The fixed deposits of certain subsidiaries amounting to RM373,000 have been pledged to licensed banks for banking facilities.

Fixed deposits of a subsidiary amounting to RM87,000 are held in the names of certain directors of the subsidiary in trust on behalf of the subsidiary.

12. ACCOUNTANTS' REPORT**9.8 AMOUNT DUE TO DIRECTORS****Proforma Group**

There have been no fixed terms of arrangement with respect to these balances and the amount is interest free.

9.9 HIRE-PURCHASE CREDITORS**Proforma Group****RM'000**

Balance at 30 th June	1,716
Less: Unexpired interest	<u>(134)</u>
Principal portion	<u><u>1,582</u></u>

Repayment terms:-

Not later than one year	515
Later than one year but not later than five years	<u><u>1,067</u></u>

The average term for hire-purchase is 2.5 years. In respect of the financial period ended 30th June, 2004, the average borrowing rate ranges from 3.15% to 4.72% per annum. The interest rates are fixed at the inception of the hire-purchase arrangements.

9.10 TERM LOANS, BANK OVERDRAFTS AND OTHER CREDIT FACILITIES**Proforma Group**

Term loans: **RM'000**

Balance at 30 th June	88
Less: Portion repayable within the next twelve months shown under current liabilities	<u>(10)</u>
Long-term portion	<u><u>78</u></u>

The long-term portion is repayable as follows:

Between one to two years	11
Between two to five years	36
After five years	<u><u>31</u></u>

12. ACCOUNTANTS' REPORT

The term loans, bank overdrafts together with other blanket facilities are secured as follows:-

- a) First legal party charge for RM1,750,000 over land together with all properties erected thereon held under Lot No.41, H.S.(M) 6660, P.T. No. 8435, Mukim of Batu, District of Gombak known as No.41, Jalan E1/4, Kawasan Perusahaan Taman Ehsan, 52100 Kepong, Selangor Darul Ehsan;
- b) First party legal charge for RM13.5 million over a freehold industrial factory identified as Lot 5, Rawang Integrated Industrial Park, Selangor Darul Ehsan;
- c) First party legal charge for a freehold single-storey semi-detached house located at Golden Dragon Garden, 31900 Kampar, Perak;
- d) First party legal charge for RM44,000 over a freehold single storey terrace house located at PT 4324, Taman Diawan, 31900 Kampar, Perak;
- e) First party legal charge for RM44,000 over a freehold single storey terrace house located at PT 4325, Taman Diawan, 31900 Kampar, Perak;
- f) Against first and third party pledge of fixed deposits;
- g) Against fixed deposits belonging to certain directors of the subsidiary companies;
- h) A debenture created over certain subsidiaries' fixed and floating assets; and
- i) Joint and several guarantee by the directors of the respective subsidiary companies.

The term loans bear interest rate of 2% per annum above the bank's base lending rate with monthly rests. The bank overdrafts are repayable on demand and carry interest rate at 1% per annum above the bank's base lending rate.

12. ACCOUNTANTS' REPORT**9.11 SHARE CAPITAL**

Proforma Group and Company	No. of shares	RM
Ordinary shares of RM0.50 each:-		
Authorised:	<u>100,000,000</u>	<u>50,000,000</u>
Issued and Fully Paid:		
a) As at 31 st December, 2003	4	2
b) Issued as consideration for the Acquisitions of CISB, LBFSB and BPQSB	79,999,996	39,999,998
c) Public Issue	<u>10,000,000</u>	<u>5,000,000</u>
	<u>90,000,000</u>	<u>45,000,000</u>

9.12 SHARE PREMIUM

Proforma Group and Company	RM'000
Arising on the Public Issue	1,500
Less : Estimated listing expenses written off	<u>(1,500)</u>
	<u>-</u>

12. ACCOUNTANTS' REPORT**9.13 RESERVES****(i) Proforma Group**

The merger reserve arising from the Acquisitions of CISB, LBFSB and BPQSB is as follows:-

	CISB RM	LBFSB RM	BPQSB RM	Merger reserve total RM
Nominal value of shares issued as purchase consideration -	25,422,046	7,436,788	7,141,164	39,999,998
Nominal value of shares acquired	(1,000,000)	(1,500,000)	(500,000)	(3,000,000)
	<u>24,422,046</u>	<u>5,936,788</u>	<u>6,641,164</u>	<u>36,999,998</u>

The merger reserve has been set-off against the following reserves:-

	Revaluation reserve RM	Revenue reserve RM	Total RM
Balance b/f	6,340,567	45,360,780	51,701,347
Less : Merger reserve set-off	(6,340,567)	(30,659,431)	(36,999,998)
	<u>-</u>	<u>14,701,349</u>	<u>14,701,349</u>

(ii) Proforma Company

	RM
Profit and loss account	<u>(10,690)</u>

12. ACCOUNTANTS' REPORT**9.14 DEFERRED TAXATION**

Proforma Group **RM'000**

The deferred tax liability is in respect of the following temporary difference: -

Surplus of tax capital allowances over book depreciation of property, plant and equipment	2,356
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9.15 CAPITAL COMMITMENTS

Proforma Group **RM'000**

Capital expenditure authorised and contracted for but not provided in the financial statements -in respect of purchase of plant and equipment

5,347

9.16 CASH AND CASH EQUIVALENTS

	Proforma Group RM'000	Proforma Company RM'000
Fixed deposits with licensed banks	382	-
Cash and bank balances	7,220	5,000
Bank overdrafts	(1,468)	-
	6,134	5,000

10. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of the CHB Group set out below has been prepared for illustrative purposes only and is based on the audited financial statements of CHB, CISB, LBFSB, BPQSB and BPQSB's wholly-owned subsidiary, MFESB, for the financial period from 1st January, 2004 to 30th June, 2004, presented on the basis that the CHB Group had been in existence throughout the relevant financial period and after making such adjustments which we considered necessary and also to reflect the transactions referred to in paragraph 2.2(a) to 2.2(g) and the utilisation of the proceeds from the Public Issue on the assumption that these transactions had been effected on 30th June, 2004.

12. ACCOUNTANTS' REPORT

	RM'000
Cash Flow From Operating Activities	
Profit before taxation	3,656
Adjustments for:-	
Depreciation	2,273
Interest expense	58
Interest income	(8)
Gain on disposal of property, plant and equipment	(1)
Operating profit before working capital changes	5,978
Increase in inventories	(891)
Increase in receivables	(1,074)
Decrease in payables	(572)
Cash generated from operations	3,441
Interest received	8
Interest paid	(58)
Tax paid	(443)
Net cash provided by operating activities	2,948
Cash Flow From Investing Activities	
Proceeds from disposal of property, plant & equipment	54
Purchase of property, plant and equipment	(3,348)
Net cash used in investing activities	(3,294)
Cash Flow From Financing Activities	
Proceeds from Public Issue	6,500
Listing expenses paid	(1,500)
Financing from hire-purchase creditors	1,310
Repayments of hire-purchase creditors	(194)
Proceeds from term loans	88
Net cash provided by financing activities	6,204
Net changes in cash & cash equivalents	5,858
Cash & cash equivalents as at 1 st January, 2004	276
Cash & cash equivalents as at 30 th June, 2004 (Note 9.16)	6,134

12. ACCOUNTANTS' REPORT**11. PROFORMA NET TANGIBLE ASSETS COVER**

The proforma group net tangible assets cover of CHB is based on the proforma statement of assets and liabilities as set out in paragraph 8 herein and calculated as follows:-

	RM'000
Proforma net tangible assets as at 30 th June, 2004	<u>59,701</u>
Total number of issued and paid-up ordinary shares of RM0.50 each	<u>90,000</u>
Net tangible assets cover per share (RM)	<u>0.66</u>

12. SUBSEQUENT EVENTS

There were no significant subsequent events between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the content of this report.

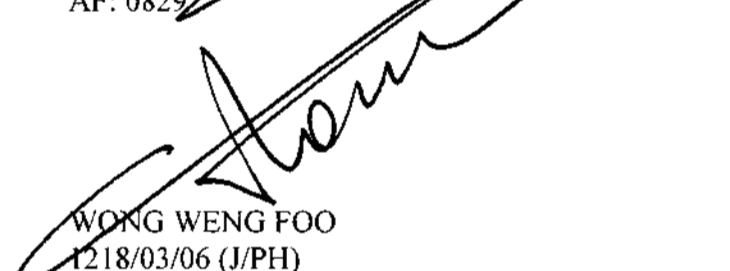
13. FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30th June, 2004.

Yours faithfully,



WONG WENG FOO & CO
CHARTERED ACCOUNTANTS
AF: 0829



WONG WENG FOO
1218/03/06 (J/PH)

13. VALUATION CERTIFICATE

IAS-ANZ

**ISO 9001 : 2000**
Certification No. 1250**COLLIERS**
JORDAN LEE & JAAFAR

KL042711 & 4 Others

December 20, 2004

The Board of Directors
Cocoaland Holdings Berhad
Suite 405, 4th Floor
Magnum Plaza
128, Jalan Pudu
55100 KUALA LUMPUR**COLLIERS, JORDAN LEE
& JAAFAR SDN. BHD.**

(59901-U)(VE(1)0063)

Level 6, Block G North,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur.
Tel No : 03-20955811 (10 lines)
Fax No: 03-20955843
E-mail: cjj@tm.net.my

Dear Sirs,

**VALUATION OF PROPERTIES BELONGING TO COCOALAND HOLDINGS
BERHAD GROUP**

This letter has been prepared for inclusion in the Prospectus of Cocoaland Holdings Berhad ("CHB" or "the Company") dated December 24, 2004 to be issued in connection with its proposed listing on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

In accordance with the instruction from the Company, we have assessed the Market Value of the landed properties of CHB's subsidiaries vide our Valuation Reports under reference as set out in the following pages. These Reports and Valuations were prepared for the purpose of submission to the Securities Commission in conjunction with the listing of CHB on the Second Board of Bursa Securities.

The inspections of the properties were carried out between November 17, 2003 and December 2, 2003. The respective dates of Valuation and a summary of the Valuations are set out in the following pages.

**International Property Consultants • Chartered Valuation Surveyors • Registered Valuers & Real Estate Agents •
Project & Property Managers • Plant & Machinery Valuers • Auctioneers**Managing Director: **P. TANGGA PERAGASAM**, Fism, Frics, Chairman: **CHIN LAI SITT**, Fism, Frics, LLB (Hons). CLP Executive Directors: **THOO SING CHOON**, Frics, Inv, AclArb, Fpsc,
THING KIM KOK, Mism, Fncd, Director / Advisor, **JAAFAR ISMAIL**, Fism, Frics..**LEE THIAM SING**, Mism, **LIM CHANG MEE**, Fism, Frics, BA, (Hons), B.Sc. (Hons), A. **SUBRAMANIAM B.Surv.(Hons),MISM, JEROME HONG BOON PENG, MISM,MRICS,**
SIEW KOK KONG B. Surv.(Hons.),MISM

Headquarters	: Kuala Lumpur, Level 6, Block G North, Pusat Bandar Damansara, Damansara Heights 50490 Kuala Lumpur, Tel: 03-20955811 (10 Lines) Fax: 03-20955843
Other Offices	Perak : Suites 1, 2 & 3, Tingkat Kedua, Labrooy House, Jalan Dato Sagor, 30000 Ipoh, Perak Darul Ridzuan Tel: 05-2414826 (3 Lines) Fax: 05-2556363
	N. Sembilan: 9A, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus, Tel: 06-7638890 & 7636990 Fax: 06-7637936
	P.Jaya : 30A, Jalan Yong Shook Lin, 46200 Petaling Jaya, Selangor Darul Ehsan, Tel: 03-79565811 Fax No: 03-79555843
	Selangor : 31, Jalan Kapar, 41400 Klang, Selangor Darul Ehsan, Tel: 03-33420880 (3 Lines) Fax No: 03-33417888
	Pahang : 17, Jalan Gambul 2, 25000 Kuantan, Pahang Darul Makmur Tel: 09-5177588 Fax: 09-5142146
	Melaka : No. 288, Jalan Melaka Raya 2, Taman Melaka Raya, 75000 Melaka, Tel: 06-2835522 (4 Lines) Fax: 06-2837635
	Penang : Lot 2.01, 2nd Floor, Bangunan Barkath, 21 Lebuh Pantai, 10300 Pulau Pinang, Tel: 04-2637749 & 2637750 Fax: 04-2637644
	Miri : Lot 585, 1st Floor North Yu Seng Road, P.O. Box 986, 98008 Miri, Sarawak Tel: 085-428713 Facsimile: 085-428715

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問Other Colliers Office : Australia, China, Hong Kong, India, Indonesia, Japan, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam, Austria,
Belgium, Czech Republic, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Portugal, Republic of Ireland, Russia, Scotland,
Slovenia, South Africa, Spain, Turkey, United Kingdom, The Americas Argentina, Canada, Mexico, Venezuela and United States Of America.

13. VALUATION CERTIFICATE

COLLIERS
JORDAN LEE & JAAFAR

The valuations had been carried out in accordance to the "Guidelines on Asset Valuations" issued by the Securities Commission and the Malaysian Valuation Standards prescribed by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

We certify that in our opinion the total Market Value for the existing use of the properties using the valuation methods as stated amounts to **RM16,674,000/- (RINGGIT MALAYSIA : SIXTEEN MILLION SIX HUNDRED AND SEVENTY FOUR THOUSAND ONLY).**

Yours faithfully,
COLLIERS
JORDAN LEE & JAAFAR SDN. BHD.



SUBRAMANIAM A/L ARUMUGAM, B.Surv. (Hons), FISM
Registered Valuer (V-450)

13. VALUATION CERTIFICATE

Valuation Report Reference	Registered Owner	Lot / Title No. / Postal Address	Location	Description / Existing use	Tenure	Date of Issuance of Certificate of Fitness for Occupation (CF) / Remarks	Restrictions / Encumbrances	Market Values for the existing use (RM)	Method Valuation	Date of Inspection 1) Valuation 2)
KL032711	L.B. Food Sdn Bhd	Title No. H.S.(M) 6660, P.T. No. 8435, Mukim of Batu, District of Gombak, State of Selangor / No. 41, Jalan E ¼, Kawasan Perumahan Taman Ehsan, 52100 Kepong, Kuala Lumpur	The subject property is located within Kawasan Perumahan Taman Ehsan which is about 14 kilometres to the north-west of Kuala Lumpur	An industrial lot with a land area of 26,000 square feet erected with a double-storey warehouse with a 3-storey office annexe	Leasehold interest for 99 years expiring on July 9, 2078, thus leaving a remaining term of about 74½ years as at the date of Valuation	Not available / Property acquired from an open-tender process	Nil / Charged to Overseas Union Bank Limited (now known as United Overseas Bank (M) Berhad), registered on 31/7/1990	Basis I ^(a) RM1,300,000/- Basis II ^(b) RM2,500,000/-	Cost Method and Investment Method	1) 17/11/03 2) 1/12/03
KL032712	L.B. Food Sdn Bhd	Title No. Pajakan Negeri 42986, Lot No. 10903, Mukim of Chenderiang, District of Batang Padang, State of Perak / Lot 883, Off Jalan Degong, Mambang Diawan, 31950 Kampar, Perak Darul Ridzuan	The subject property is located within Mambang Diawan which is located about 1 km and 8 km from Mambang Diawan and Kampar town centres respectively	An industrial land with a land area of 130,652 square feet erected 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.	Leasehold interest for 60 years expiring on April 15, 2046, thus leaving an unexpired term of about 42½ years as at the date of Valuation	January 11, 1993 / CF issued in respect of Block 1, 2 and the guard house.	Land cannot be transferred, charged or encumbered or without the consent from the Menteri Besar Perak. Land cannot be subdivided in accordance to Section 135 of the National Land Code without the consent of the Menteri Besar Perak.	RM3,000,000/-	Cost Method and Investment Method	1) 2/12/03 2) 1/12/03

13. VALUATION CERTIFICATE

Valuation Report Reference	Registered Proprietor	Lot / Title No. / Postal Address	Location	Description / Existing use	Tenure	Date of Issuance of Certificate of Fitness for Occupation (CF) / Remarks	Restrictions / Encumbrances	Market Values for the existing use (RM)	Method Valuation	Date of 1) Inspection 2) Valuation
KL032713	Coccoland Industry Sdn Bhd	Developer's Plot No. 100, Rawang Integrated Industrial Park, Mukim of Rawang, District of Gombak, State of Selangor / Lot 100, Rawang Integrated Industrial Park, 48000 Rawang, Selangor Darul Ehsan	The subject property is located within Rawang Integrated Industrial Park which is about 2 km and 32 km from Rawang town and Kuala Lumpur city centre respectively	A plot of industrial land with a land area of 190,634 square feet improved 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	Freehold	February 19, 1999	Qualified individual title not issued yet	RM10,000,000/-	Cost Method and Investment Method	1) 18/11/03 2) 1/12/03
KL032714	Coccoland Industry Sdn Bhd	Developer's Plot No. 5, within Rawang Integrated Industrial Park, Mukim of Rawang, District of Gombak, State of Selangor / Lot 5, Rawang Integrated Industrial Park, 48000 Rawang, Selangor Darul Ehsan	The subject property is located within Rawang Integrated Industrial Park which is about 2 km and 32 km from Rawang town and Kuala Lumpur city centre respectively	A plot of industrial land with a land area of 89,371 square feet improved with a single storey factory/ warehouse with 2-storey office annexe	Freehold	Not applicable / CHB is in the process of obtaining the requisite approvals for CF	Qualified individual title not issued yet	<u>Basis I^(c)</u> RM2,234,000/- <u>Basis II^(d)</u> RM6,160,000/-	Cost Method and Investment Method	1) 18/11/03 2) 1/12/03

13. VALUATION CERTIFICATE

Valuation Report Reference	Registered Proprietor	Lot / Title No. / Postal Address	Location	Description / Existing use	Tenure	Date of Issuance of Certificate of Fitness for Occupation (CF) / Remarks	Restrictions / Encumbrances	Market Values for the existing use (RM)	Method Valuation	Date of 1) Inspection 2) Valuation
KL032715	M.I.T.E. Food Enterprise Sdn Bhd	Title No. Geran 14144, Lot No. 75742, Mukim of Kampar, District of Kinia, State of Perak / No. 309, Golden Dragon Garden, 31900 Kampar, Perak Darul Ridzuan	The subject property is located within Golden Dragon Garden which is located at the immediate east of Kampar town and about 50 km to the south of Ipoh town	A standard developer's single storey semi-detached house with a land area of 4,230.22 square feet	Freehold	August 3, 1987	Nil / Charged to United Malayan Banking Corporation (now known as RHB Bank Berhad, registered on 24/5/1988	RM140,000/-	Comparison Method and Investment Method	1) 2/12/03 2) 1/12/03

Notes :

- (a) As is, i.e. a plot of improved industrial land.
 (b) On the assumptions that the building has been constructed in accordance with approved building plans and specifications and thereafter issued with the Certificate of Fitness for Occupation.
 (c) As is, i.e. as a parcel of improved industrial land, disregarding the buildings erected thereon.
 (d) On the assumptions that the industrial factory erected thereon has been constructed as per the approved building plans and thereafter certified fit for occupation by the relevant authorities.