

9. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT



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**Infocredit D&B (Malaysia) Sdn Bhd** (527570-M)  
Level 9-3A, Menara Milenium, Jalan Damansara,  
Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia.  
Tel: (603) 2718 1000 Fax: (603) 2718 1001  
Website: www.icdnb.com.my

20 December 2004

The Board of Directors  
**Cocoaland Holdings Berhad**  
Suite 405, 4<sup>th</sup> Floor  
Magnum Plaza  
128, Jalan Pudu  
55100 Kuala Lumpur

**RE: EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT ("EXECUTIVE SUMMARY") FOR COCOALAND HOLDINGS BERHAD ("CHB")**

This Executive Summary has been prepared for inclusion in the Prospectus of CHB dated 24 December 2004 pursuant to the listing of CHB on the Second Board of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of Convenience Food Manufacturing Industry in Malaysia.

The research methodology for the research includes both primary research, involving in-depth trade interviews and telephone interviews of pertinent companies, as well as secondary research such as reviewing press articles, periodicals, trade/government literatures, in-house corporate databases, Internet research and online databases.

Infocredit D&B (Malaysia) Sdn Bhd ("Infocredit D&B") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. It is our opinion that the Executive Summary represents a true and fair assessment of the industries within the limitations of the above-mentioned research methodologies. Our assessment is for the overall industries and may not necessarily reflect the individual performance of any company.

The Executive Summary is highlighted in the following sections.

For and on behalf  
**INFOCREDIT D&B (MALAYSIA) SDN BHD**

A handwritten signature in black ink, appearing to be "Tan Sze Chong", written over a horizontal line.

Tan Sze Chong  
Managing Director

# Part 1 Executive Summary

## 1.1 INTRODUCTION

Cocoaland Holdings Bhd and its subsidiaries (CHB Group) is among the largest and most diversified local convenience food and beverage manufacturing and distribution group of companies in Malaysia. The principal range of products it manufactures and distributes is as follows:

- Snack foods - cookies, wafers, crisps, crackers and peanuts
- Chocolate and confectionery products - chocolate, fruit gummy, hard candy and jelly
- Soft drinks - polytubed drinks and flavoured fruit drinks

Infocredit D&B (M) Sdn Bhd has been appointed by Cocoaland Holdings Bhd to prepare an Independent Market Research report on its operations and positioning within the industry pursuant to its proposed listing on the Second Board of Bursa Malaysia Securities Berhad. An executive summary of the research findings is presented in the following sections.

## 1.2 INDUSTRY OVERVIEW

### 1.2.1 Industry Background

The Malaysian food manufacturing industry covers a wide range of products. The diversity of the industry is a result of the country's geography, origins as an agrarian economy and its open and trade-oriented economy. Major sectors of the food industry are dairy products, seafood products, palm and palm kernel oil, flour, biscuits, sugar refining, cocoa, chocolate and sugar confectionery and animal fats.

The industry has been one of the more dynamic sectors in the economy. Besides registering strong sales growth, it has continued to attract capital investment from both local and foreign sources. Local manufacturers have also made inroads into export markets. Product development and packaging have improved much over the years.

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According to Department of Statistics, as at 2000, the industry is composed of some 3,141 establishments, having grown from 1,406 in 1994. About 38% of the manufacturers are small scale firms, 48% are of medium scale firms and 14% are large scale firms. Small and medium scale firms employ less than 30 workers and have a paid-up capital of RM0.5 million or less.

Small and medium scale firms usually manufacture a limited range of processed foods using conventional or low level technologies. The fragmented structure of the industry reflects the wide range of products manufactured by the industry, with varying degrees of capital and technological know-how.

The growth of the industry is achieved in tandem with continuing investments. Over the 5 year period from 1999 to 2003, a total of 326 manufacturing licences have been approved by the Malaysian Industrial Development Authority ("MIDA") for a total estimated capital investment of RM4,689 million in the food manufacturing industry.

**Table 1.1: Number of Approved Applications for Food Manufacturing Establishments, 1999 – 2003**

	No. of approvals	Estimated employment	Estimated capital investment (RM million)
1999	32	2,419	433
2000	74	4,269	1,058
2001	53	4,039	900
2002	70	5,017	1,221
2003	97	7,224	1,077
Total	326	22,968	4,689

Source: Infocredit D&B (Malaysia) Sdn Bhd

### 1.2.2 Government Legislations, Policies and Incentives

Since the late sixties, Government policies have been consistently supportive of the development of the food industry. Other government initiatives still in place today include,

*inter alia*, the National Agricultural Policy and Bank Negara's Fund for Food Scheme under the administration of Bank Pertanian Malaysia.

In future, the industry is expected to continue to enjoy government support. Under the 2<sup>nd</sup> Industrial Masterplan (1996 – 2005), the food processing industry is one of the eight industrial groups identified for development to be internationally competitive. Further development of the industry is expected to have many positive spin-offs for the economy, amongst them, increasing export earnings, reducing the food import bill, generating employment, developing the ancillary supporting industries of packaging, transportation, warehousing and distribution, adding value to the country's primary commodities and working idle land.

Tax incentives are also generously available as many segments of the food processing industry are eligible for Pioneer Status and Investment Tax Allowance under the Promotion of Investments Act 1986. Amongst the industries eligible are those producing chocolate and chocolate confectionery, processing fruits, vegetables, tubers and roots, and sugar and sugar confectionery products.

The Investment Incentives Act, 1968 had since then accorded tax incentives towards approved agricultural industries and such incentives have subsequently been expanded to cover food manufacturing processing industries. In the Budget 2005, the Government has proposed investment Tax Allowance of 100% for 5 years to be granted to halal food manufacturers.

### 1.2.3 International Trade Obligation

Malaysia has trade commitments under two organisations, the World Trade Organisation and the Association of South East Asian Nations (ASEAN). Currently, Malaysia's commitments to the agreements under both organisations are nearly fully fulfilled. Malaysia's schedule for tariff commitments as a result of the Uruguay Round of trade negotiations, for the products under review are as below:-

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Table 1.2: Malaysia's Schedule for Tariff Commitments

Products	Base rate of duty	Bound rate of duty	Implementation on period from/to
Chocolate confectionery	40%	15%	1995/2004
Sweet biscuits	55%	15%	1995/2004
Biscuits (unsweetened)	50%	15%	1995/2004
Fruit & vegetable juices, ready for immediate consumption	30%	20%	1995/2004
Non-aerated beverages ready for consumption without dilution	50%	15%	1995/2004

Source: Infocredit D&B (Malaysia) Sdn Bhd

The ASEAN Common Effective Preferential Tariff (CEPT) scheme is also nearly fully implemented. The CEPT scheme is a cooperative arrangement among ASEAN Member Countries that would reduce intra-regional tariffs and remove non-tariff barriers over a 15-year period commencing 1 January 1993. The goal of the Scheme is to reduce tariffs on all manufactured goods to 0%-5% by the year 2008.

The CEPT scheme is the main instrument for making ASEAN a free trade area in 15 years. This means that ASEAN Member Countries shall have common effective tariffs among themselves in AFTA, but the level of tariffs with non-ASEAN countries shall continue to be determined individually.

The original 6 signatories to the scheme have, since 1st January 2003, reduced tariffs on 99.6% (44,160 tariff lines out of 44,361 tariff lines) of products. Overall, tariffs among ASEAN countries have dropped substantially from 12.8% since the tariff-cutting exercise first commenced in 1993, to the current 2.4%. Exceptions are the newer members such as Vietnam, which is scheduled to reach the 0%-5% range in 2006, Laos and Myanmar by 2008, and Cambodia by 2010. Ultimately, tariffs would be completely abolished by 2010 for the 6 original ASEAN Member Countries.



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For most food items, Malaysia has zero or minimal import duties. However, for the 3 products under review, Malaysia still has the highest tariff rate amongst the more developed ASEAN markets.

#### 1.2.4 Technology / Market Trends

The trends driving growth in the global convenience food market are health awareness, indulgence and convenience. Advances in new ingredients and processing technology have helped to fulfil consumers' demand for convenience and healthy foods by incorporating nutritional ingredients into a wider range of foods and innovative packaging.

New ingredients in sweeteners and flavourings such as low-calorie bulking agents, polyol sweeteners and high-intensity sweeteners have been the innovation behind sugar-free and fat-reduced confectionery formulations. They helped to increase the range of sugar-free confectionery, which has become one of the fastest growing market segment. Sugar-free confectionery can be safely consumed by diabetics, are of low-calorific value and does no damage to gums and teeth. Although sugar-free confectionery is traditionally popular in chewing gums and mints, the trend is moving towards hard candies and sugar- and fat-reduced chocolates.

Foods fortified with nutritional ingredients are another successful trend in new products. Nutritional ingredients are presently common in ready-to-eat cereals, health bars, confectionery, dairy, beverages, and dietary supplements. Whilst nutritional ingredients are being used by food companies to expand their product range, confectionery is also being used by pharmaceutical companies to market traditional diet supplements.

Marketing food products on the basis of additional nutritional benefits have the advantage of universal appeal since health is a value desired by all age groups and cultures. Nutrients that are commonly used to promote food products include calcium, omega fatty acids, folic acid, vitamins and herbal ingredients such as ginseng. In today's busy lifestyles, products that are easy to consume are popular. Small-format packaging has been a success in biscuits, beverages, confectionery and snacks, due to their convenience and easy portability.

In the production of confectionery, there has been a trend towards continuous operation in place of the traditional batch operation. Continuous operation results in more consistent quality and increased production efficiency. New machineries and plants are designed with built-in HACCP and process control for continuous operations. Advances have also been made in automating equipment, with features such as pictorial representation, recording information for analysis, supervisory control and data analysis (SCADA) systems, sophisticated recipes and definitions of start-up and shutdown procedures, which reduce risk of operator errors.

Improvements are also made in packaging technology, such as aseptic and low-oxygen packaging, which extend the shelf life of perishable foods such as meat, cheese and fruits. In the future, food packaging may even be edible. Very pure soy protein films, milk-based edible films and cellulose surface coatings, pectin, starch, processed proteins and many special materials are all promising developments in the pipeline for food coating and packaging.

### 1.2.5 Market Challenges/Risks

In most cases, trade liberalisation changes the structure of the industry it affects. Companies that wish to maintain their competitive position in their own country, in a more crowded marketplace, would have to meet international benchmarks, such as quality and pricing. The alternative strategy, not necessarily inferior, would be to move out of the highway of global markets and focus on niche areas, which are of insufficient scale to interest global corporations, and where flexibility and sensitivities to regional tastes and palates are important considerations. In most cases, trade liberalisation poses more of a challenge to small and medium scale firms than it does to big enterprises. In addition to challenges posed by trade liberalisation, challenges which are inherent within the industry are considerable, such as the following:-

- **Taste differences**

Taste differences due to different ethnic backgrounds, even within the same country, hamper large scale production. Thus the same product may need many different

formulations if it is to reach a wider geographical area. Manufacturers preparing to penetrate export markets would have better chances of success if regional taste preferences have been considered in product flavouring.

▪ **Changing consumer preferences**

Consumer food preferences are subject to change, as a result of lifestyle changes, exposure to overseas cultures, increased health awareness and higher disposable income. Convenience food especially, being impulse purchase items, enjoy little brand loyalty. Changes in consumer preferences would determine the lifecycle of food products. Hence, producers may need to keep developing new products, flavours and vary the packaging and formulations of existing products, all of which may require additional investment.

▪ **Compliance with legislations**

As the economy progresses towards developed country status, food legislation is likely to be more demanding and extensive in future. At present, many small-scale companies already have difficulty complying with existing provisions, much less the internationally accepted HACCP standards. Moreover, if local manufacturers were to tap global markets, they would have to adopt manufacturing practices and standards based on internationally accepted quality and safety standards to obtain the necessary certifications and comply with labelling requirements.

▪ **Research and Development**

For manufacturers to keep at par with global competitors and changing consumer preferences, they would need to invest in research and development (R&D) activities. Food products would have to be continuously developed or modified to meet consumer tastes. Undoubtedly, R&D increases production costs, an option which small-scale companies may not be able to afford.



- **Technology**

New production techniques, equipment, ingredients and packaging are constantly being introduced in the global food industry. These advances could lead to development of food products which were previously unavailable (such as sugar- and fat-free foods) and/or improve production efficiency, leading to lower production costs. The challenge would be for companies to keep up with new developments and access the technical skills and knowledge required to make use of these new developments to maintain or improve their competitive position.

- **Dependence on imported raw materials**

An estimated 70% of the raw materials, such as wheat flour, sugar, yeast, milk powder and soya beans, used in the food processing industry are imported. Due to climatic constraints, these raw materials are unlikely to be locally produced in future. The prices of some of these materials may fluctuate significantly on the world commodity markets and companies may not always be able to pass such cost increases on to consumers without affecting their market share.

### 1.2.6 Industry Outlook

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 a 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. As the population is also adoptive of imported foods, the potential for import substitution is therefore strong.

As markets in the region open up, local manufacturers are presented with increased opportunities and also competition from neighbouring low-cost countries, mainly China, Thailand and Indonesia. Some multinationals are already setting up production facilities in these countries, manufacturing for the export markets.

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In an economic-liberalised environment, the challenge is for local food processing companies to position their companies, to either grow large enough to compete on a regional basis, or be specialised in niche areas, and at the same time to keep up with advances in food technology in order to exploit changing trends. As ASEAN economic integration continues towards its ultimate aim of a single ASEAN market, characterized by free flow of goods, services, investment and skilled labour and freer flow of capital by 2020, and a consumer market of some 500 million people, manufacturers would have to respond proactively to these developments.

In a nutshell, the industry has been one of the more dynamic sectors in the economy. Besides registering strong sales growth, it has continued to attract capital investment from both local and foreign sources. Local manufacturers have also made inroads into export markets. Product development and packaging have improved much over the years.

Several factors have contributed to this growth, amongst them:-

- An increasingly affluent consumer base. The size of the middle-class is estimated at 61% of the population. Per capita income has grown from RM12,322 in 1999 to RM14,098 in 2003.
- Favourable government policies. The government has since the late sixties been supportive of developing the agricultural and food manufacturing industries. Government supports available are in the form of financing for food production and tax incentives.
- Substitution of imported food products. As consumers acquire a taste for imported food products, local companies are encouraged to develop and produce similar products for the local market, and eventually expanding to the export markets. Examples of such foods include flavoured milk drinks, fruit juices, yoghurt, ice cream and ice confectioneries, non-carbonated drinks and chocolate confectioneries.

- Distribution spread. The spread of supermarkets and hypermarkets into the suburban areas helps to distribute a wide variety of foods to the population. This has particularly helped the marketing of processed frozen and chilled meat products and ice-creams.
- Government support. The government encourages Malaysian manufacturers to help develop Malaysia as a major producer of 'halal' food. Coming from a predominantly Muslim and developed economy, Malaysia's 'halal' accreditation is recognized overseas and thus facilitates the exports of 'halal' products to overseas Muslims.
- Malaysian branding. The Ministry of Agriculture's introduction of the "Malaysia Best" logo and its promotion has helped local manufacturers to achieve greater recognition in global markets.
- Export promotion. The government agency, Malaysia External Trade Development Corporation is actively assisting the private sector in promoting Malaysian-manufactured products for the export markets.

### 1.3 OPERATION OVERVIEW

From a humble beginning of selling deep fried food from a van, the CHB Group has grown into one of the largest local convenience food and beverage manufacturers in Malaysia, operating four manufacturing plants and two distribution companies responsible for the local distribution channels as well as the exports to over 40 countries worldwide. The CHB Group is acknowledged as a manufacturer of high quality snack foods, chocolate and sugar confectionery and polytubed drinks.

Cocoaland Holdings Bhd is the investment holding company for four subsidiaries which are primarily involved in the manufacturing, import and export, wholesale and retail of processed food, fruits and soft drinks. The four subsidiaries are Cocoaland Industry Sdn Bhd, L.B. Food Sdn Bhd, B Plus Q Sdn Bhd and M.I.T.E. Food Enterprise Sdn Bhd.

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The CHB Group manufactures and distributes more than 70 different types of snacks, chocolate products, wafers, candy, cookies, crackers, peanuts and soft drinks. Local market coverage includes the Northern, Central and Southern regions of Peninsular Malaysia as well as the East Malaysian states of Sabah and Sarawak. The CHB Group exports to over 40 countries worldwide, from developed countries amongst which are USA, Australia, Canada and United Kingdom to developing countries such as Philippines, Bangladesh and Vietnam.

## 1.4 COMPANY POSITIONING

The convenience food manufacturing industry is relatively fragmented with a large number of small and medium-sized companies. As such, the turnovers of such companies vary significantly as large revenue gaps exist between the smaller and larger players. The larger players are more likely public listed companies or companies backed by foreign multinationals.

The CHB Group's performance in relation to other players in the industry is admirable considering its peers are either listed companies or backed by large foreign multinationals. The CHB Group has spent more than 10 years building up its export market segment and these efforts have paid off, averaging 30% export sales contribution in the past 5 years.

There are 10 major players in the manufacturing and distribution of convenience food. The top ten convenience food manufacturers, ranked according to market share by revenue, are Apollo Food Holdings Bhd, Britannia Brands (M) Sdn Bhd, URC Snack Foods (M) Sdn Bhd, Cadbury Confectionery (M) Sdn Bhd, Cocoland Holdings Bhd, Oriental Food Industries Holdings Bhd, Pacific Food Products Sdn Bhd, Munchy Food Industries Sdn Bhd, London Biscuits Bhd and Khee San Bhd.

The total market size based on the 10 players surveyed amounts to RM866.9 million. The CHB Group is ranked 5<sup>th</sup> in the top 10 manufacturers and distributors of convenience food. The Group recorded revenue growth of 25.8% FYE2003 and 15.0% FYE2002. Pre-tax



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profit margins for companies with premium product brand names are usually higher as branding plays an important role in helping establish market presence and determining prices. The CHB Group is ranked 7<sup>th</sup> in terms of pre-tax profit margins among the top 10 major players surveyed.

In terms of exports of snack food, chocolate and confectionery products and soft drinks, using available data from the Department of Statistics, our research shows that the CHB Group contributed 8.4% to 2003 exports. Since 1999, the CHB Group contributed an average of 6.0% to Malaysia's total exports in snack food, chocolate and confectionery products and soft drinks.

**Table 1.3: CHB Group's Export Revenues Vs. Malaysia's Total Exports, 1999 - 2003**

(RM million)	1999	2000	2001	2002	2003
CHB export revenue	16.5	17.8	17.3	20.3	29.8
Total selected export revenue	319.5	376.1	324.6	320.2	355.1
% of total selected export revenue	5.2	4.7	5.3	6.3	8.4

Source: Department of Statistics, Malaysia

## 1.5 CONCLUDING REMARKS ON THE PROSPECTS OF THE COMPANY

In an environment of a growing population and rising income levels, the future growth potential of convenience food industry in Malaysia is seen as promising. The prospects of the CHB Group remain bright with the strength of its diverse product range and its continuous R&D efforts to introduce new product lines and value-added products for the local and export market.

The CHB Group has established a firm foothold in the local convenience food manufacturing industry through competitive pricing, quality products and a wide distribution network of which over 500 trading partners and distribution agents distribute its products all

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over Malaysia. Its success in the local market is underpinned by its long presence, brand recognition as well as its long term relationship with the suppliers over the years.

The CHB Group has been slowly building its export market presence over the last 10 years, forming relationships with distributors from various countries and taking part in international food, snack and sweet trade exhibitions and fairs as an avenue to market its products. Today, the CHB Group exports to over 40 countries. For future export market expansion, the Group plans to establish representative offices in countries such as Philippines, Thailand, Vietnam and Indonesia to create a market presence for its products and forge stronger relationships with the distributors of the respective countries.

The convenience food market is an intensely competitive market, both locally and overseas. With globalisation and open market environments, export market penetration no longer presents itself as an obstacle. New entrants are frequently seen and players compete not only on price and quality, but also packaging, variety and innovative designs, shapes and textures. The CHB Group's continuous success will depend on its ability to capitalise on its competitive advantages of its fruit gummy product range, clear R&D focus, experienced senior management team and export market strength.

## **10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

### **10.1 DECLARATION BY ADVISERS**

OSK hereby confirms that there is no existing or potential conflict of interest in its capacity as the Adviser, Managing Underwriter, Underwriter and Placement Agent for the Listing.

Messrs Wong Weng Foo & Co. has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for the Listing.

Messrs Teh & Lee has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Solicitors for the Listing.

Messrs Colliers Jordan Lee & Jaffar Sdn Bhd has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Valuers for the Group's properties.

Messrs Infocredit D&B (Malaysia) Sdn Bhd has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for the purposes of the Listing.

### **10.2 RELATED PARTY TRANSACTIONS WITH DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

The Group enters into transactions with CubiArt Media Sdn Bhd, which provides media and advertising services to the Group. CubiArt Media Sdn Bhd is deemed a related party by virtue of Liew Yoon Kee's substantial shareholding and directorship in the CubiArt Media Sdn Bhd and the Liew/Lau Family's family relationship with the other substantial shareholder and director of the company.

The transactions are conducted in the ordinary course of business and are regarded as recurrent related party transactions of a revenue or trading nature. Such transactions are carried out on an arm's length basis and on commercial terms which are not more favourable to the related parties than those generally available to the public and which will not be detrimental to the minority shareholders of CHB.

For the six (6) months period ending 30 June 2004, the actual value of the transactions conducted with CubiArt Media Sdn Bhd amounted to RM327,451. It is anticipated that the Group will have recurrent related party transactions with the above parties and such transactions are estimated to total RM560,000 for the FYE 31 December 2004. The appropriate disclosures regarding related party transactions will be made in the annual report of the Company.

Save as disclosed above, there is no other transaction, existing or potential, entered or to be entered by CHB or its subsidiaries, which involve the interest, direct or indirect, of the Directors, substantial shareholders of CHB and/or persons connected to them or key management and technical personnel of the Group.

There was no transaction that was unusual in its nature or condition, involving goods, services, or tangible or intangible assets, to which CHB or any of its subsidiaries or substantial shareholders was a party in respect of the FYE 31 December 2003 and the six (6) months period ended 30 June 2004.

There is no amount of outstanding loan (including guarantees of any kind) that has been made by CHB or any of its subsidiaries or substantial shareholders, to or for the benefit of any Director, substantial shareholders of CHB and/or persons connected with such Director or substantial shareholder as defined under Section 122A of the Act, as at 30 November 2004, being the latest practicable date prior to the printing of this Prospectus.

## **10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

### **10.3 INTERESTS IN A SIMILAR TRADE**

None of the Directors and substantial shareholders of CHB has any interest, direct or indirect, in any other business or company which is carrying on a trade similar to that of CHB and/or its subsidiaries.

### **10.4 INTERESTS IN MATERIAL ASSETS ACQUIRED, DISPOSED OF OR LEASED**

Save as disclosed below, none of the Directors and substantial shareholders of CHB has any interest, direct or indirect, in any promotion of, or in, any material asset, within the two (2) years preceding the date of this Prospectus, acquired by, disposed of by, or leased to the CHB Group or any of its subsidiaries, or is proposed to be acquired by, disposed of or leased to CHB or any of its subsidiaries:

#### **10.4.1 Acquisition of CISB**

On 29 December 2003, the Company entered into a Conditional Sale and Purchase Agreement with the vendors of CISB for the acquisition of the entire issued and paid-up share capital of CISB for a consideration of RM33,121,309 to be satisfied through the issuance of 50,844,093 new CHB Shares issued at approximately RM0.65 per Share.

Subsequent thereto, the parties entered into a Supplemental Agreement on 8 September 2004 to revise the purchase consideration to RM32,967,365 to be satisfied through the issuance of 50,844,093 new CHB Shares issued at approximately RM0.65 per Share.

The Acquisition of CISB was completed on 8 October 2004.

Some of the vendors of CISB, namely Liew Fook Meng, Lau Kee Von, Liew Yoon Kee, Lew Foo Chay @ Lau Foo Chay, Lau Pak Lam, Lau Kwai Choon, Lau Kim Chew and IASB are also directors and/or substantial shareholders of CHB.

#### **10.4.2 Acquisition of LBFSB**

On 29 December 2003, the Company entered into a Conditional Sale and Purchase Agreement with the vendors of LBFSB for the acquisition of the entire issued and paid-up share capital of LBFSB for a consideration of RM9,689,077 to be satisfied through the issuance of 14,873,576 new CHB Shares issued at approximately RM0.65 per Share.

Subsequent thereto, the parties entered into a Supplemental Agreement on 8 September 2004 to revise the purchase consideration to RM9,613,210 to be satisfied through the issuance of 14,873,576 new CHB Shares issued at approximately RM0.65 per Share.

The Acquisition of LBFSB was completed on 8 October 2004.

Some of the vendors of LBFSB, namely the Liew/Lau Family and IASB, are also directors and/or substantial shareholders of CHB.



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**10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

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**10.4.3 Acquisition of BPQSB**

On 29 December 2003, the Company entered into a Conditional Sale and Purchase Agreement with the vendors of BPQSB for the acquisition of the entire issued and paid-up share capital of BPQSB for a consideration of RM9,303,920 to be satisfied through the issuance of 14,282,327 new CHB Shares issued at approximately RM0.65 per Share.

Subsequent thereto, the parties entered into a Supplemental Agreement on 8 September 2004 to revise the purchase consideration to RM9,242,197 to be satisfied through the issuance of 14,282,327 new CHB Shares issued at approximately RM0.65 per Share.

The Acquisition of BPQSB was completed on 8 October 2004.

Some of the vendors of BPQSB, namely Liew Fook Meng, Lau Kee Von, Liew Yoon Kee, Lew Foo Chay @ Lau Foo Chay, Lau Pak Lam, Lau Kwai Choon, Lau Kim Chew and IASB are also directors and/or substantial shareholders of CHB.

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**11. FINANCIAL INFORMATION****11.1 PROFORMA CONSOLIDATED INCOME STATEMENTS OF THE CHB GROUP**

The following table sets forth a summary of the proforma consolidated income statements of the CHB Group for the past five (5) FYE 31 December 2003 and six (6) months period ended 30 June 2004 based on the assumption that the CHB Group has been in existence throughout the years under review. The proforma consolidated income statements is presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set forth in **Section 12** of this Prospectus.

	----- FYE 31 December -----					6 months period ended 30 June 2004 RM'000
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Revenue	55,313	59,972	60,958	70,112	88,217	43,556
EBIDTA	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)
PBT	5,676	6,027	6,822	5,677	8,287	3,656
Taxation	201	(1,587)	(2,449)	(693)	(2,116)	(423)
PAT	5,877	4,440	4,373	4,984	6,171	3,233
Number of Shares in issue ( '000)	80,000	80,000	80,000	80,000	80,000	80,000
Gross EPS (RM)	0.07	0.08	0.09	0.07	0.10	0.05
Net EPS (RM)	0.07	0.06	0.05	0.06	0.08	0.04

**Notes:**

- (i) *Gross and Net EPS is calculated by dividing the PBT and PAT which is attributable to the shareholders, respectively, by the number of CHB Shares assumed to be in issue, after the Acquisitions, but before the Public Issue.*
- (ii) *There were no extraordinary or exceptional items or minority interests during the financial periods under review.*
- (iii) *Inter-company transactions are eliminated on consolidation and the Group's financial statements reflect external transactions only.*
- (iv) *Commentary on financial performance:*

- **FYE 31 December 1999**

*The CHB Group recorded a growth of 15.4% in revenue from RM47.9 million in 1998 to RM55.3 million in 1999. This was mainly attributed to the increase in revenue in CISB with the success on securing a contract with a multinational pharmaceutical company to manufacture blackcurrant pastilles together with the effective marketing and distribution of products implemented by LBFSSB.*

*On the back of the increase in revenue, the proforma consolidated PBT saw a significant increase of 47.3% from RM3.9 million to RM5.7 million which was also reflected in the gross profit margin at 23.7% as compared to 20.3% in the previous financial year. The improvement was mainly attributable to production efficiency by reducing wastage and purchases of raw materials in bulk at discounted prices resulting from the economies of scale.*

**11. FINANCIAL INFORMATION****▪ FYE 31 December 2000**

Revenue improved from RM55.3 million in 1999 to RM60.0 million, a growth of 8.4%, mainly from higher sales generated from the blackcurrant pastilles product range and the continuous support from overseas market.

The CHB Group achieved a proforma consolidated PBT of RM6.0 million as compared to RM5.7 million in 1999 through higher productivity of its labour force in addition to more stringent control over the usage of raw materials.

**▪ FYE 31 December 2001**

By concentrating on the higher profit margin products like the fruit gummy, the CHB Group attained an increase of 13.2% in PBT from RM6.0 million in 2000 to RM6.8 million in 2001 despite the slight increase in revenue of only 1.7% from RM60.0 million in 2000 to RM61.0 million in 2001.

**▪ FYE 31 December 2002**

Revenue of the CHB Group continued on its upward trend from RM61.0 million in 2001 to RM70.1 million in 2002 which represented a growth of 15.0%. The improvement was mainly due to its effective marketing and distribution of products by the Group.

Despite the increase in revenue, however, the proforma consolidated PBT decreased by 16.8% from RM6.8 million to RM5.7 million due to higher expenditure incurred on exhibitions and advertisements to create an awareness of its products.

**▪ FYE 31 December 2003**

The CHB Group recorded a 25.8% increase in the proforma consolidated revenue to RM88.2 million. PBT grew to RM8.3 million, a 46.0% increase from 2002 results of RM5.7 million. Continuous marketing efforts and distribution strategies implemented contributed to the Group's performance.

**▪ Six (6) months period ended 30 June 2004**

The net profit margin of the CHB Group improved from 7.0% in the previous year to 7.4% in the first half of 2004 despite the Group's compliance with the SC's condition pertaining to the allowance of doubtful debts which gave rise to an additional allowance of RM1,066,276 in doubtful debts being charged to the income statement for the six (6) months period ended 30 June 2004. The improvement was mainly attributable to higher sales revenue of its fruit gummy product, which generates the highest profit margin amongst the Group's existing product base.

The CHB Group's audited financial statements for the past five (5) FYE 31 December 2003 and six (6) months period ended 30 June 2004 have not been subjected to any audit qualification. Detailed information on the proforma consolidated results of the CHB Group is set forth below.

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**11. FINANCIAL INFORMATION****11.1.1 SEGMENTAL ANALYSIS***(a) Analysis by Geographic Distribution*

Geographic Distribution	<-----FYE 31 December----->					6 months period ended 30 June 2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	June 2004 RM'000
	<-----Revenue----->					
Export	16,514	17,837	17,277	20,298	29,810	13,644
Local	38,799	42,135	43,681	49,814	58,407	29,912
	<u>55,313</u>	<u>59,972</u>	<u>60,958</u>	<u>70,112</u>	<u>88,217</u>	<u>43,556</u>
	<-----PAT----->					
Export	1,679	1,222	992	960	1,473	591
Local	4,198	3,218	3,381	4,024	4,698	2,642
	<u>5,877</u>	<u>4,440</u>	<u>4,373</u>	<u>4,984</u>	<u>6,171</u>	<u>3,233</u>

*(b) Analysis by Activities and/or Companies*

Activity/ Company	<-----FYE 31 December----->					6 months period ended 30 June 2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	June 2004 RM'000
	<-----Revenue----->					
<b>Manufacturing</b>						
CISB	26,045	31,436	29,764	26,226	34,795	19,739
BPQSB	17,515	17,776	17,783	22,616	23,265	10,891
	<u>43,560</u>	<u>49,212</u>	<u>47,547</u>	<u>48,842</u>	<u>58,060</u>	<u>30,630</u>
<b>Trading</b>						
LBFSB	40,402	41,981	40,734	47,186	62,202	31,832
MFESB	17,899	17,598	18,642	23,927	25,119	11,651
	<u>58,301</u>	<u>59,579</u>	<u>59,376</u>	<u>71,113</u>	<u>87,321</u>	<u>43,483</u>
	<u>101,861</u>	<u>108,791</u>	<u>106,923</u>	<u>119,955</u>	<u>145,381</u>	<u>74,113</u>
Less: Inter-company transactions	(46,548)	(48,819)	(45,965)	(49,843)	(57,164)	(30,557)
	<u>55,313</u>	<u>59,972</u>	<u>60,958</u>	<u>70,112</u>	<u>88,217</u>	<u>43,556</u>
	<-----PAT----->					
<b>Manufacturing</b>						
CISB	4,407	3,372	3,688	2,815	4,073	2,452
BPQSB	524	242	(422)	1,116	429	197
	<u>4,931</u>	<u>3,614</u>	<u>3,266</u>	<u>3,931</u>	<u>4,502</u>	<u>2,649</u>
<b>Trading</b>						
LBFSB	727	589	800	739	1,387	517
MFESB	219	237	307	314	282	67
	<u>946</u>	<u>826</u>	<u>1,107</u>	<u>1,053</u>	<u>1,669</u>	<u>584</u>
	<u>5,877</u>	<u>4,440</u>	<u>4,373</u>	<u>4,984</u>	<u>6,171</u>	<u>3,233</u>

**11. FINANCIAL INFORMATION****(c) Analysis by Product Categories**

Product Categories	←-----FYE 31 December----->					6 months period ended 30 June 2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	RM'000
	←-----Revenue----->					
Snack food	22,070	24,363	25,667	34,479	38,969	18,653
Chocolate and sugar confectionery	24,436	25,942	26,579	26,040	40,702	20,352
Soft drinks	8,807	9,667	8,712	9,593	8,546	4,551
	<u>55,313</u>	<u>59,972</u>	<u>60,958</u>	<u>70,112</u>	<u>88,217</u>	<u>43,556</u>
	←-----PAT----->					
Snack food	1,025	829	869	1,161	722	440
Chocolate and sugar confectionery	4,542	3,362	3,274	3,554	5,217	2,719
Soft drinks	310	249	230	269	232	74
	<u>5,877</u>	<u>4,440</u>	<u>4,373</u>	<u>4,984</u>	<u>6,171</u>	<u>3,233</u>

**11.1.2 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE**

Save as disclosed in this Prospectus, the financial conditions and operations of CHB and its subsidiaries were not affected by any of the following:

- (i) Known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the CHB Group;
- (ii) Material capital expenditure commitments;
- (iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group; and
- (iv) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

**11.1.3 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****(a) Working Capital**

The Directors of CHB are of the opinion that, after taking into account the consolidated cash flow estimate and forecast, banking facilities available and the gross proceeds from the Public Issue, the CHB Group will have adequate working capital for a period of 12 months from the date of this Prospectus.

**(b) Borrowings**

As at 30 November 2004, being the latest practicable date prior to the printing of this Prospectus, total borrowings of the CHB Group amounted to approximately RM5.007

**11. FINANCIAL INFORMATION**

million, consisting mainly of interest-bearing trade facilities granted by financial institutions, as set out below:

<b>Outstanding Borrowings</b>	<b>Payable within 12 months RM'000</b>	<b>Payable after 12 months RM'000</b>
<i><u>Interest bearing</u></i>		
Hire-purchase creditors	617	661
Term loans	1,016	2,713
Bank overdrafts	-	-
<i><u>Non-interest bearing</u></i>		
-	-	-
<b>Total</b>	<u><u>1,633</u></u>	<u><u>3,374</u></u>

There has been no default on the Group's borrowings as payments of either interest and/or principal sums in respect of the above borrowings have been made throughout the FYE 31 December 2003 and six (6) months period ended 30 June 2004. The Directors of the Company are of the opinion that after taking into consideration the consolidated cash flow estimate and forecast of the Group, the Group should not default in the payment of the interest and/or principal sums in respect of the above borrowings for the FYE 31 December 2004 and 2005.

**(c) Material Litigation**

As at 30 November 2004, being the latest practicable date prior to the printing of this Prospectus, the CHB Group is not engaged in any litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the CHB Group, and the Directors of CHB are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the CHB Group.

**(d) Material Commitments**

As at 30 November 2004, being the latest practicable date prior to the printing of this Prospectus, the Directors of CHB are not aware of any material capital commitment contracted or known to be contracted by the CHB Group which, upon becoming enforceable, may have a material impact on the financial position of the CHB Group, save as follows:

	<b>RM'000</b>
<i><b>Approved and contracted:</b></i>	
Capital expenditure in respect of the purchase of plant and equipment	7,288

**(e) Contingent Liabilities**

As at 30 November 2004, being the latest practicable date prior to the printing of this Prospectus, the Directors of CHB are not aware of any contingent liabilities incurred by the CHB Group which, upon becoming enforceable, may have a material impact on the financial position of the CHB Group.

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**11. FINANCIAL INFORMATION**

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**11.2 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST**  
(prepared for inclusion in this Prospectus)



**WONG WENG FOO & CO.**  
**Chartered Accountants**

41, Damai Complex,  
Jalan Dato Haji Eusoff,  
50400 Kuala Lumpur.  
Tel : 03-4042 4280  
Fax : 03-4041 3141

Your Ref:

Date: 20<sup>th</sup> December, 2004

Our Ref:

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

Dear Sirs,

**COCOALAND HOLDINGS BERHAD**  
**CONSOLIDATED PROFIT ESTIMATE FOR THE FINANCIAL YEAR**  
**ENDING 31<sup>ST</sup> DECEMBER, 2004 AND CONSOLIDATED PROFIT**  
**FORECAST FOR THE FINANCIAL YEAR ENDING 31<sup>ST</sup> DECEMBER, 2005**

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We have reviewed the consolidated profit estimate for the financial year ending 31<sup>st</sup> December, 2004 and consolidated profit forecast for the financial year ending 31<sup>st</sup> December, 2005 of Cocoaland Holdings Berhad ("CHB") and its subsidiary companies ("CHB Group") as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the International Standards on Auditing ISA 810 applicable to the review of estimates and forecasts. The consolidated profit estimate and consolidated profit forecast have been prepared for the purpose of inclusion in the Prospectus to be dated 24<sup>th</sup> December, 2004 in connection with the following:-

**i) Public Issue**

The public issue of 10,000,000 new CHB ordinary shares of RM0.50 each at an issue price of RM0.65 per share comprising:-

- a) 1,800,000 new CHB ordinary shares of RM0.50 each reserved for eligible employees of the CHB Group;
- b) 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");

**11. FINANCIAL INFORMATION**

- c) 6,000,000 new CHB ordinary shares of RM0.50 each available for application by the Malaysian public, companies, societies, co-operatives and institutions; and
- d) 1,600,000 new CHB ordinary shares of RM0.50 each by way of private placement to identified public investors.

**ii) Listing**

The listing of and quotation for the entire issued and paid-up share capital of CHB on the Second Board of Bursa Malaysia Securities Berhad (“Bursa Securities”).

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit estimate and consolidated profit forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the six (6) months period ended 30<sup>th</sup> June, 2004. The Directors of CHB are solely responsible for the preparation and presentation of the consolidated profit estimate and consolidated profit forecast and the assumptions on which the consolidated profit estimate and consolidated profit forecast are based.

Estimate and forecast, in this context mean prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit estimate and consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit estimate and consolidated profit forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the CHB Group in its audited financial statements for the six (6) months period ended 30<sup>th</sup> June, 2004.



**11. FINANCIAL INFORMATION**

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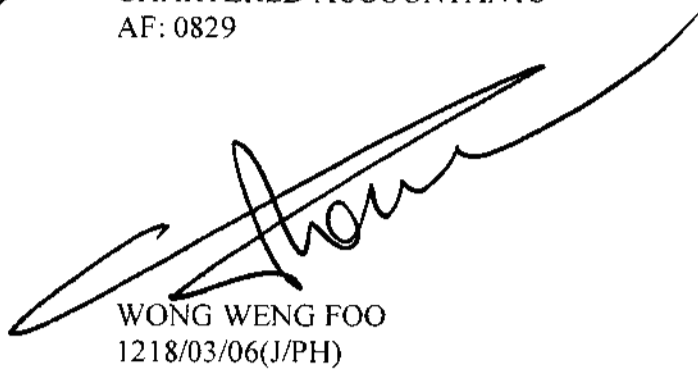


This letter has been prepared solely for the inclusion in the Prospectus in connection with the Public Issue and the Listing. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our written consent.

Yours faithfully,



WONG WENG FOO & CO  
CHARTERED ACCOUNTANTS  
AF: 0829



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

**11. FINANCIAL INFORMATION****11.3 CONSOLIDATED PROFIT ESTIMATE AND FORECAST**

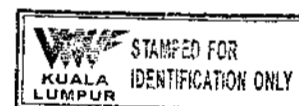
**DETAILS OF THE CONSOLIDATED PROFIT ESTIMATE  
AND CONSOLIDATED PROFIT FORECAST  
FOR THE FINANCIAL YEARS ENDING  
31<sup>ST</sup> DECEMBER, 2004 AND 2005,  
RESPECTIVELY, OF  
COCOALAND HOLDINGS BERHAD  
AND THE BASES AND ASSUMPTIONS**

The Directors of Cocoaland Holdings Berhad estimate and forecast that on the bases and assumptions set out below, the consolidated profit after taxation of the Group for the financial years ending 31<sup>st</sup> December, 2004 and 2005 respectively will be as follows:-

Financial year ending 31 <sup>st</sup> December	<b>Estimate 2004 RM'000</b>	<b>Forecast 2005 RM'000</b>
Revenue	97,526	101,518
Consolidated profit before taxation	9,158	9,840
Less: Taxation	(1,900)	(1,676)
Consolidated profit after taxation	7,258	8,164
Weighted average number of CHB shares in issue ('000) <sup>1</sup>	80,000	90,000
Enlarged number of Shares ('000)	90,000	90,000
Gross EPS (sen) <sup>2</sup>	11.45	10.93
Net EPS (sen) <sup>3</sup>	9.07	9.07
Fully diluted gross EPS (sen) <sup>4</sup>	10.18	10.93
Fully diluted net EPS (sen) <sup>4</sup>	8.06	9.07
Gross PE Multiple based on the Issue Price of RM0.65 per Share (times) <sup>5</sup>	5.68	5.95
Net PE Multiple based on the Issue Price of RM0.65 per Share (times) <sup>5</sup>	7.17	7.17
Fully diluted gross PE Multiple based on the Issue Price of RM0.65 per Share (times) <sup>6</sup>	6.39	5.95
Fully diluted net PE Multiple based on the Issue Price of RM0.65 per Share (times) <sup>6</sup>	8.06	7.17

*Notes:*

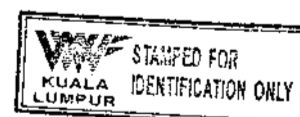
1. Based on the assumption that the Public Issue will be completed by the end of December 2004.
2. Based on the consolidated profit before taxation divided by the weighted average number of shares in issue.
3. Based on the consolidated profit after taxation divided by the weighted average number of shares in issue.
4. Based on the enlarged share capital assumed in issue of 90,000,000 CHB Shares.
5. Based on the gross and net EPS.
6. Based on the fully diluted gross and net EPS.



**11. FINANCIAL INFORMATION**

The principal bases and assumptions upon which the above consolidated profit estimate and consolidated profit forecast have been made are as follows:-

1. There will be no material changes in the present legislation or government regulations including direct or indirect taxes and duties, and the prevailing market conditions, affecting the activities of the Group and the markets in which the Group operates.
2. There will be no significant changes in the accounting and management policies currently adopted by the Group.
3. There will be no major breakdown or disruption in the manufacturing facilities, industrial disputes or any other abnormal factors affecting the operations of the Group.
4. There will be no major changes in the existing key personnel and management and trading policies of the Group.
5. There will be no significant changes in the supply and prices of raw materials and labour.
6. Existing finance facilities enjoyed by the Group will remain available.
7. CHB's capital expenditure plans are in accordance with budget and commissioned as scheduled.
8. Reinvestment allowance claims on qualifying capital expenditure will be approved by the tax authorities.
9. Foreign currency will not fluctuate materially against Ringgit Malaysia.
10. Inflation and interest rates will not change materially from current levels.
11. A rate of 28% is assumed on income chargeable to income tax. Income tax chargeable on current year's result will be paid in the same year.
12. Repayments of finance facilities are in accordance with schedule.
13. There will be no material changes in the current average credit periods for receivables and payables of the Group.
14. No dividend will be declared by the CHB in respect of the estimate year. Proposed tax exempt dividend of 8% amounting to RM3,600,000 in respect of the forecast year will be declared by CHB and shall be payable in the same year.



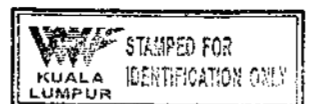
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**11. FINANCIAL INFORMATION**

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15. The total cash proceeds of RM6,500,000 raised from the Public Issue of 10,000,000 ordinary shares of RM0.50 each at an issue price of RM0.65 per share will be received by end December, 2004 and utilised for repayments of bank borrowings and other purposes as approved by the authorities.
16. Expenses pertaining to the completion of the entire flotation exercise is estimated at RM1,500,000.



**11. FINANCIAL INFORMATION****11.4 DIRECTORS' ANALYSIS AND COMMENTARY ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST**

The Directors of CHB have reviewed the reasonableness of the bases and assumptions in arriving at the profit estimate for FYE 31 December 2004 and profit forecast for the FYE 31 December 2005 and are of the opinion that the said profit estimate and profit forecast are true and fair in view of the future prospects of the industry, future plans and strategies to be adopted by the Group and after taking into consideration the level of gearing, liquidity and working capital requirements for the Group.

**(i) Consolidated profit estimate for the FYE 31 December 2004 ("FYE2004")**

The revenue of the Group is estimated to increase by 10.6% from RM88.2 million to RM97.5 million in FYE2004, attributable mainly to the expected growth in the sales of its gummy product by 34.5% from RM21.4 million to RM28.8 million in FYE2004. This is the result of a wider distribution network and the operation of its new gummy production line during the last quarter FYE2004.

Interest expense is expected to increase by 196.1% from RM0.076 million in FYE2003 to RM0.225 million in FYE2004 as a result of bank overdraft and term loan facilities being utilised by the Group during the year. However, this has been mitigated by interest savings of RM0.077 accruing from the partial settlement of the term loan taken up by the Group via the utilisation of the proceeds from the Public Issue. The Group estimates a PBT of RM9.2 million in FYE2004, representing an increase of 10.8% as compared to RM8.3 million in FYE2003.

In tandem with the increase in PBT, the PAT for FYE2004 is estimated to increase from RM6.2 million in FYE2003 to RM7.3 million in FYE2004, an increase of 17.7%.

**(ii) Consolidated profit forecast for the FYE 31 December 2005 ("FYE2005")**

The revenue of the Group is expected to increase by 4.1% from RM97.5 million to RM101.5 million in FYE2005 due to expected improvement in sales of its gummy product by 9.4% from RM28.8 million to RM31.5 million in FYE2005. The expected increase in sales volume is mainly attributable to the Group's continuous efforts to increase market penetration of its products, particularly the gummy product line.

Interest expense is also expected to reduce by 93.3% from RM0.225 million in FYE2004 to RM0.015 million in FYE2005 as a result of expected repayment of bank overdrafts and term loan.

As a result, PBT of the Group is expected to increase by 6.5% from RM9.2 million in FYE2004 to RM9.8 million in FYE2005, whereas PAT is expected to increase by 12.3% from RM7.3 million to RM8.2 million in FYE2005.

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**11. FINANCIAL INFORMATION****11.5 SENSITIVITY ANALYSIS**

The principal bases and assumptions upon which the sensitivity analysis on the CHB Group's consolidated profit estimate and forecast after taxation for the FYE 31 December 2004 and FYE 31 December 2005 has been made are as follows:

- (i) The selected variable will vary  $\pm 5\%$ , and  $\pm 10\%$  from the base case;
- (ii) The selected variables are sales volume, prices of raw materials and product pricing; and
- (iii) Except for the selected variable items, the same assumptions for the other items in the base case shall apply.

The following scenarios attempt to show the impact on the estimate and forecast consolidated gross profit and PBT resulting from the changes in sales volume, prices of raw materials and product pricing:

**(a) Changes in sales volume**

FYE 31 December	Estimate 2004				Forecast 2005			
	<--Gross Profit-->		<-----PBT----->		<--Gross Profit-->		<-----PBT----->	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
As per estimate/ forecast	21,789		9,158		22,767		9,840	
+5%	22,879	5.0	10,248	11.9	23,906	5.0	10,979	11.6
+10%	23,967	10.0	11,336	23.8	25,043	10.0	12,116	23.1
-5%	20,699	(5.0)	8,068	(11.9)	21,628	(5.0)	8,701	(11.6)
-10%	19,610	(10.0)	6,979	(23.8)	20,491	(10.0)	7,564	(23.1)

**(b) Changes in prices of raw materials**

FYE 31 December	Estimate 2004				Forecast 2005			
	<--Gross Profit-->		<-----PBT----->		<--Gross Profit-->		<-----PBT----->	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
As per estimate/ forecast	21,789		9,158		22,767		9,840	
+5%	19,787	(9.2)	7,156	(21.9)	20,695	(9.1)	7,768	(21.1)
+10%	17,784	(18.4)	5,153	(43.7)	18,622	(18.2)	5,695	(42.1)
-5%	23,791	9.2	11,160	21.9	24,839	9.1	11,912	21.1
-10%	25,794	18.4	13,163	43.7	26,912	18.2	13,985	42.1

**(c) Changes in product pricing**

FYE 31 December	Estimate 2004				Forecast 2005			
	<--Gross Profit-->		<-----PBT----->		<--Gross Profit-->		<-----PBT----->	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
As per estimate/ forecast	21,789		9,158		22,767		9,840	
+5%	26,665	22.4	14,034	53.2	27,843	22.3	14,916	51.6
+10%	31,541	44.8	18,910	106.5	32,919	44.6	19,992	103.2
-5%	16,912	(22.4)	4,281	(53.2)	17,691	(22.3)	4,764	(51.6)
-10%	12,036	(44.8)	(595)	(106.5)	12,615	(44.6)	(312)	(103.2)

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**11. FINANCIAL INFORMATION**

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The Board has reviewed and analysed the bases and assumptions upon which the sensitivity analysis of the Group's profit estimate and forecast have been made and is of the opinion that the sensitivity analysis on the Group's profit estimate and forecast is fair and reasonable.

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**11. FINANCIAL INFORMATION**

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**11.6 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED CASH FLOW ESTIMATE AND FORECAST**  
(prepared for inclusion in this Prospectus)



**WONG WENG FOO & CO.**  
**Chartered Accountants**

41, Damai Complex,  
Jalan Dato Haji Eusoff,  
50400 Kuala Lumpur.  
Tel : 03-4042 4280  
Fax : 03-4041 3141

Your Ref:

Date: 20<sup>th</sup> December, 2004

Our Ref:

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

Dear Sirs,

**COCOALAND HOLDINGS BERHAD**  
**CONSOLIDATED CASH FLOW ESTIMATE FOR THE FINANCIAL YEAR**  
**ENDING 31<sup>ST</sup> DECEMBER, 2004 AND CONSOLIDATED CASH FLOW**  
**FORECAST FOR THE FINANCIAL YEAR ENDING 31<sup>ST</sup> DECEMBER, 2005**

---

We have reviewed the consolidated cash flow estimate for the financial year ending 31<sup>st</sup> December, 2004 and consolidated cash flow forecast for the financial year ending 31<sup>st</sup> December, 2005 of Cocoaland Holdings Berhad ("CHB") and its subsidiary companies ("CHB Group") as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the International Standards on Auditing ISA 810 applicable to the review of estimates and forecasts. The consolidated cash flow estimate and consolidated cash flow forecast have been prepared for the purpose of inclusion in the Prospectus to be dated 24<sup>th</sup> December, 2004 in connection with the following:-

**i) Public Issue**

The public issue of 10,000,000 new CHB ordinary shares of RM0.50 each at an issue price of RM0.65 per share comprising:-

- a) 1,800,000 new CHB ordinary shares of RM0.50 each reserved for eligible employees of the CHB Group;
- b) 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");



**11. FINANCIAL INFORMATION**

- c) 6,000,000 new CHB ordinary shares of RM0.50 each available for application by the Malaysian public, companies, societies, co-operatives and institutions; and
- d) 1,600,000 new CHB ordinary shares of RM0.50 each by way of private placement to identified public investors.

**ii) Listing**

The listing of and quotation for the entire issued and paid-up share capital of CHB on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

Our review has been undertaken to enable us to form an opinion as to whether the consolidated cash flow estimate and consolidated cash flow forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the six (6) months period ended 30<sup>th</sup> June, 2004. The Directors of CHB are solely responsible for the preparation and presentation of the consolidated cash flow estimate and consolidated cash flow forecast and the assumptions on which the consolidated cash flow estimate and consolidated cash flow forecast are based.

Estimate and forecast, in this context mean prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated cash flow estimate and consolidated cash flow forecast; and
- (ii) in our opinion, the consolidated cash flow estimate and consolidated cash flow forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the CHB Group in its audited financial statements for the six (6) months period ended 30<sup>th</sup> June, 2004.

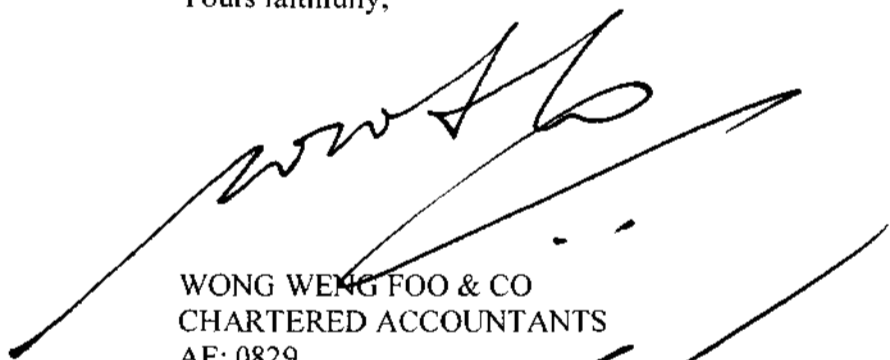
**11. FINANCIAL INFORMATION**

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This letter has been prepared solely for the inclusion in the Prospectus in connection with the Public Issue and the Listing. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our written consent.

Yours faithfully,

A large, stylized handwritten signature in black ink, slanted upwards from left to right. The signature appears to be 'Wong Weng Foo & Co'.

WONG WENG FOO & CO  
CHARTERED ACCOUNTANTS  
AF: 0829

A large, stylized handwritten signature in black ink, slanted upwards from left to right. The signature appears to be 'Wong Weng Foo'.

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

**11. FINANCIAL INFORMATION****11.7 CONSOLIDATED CASH FLOW ESTIMATE AND FORECAST**

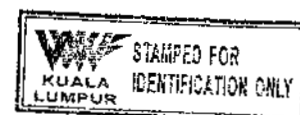
**DETAILS OF THE CONSOLIDATED CASH FLOW ESTIMATE  
AND CONSOLIDATED CASH FLOW FORECAST  
FOR THE FINANCIAL YEARS ENDING  
31<sup>ST</sup> DECEMBER, 2004 AND 2005,  
RESPECTIVELY, OF  
COCOALAND HOLDINGS BERHAD  
AND THE BASES AND ASSUMPTIONS**

The Directors of Cocoaland Holdings Berhad estimate and forecast that the consolidated net cash flow of the Group for the financial years ending 31<sup>st</sup> December, 2004 and 2005 will be approximately RM6,277,000 and RM4,239,000, respectively as follows:-

Financial year ending 31 <sup>st</sup> December	<b>Estimate 2004 RM'000</b>	<b>Forecast 2005 RM'000</b>
Consolidated net cash flow from operating activities	10,480	12,427
Consolidated net cash flow from investing activities	(8,905)	(4,494)
Consolidated net cash flow from financing activities	4,702	(3,694)
Consolidated net cash flow	<u>6,277</u>	<u>4,239</u>
Opening cash balance as at 1 <sup>st</sup> January	276	6,553
Closing cash balance as at 31 <sup>st</sup> December	<u><u>6,553</u></u>	<u><u>10,792</u></u>

The principal bases and assumptions upon which the above consolidated cash flow estimate and consolidated cash flow forecast have been made are as follows:-

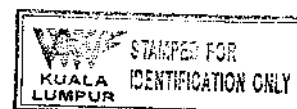
1. There will be no material changes in the present legislation or government regulations including direct or indirect taxes and duties, and the prevailing market conditions, affecting the activities of the Group and the markets in which the Group operates.
2. There will be no significant changes in the accounting and management policies currently adopted by the Group.
3. There will be no major breakdown or disruption in the manufacturing facilities, industrial disputes or any other abnormal factors affecting the operations of the Group.
4. There will be no major changes in the existing key personnel and management and trading policies of the Group.
5. There will be no significant changes in the supply and prices of raw materials and labour.



**11. FINANCIAL INFORMATION**

6. Existing finance facilities enjoyed by the Group will remain available.
7. The Company's capital expenditure plans are in accordance with budget and commissioned as scheduled.
8. Reinvestment allowance claims on qualifying capital expenditure will be approved by the tax authorities.
9. Foreign currency will not fluctuate materially against Ringgit Malaysia.
10. Inflation and interest rates will not change materially from current levels.
11. A rate of 28% is assumed on income chargeable to income tax. Income tax chargeable on current year's result will be paid in the same year.
12. Repayments of finance facilities are in accordance with schedule.
13. There will be no material changes in the current average credit periods for receivables and payables of the Group.
14. No dividend will be declared by the CHB in respect of the estimate year. Proposed tax exempt dividend of 8% amounting to RM3,600,000 in respect of the forecast year will be declared by CHB and shall be payable in the same year.
15. The total cash proceeds of RM6,500,000 raised from the Public Issue of 10,000,000 ordinary shares of RM0.50 each at an issue price of RM0.65 per share will be received by end December, 2004 and utilised for the proposed repayments of bank borrowings and other purposes as approved by the authorities.
16. Expenses pertaining to the completion of the entire flotation exercise is estimated at RM1,500,000.

The consolidated cash flow estimate and consolidated cash flow forecast have been prepared based on the consolidated profit estimate and consolidated profit forecast for the financial years ending 31<sup>st</sup> December, 2004 and 2005, respectively.



**11. FINANCIAL INFORMATION****11.8 DIVIDEND FORECAST AND POLICY**

CHB intends to pursue a dividend policy in line with its profitability which would allow its shareholders to participate in the profits of the Group as well as leaving adequate reserves for its future growth and expansion.

Based on the Group's consolidated profit estimate and forecast for the FYE 31 December 2004 and 31 December 2005, on the assumption that the current basis for calculating taxation and the rates of taxation remains unchanged, the Directors of CHB anticipate that CHB would be in a position to propose a gross and net dividend of 8% for the FYE 31 December 2005 based on the enlarged issued and paid-up share capital of 90,000,000 Shares.

Notwithstanding the above, the Directors have full discretion to propose the waiver of any future dividend payment as and when deemed necessary, if it is in the best interests of the Company to do so.

Future dividends will be waived if:

- (i) The Group is in a loss position for the relevant financial period; or
- (ii) The Group has insufficient cash flow to meet any dividend payments.

The intended appropriation of the forecasted PAT for the FYE 31 December 2005 will be as follows:

<b>FYE 31 December</b>	<b>Forecast 2005 RM'000</b>
PBT	9,840
Less: Taxation	<u>(1,676)</u>
PAT	8,164
Less: Proposed dividend of 4 sen per share (tax exempt)	<u>3,600</u>
Profit retained for the financial year	<u>4,564</u>
Gross dividend per Share (sen)	4
Gross dividend yield based on the issue price of RM0.65 per Share (%)	6.2
Gross dividend cover based on the projected net dividend of 4 sen per Share (times)	2.3
Net dividend per Share (sen)	4
Net dividend yield based on the issue price of RM0.65 per Share (%)	6.2
Net dividend cover based on the projected net dividend of 4 sen per Share (times)	2.3

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## 11. FINANCIAL INFORMATION

### 11.9 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

(prepared for inclusion in this Prospectus)



**WONG WENG FOO & CO.**  
Chartered Accountants

41, Damai Complex,  
Jalan Dato Haji Eusoff,  
50400 Kuala Lumpur.  
Tel : 03-4042 4280  
Fax : 03-4041 3141

Your Ref:

Date: 20<sup>th</sup> December, 2004

Our Ref:

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

Dear Sirs,

#### **COCOALAND HOLDINGS BERHAD** **- PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30<sup>TH</sup> JUNE, 2004**

We have reviewed the Proforma Consolidated Balance Sheets of COCOALAND HOLDINGS BERHAD and its subsidiaries (hereinafter referred to as the "CHB Group") as at 30<sup>th</sup> June, 2004 together with the notes and assumptions thereto, for which the Directors are solely responsible as set out in the accompanying statement which we have stamped for the purpose of identification. The Proforma Consolidated Balance Sheets have been prepared for inclusion in the Prospectus to be dated 24<sup>th</sup> December, 2004 in connection with the following:-

#### **i) Public Issue**

The public issue of 10,000,000 new CHB ordinary shares of RM0.50 each at an issue price of RM0.65 per share comprising:-

- a) 1,800,000 new CHB ordinary shares of RM0.50 each reserved for eligible employees of the CHB Group;
- b) 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");
- c) 6,000,000 new CHB ordinary shares of RM0.50 each available for application by the Malaysian public, companies, societies, co-operatives and institutions; and
- d) 1,600,000 new CHB ordinary shares of RM0.50 each by way of private placement to identified public investors.

## 11. FINANCIAL INFORMATION



### ii) Listing

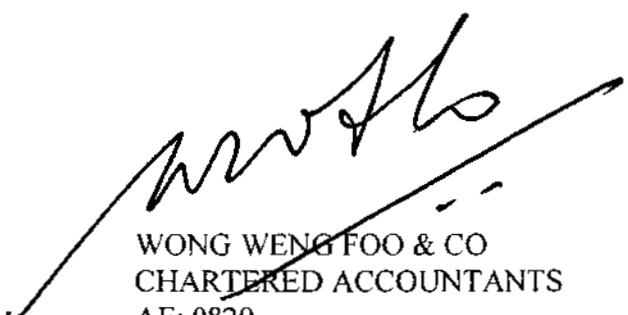
The listing of and quotation for the entire issued and paid-up share capital of CHB on the Second Board of Bursa Malaysia Securities Berhad (“Bursa Securities”).

In our opinion,

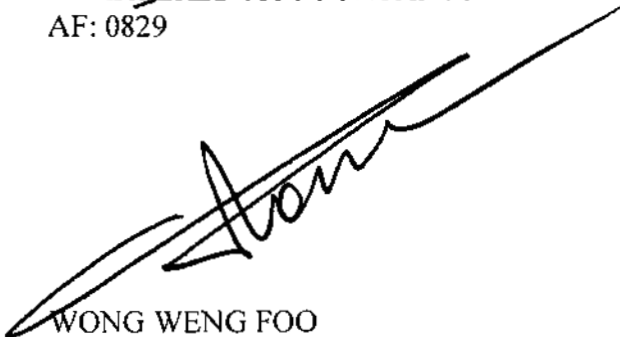
- i) the Proforma Consolidated Balance Sheets, which are prepared for illustrative purposes only, have been properly compiled on the basis set out in the notes and assumptions thereto;
- ii) such basis is consistent with the accounting policies normally adopted by the CHB Group; and
- iii) the adjustments are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

This letter has been prepared solely for inclusion in the Prospectus in connection with the Public Issue and the Listing. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our written consent.

Yours faithfully,



WONG WENG FOO & CO  
CHARTERED ACCOUNTANTS  
AF: 0829



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

## 11. FINANCIAL INFORMATION

## 11.10 PROFORMA CONSOLIDATED BALANCE SHEETS

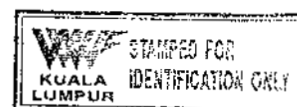


**COCOALAND HOLDINGS BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS**  
**AS AT 30<sup>TH</sup> JUNE, 2004**

	Note	Audited As At 30.6.2004 RM'000	Proforma I After Share Split RM'000	Proforma II After Proforma I, Acquisitions & Consolidation Of Interests RM'000	Proforma III After Proforma II & Public Issue RM'000
<b>ASSETS EMPLOYED</b>					
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>					
		-	-	42,105	42,105
<b>INVESTMENTS</b>					
		-	-	1	1
<b>CURRENT ASSETS</b>					
Inventories		-	-	8,721	8,721
Trade receivables		-	-	15,301	15,301
Other receivables, deposits & prepayments		-	-	5,413	5,413
Fixed deposits with licensed banks		-	-	382	382
Cash & bank balances		*	^	2,220	7,220
		*	^	32,037	37,037
<b>LESS: CURRENT LIABILITIES</b>					
Trade payables		-	-	9,203	9,203
Other payables & accruals	11	11	11	3,974	3,974
Amount due to directors		-	-	558	558
Hire-purchase creditors		-	-	515	515
Term loans		-	-	10	10
Bank overdrafts		-	-	1,468	1,468
Taxation		-	-	213	213
		11	11	15,941	15,941
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(11)	(11)	16,096	21,096
		(11)	(11)	58,202	63,202
<b>REPRESENTED BY</b>					
<b>SHARE CAPITAL</b>	6	*	^	40,000	45,000
<b>SHARE PREMIUM</b>	7	-	-	-	-
<b>RESERVES</b>	8	(11)	(11)	14,701	14,701
<b>SHAREHOLDERS' (DEFICIT)/FUNDS</b>		(11)	(11)	54,701	59,701
<b>LONG TERM AND DEFERRED LIABILITIES</b>					
Hire-purchase creditors		-	-	1,067	1,067
Term loans		-	-	78	78
Deferred taxation		-	-	2,356	2,356
		(11)	(11)	58,202	63,202
<b>Net Tangible (Liabilities)/Assets per share of RM0.50 each (RM)</b>		(5,344.00)	(2,672.00)	0.68	0.66

\* Represents the issued and paid-up share capital of 2 ordinary shares of RM1.00 each

^ Represents the issued and paid-up share capital of 4 ordinary shares of RM0.50 each





**11. FINANCIAL INFORMATION****NOTES TO THE PROFORMA BALANCE SHEETS**

1. The Proforma Consolidated Balance Sheets of Cocoland Holdings Berhad (“CHB”) are prepared solely for illustration purposes only, based on the audited financial statements of CHB and its proposed subsidiary companies, Cocoland Industry Sdn Bhd (“CISB”), L.B. Food Sdn Bhd (“LBFSB”) and B Plus Q Sdn Bhd (“BPQSB”) and subsidiary of BPQSB, M.I.T.E Food Enterprise Sdn Bhd (“MFESB”) as at 30<sup>th</sup> June, 2004, and the assumption that the following transactions had been effected on 30<sup>th</sup> June, 2004:-

- Share Split
- Acquisition of CISB, LBFSB and BPQSB
- Consolidation of Interests
- Public Issue
- Listing

2. CHB was incorporated on 6<sup>th</sup> June, 2000 for the sole purpose, to act as an investment holding company, in connection with its flotation exercise on the Second Board of Bursa Securities.

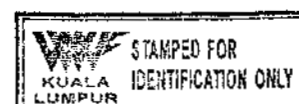
**A. PROFORMA I - SHARE SPLIT**

3. Proforma I incorporate the sub-division of the par value of the ordinary shares in CHB from RM1.00 per share to RM0.50 each.

**B. PROFORMA II – AFTER PROFORMA I AND ACQUISITIONS OF CISB, LBFSB AND BPQSB AND CONSOLIDATION OF INTERESTS**

4. Proforma II incorporates the effects of Proforma I and the following:-

- 4.1 Revaluation of the landed properties of CISB, LBFSB and MFESB resulting in a revaluation surplus of RM6,340,567;
- 4.2 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;
- 4.3 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;

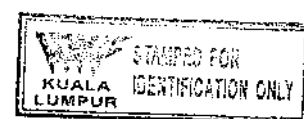


**11. FINANCIAL INFORMATION**

- 4.4 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; and
- 4.5 The consolidation of interests of 48,963,724 CHB ordinary shares of RM0.50 each into a nominee company has no effect on the Proforma Consolidated Balance Sheets as it relates to the shareholders of the vendors of the proposed acquirees' companies.

**C. PROFORMA III - AFTER PROFORMA II AND PUBLIC ISSUE**

5. Proforma III incorporates the effects of Proforma II and the following:-
- 5.1 Public issue of 10,000,000 new CHB ordinary shares of RM0.50 each representing approximately 11.1% of the enlarged issued and paid-up share capital of CHB at an issue price of RM0.65 per share in the following manner:-
- 1,800,000 new CHB ordinary shares representing 2.0% of the enlarged issued and paid-up share capital of 90,000,000 ordinary shares of RM0.50 each reserved for eligible employees of the CHB Group;
  - 600,000 new CHB ordinary shares representing approximately 0.7% of the enlarged issued and paid-up share capital of 90,000,000 ordinary shares of RM0.50 each reserved for Bumiputera investors nominated and approved by the MITI;
  - 6,000,000 new CHB ordinary shares representing approximately 6.7% of the enlarged issued and paid-up share capital of 90,000,000 ordinary shares of RM0.50 each available for application by the Malaysian public, companies, societies, co-operatives and institutions; and
  - 1,600,000 new CHB ordinary shares representing approximately 1.8% of the enlarged issued and paid-up share capital of 90,000,000 ordinary shares of RM0.50 each by way of private placement to identified public investors.
- 5.2 Estimated listing expenses of RM1,500,000 incurred on CHB's flotation exercise have been set-off against the share premium account.



**11. FINANCIAL INFORMATION**

- 5.3 Utilisation of the total gross proceeds arising from the Public Issue amounting to RM6,500,000 as follows:-

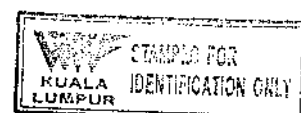
	<b>RM'000</b>
Repayment of bank borrowings	4,000
Working capital	1,000
Estimated listing expenses	1,500
	<u>6,500</u>

6. The movements of the issued and paid-up share capital of CHB, comprising ordinary shares of RM0.50 each, after completion of the transactions set out in paragraphs 3, 4 and 5 above are as follows:-

	<b>No. Of CHB's Ordinary Shares Of RM0.50 each</b>	<b>RM</b>
6.1 Issued and fully paid-up share capital as at 30 <sup>th</sup> June, 2004	4	2
6.2 Issued as consideration for the acquisition of the entire issued and paid-up share capital of CISB	50,844,093	25,422,046
6.3 Issued as consideration for the acquisition of the entire issued and paid-up share capital of LBFBSB	14,873,576	7,436,788
6.4 Issued as consideration for the acquisition of the entire issued and paid-up share capital of BPQSB	14,282,327	7,141,164
6.5 Public Issue	10,000,000	5,000,000
	<u>90,000,000</u>	<u>45,000,000</u>

7. The share premium account is made up as follows:-

	<b>RM</b>
7.1 Arising from the Public Issue	1,500,000
7.2 Estimated listing expenses written off	(1,500,000)
	<u>-</u>



**11. FINANCIAL INFORMATION**

8. The reserves accounts are made up as follows:-

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

	<b>CISB RM</b>	<b>LBFSB RM</b>	<b>BPQSB RM</b>	<b>Merger Reserve Total RM</b>
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:-

	<b>Revaluation Reserve RM</b>	<b>Retained Profits RM</b>	<b>Total RM</b>
Balance on acquisitions of CISB, LBFSB and BPQSB	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>

