

cocoaland®

Cocoaland Holdings Berhad

(Company No. 516019-H)

Annual Report 2006

cocoaland®

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at Dynasty Ballroom, Level 5, Dynasty Hotel, 218 Jalan Ipoh, 51200 Kuala Lumpur on Wednesday, 20 June 2007 at 10:00 a.m. for the following purposes: -

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who shall retire in accordance with Article 92 of the Company's Articles of Association and being eligible, offer themselves for re-election :
 - (a) Lau Kee Von
 - (b) Lau Pak Lam
3. To approve the payment of Directors' fees amounting to RM156,000 in respect of the financial year ended 31 December 2006.
4. To re-appoint Messrs. Wong Weng Foo & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration.

Resolution 1

Resolution 2
Resolution 3

Resolution 4

Resolution 5

AS SPECIAL BUSINESS:

5. To consider and if thought fit, to pass the following resolutions: -

5.1 Ordinary Resolution

- Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965.

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

Resolution 6

5.2 Special Resolution

- Proposed Amendments to the Company's Articles of Association

"THAT the alterations, modifications, deletions and/or additions to the Articles of Association of the Company as set out in Appendix I attached to the 2006 Annual Report be and are hereby approved."

Resolution 7



NOTICE OF ANNUAL GENERAL MEETING

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

By Order of the Board

NG HENG HOOI (MAICSA 7048492)
YAP FOOTENG (MACS 00601)
LEONG POI SAN (MAICSA 7052268)
Company Secretaries

Kuala Lumpur
Dated: 29 May 2007

Notes:-

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

Explanatory Notes on Special Business

(i) Resolution 6 - Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965

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

(ii) Resolution 7 – Proposed amendments to the Company's Articles of Association

The proposed amendments to the Company's Articles of Association will bring it in line with the Listing Requirements of Bursa Malaysia Securities Berhad.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Azman bin Mahmood
Chairman/ Independent Non-Executive Director

Liew Fook Meng
Executive Director

Lau Kee Von
Executive Director

Lau Pak Lam
Executive Director

Liew Yoon Kee
Executive Director

Chow Kee Kan @ Chow Tuck Kwan
Independent Non-Executive Director

COMPANY SECRETARIES

Ng Heng Hooi (MAICSA 7048492)
Yap Foo Teng (MACS 00601)
Leong Poi San (MAICSA 7052268)

REGISTERED OFFICE

Suite 405, 4th Floor, Magnum Plaza
128 Jalan Pudu, 55100 Kuala Lumpur
Tel: 03-2072 8100 Fax: 03-2072 8101

CORPORATE OFFICE

Lot 100, Rawang Integrated Industrial Park
48000 Rawang, Selangor Darul Ehsan
Tel: 03-6091 3131 Fax: 03-6091 5131

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
RHB Bank Berhad
Citibank Berhad
Public Bank Berhad

AUDITORS

Wong Weng Foo & Co. (AF: 0829)
Chartered Accountants
41, Damai Complex
Jalan Dato' Haji Eusoff
50400 Kuala Lumpur
Tel: 03-4042 4280 Fax: 03-4041 3141

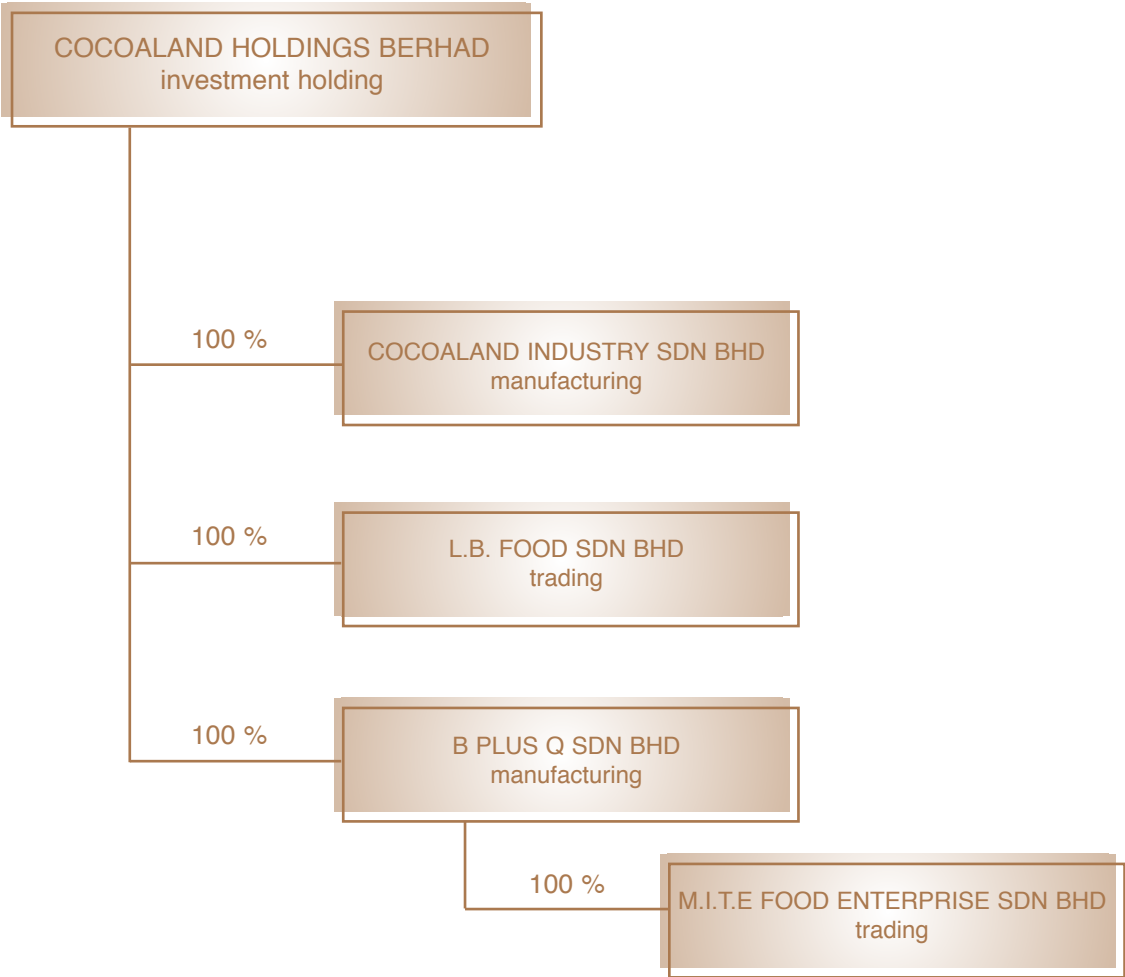
SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.
Lot 10, The Highway Centre, Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7784 3922 Fax: 03-7784 1988

STOCK EXCHANGE LISTING

Main Board of the Bursa Malaysia Securities Berhad
Stock Code : 7205

CORPORATE STRUCTURE



DIRECTORS' PROFILE

Dato' Azman bin Mahmood

56 years of age, Malaysian

Chairman / Independent Non-Executive Director

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

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

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

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

As at 30 April 2007, he has direct shareholdings of 393,333 ordinary shares of RM0.50 each in the Company. He does not have any family relationship with any directors and/or major shareholders of the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.

Liew Fook Meng

59 years of age, Malaysian

Executive Director

He was appointed to the Board on 8 October 2004.

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

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

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

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

As at 30 April 2007, he has direct shareholdings of 1,093,433 ordinary shares of RM0.50 each in the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.

Lau Kee Von

54 years of age, Malaysian

Executive Director

He was appointed to the Board on 8 October 2004.

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

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

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

As at 30 April 2007, he has direct shareholdings of 261,900 ordinary shares of RM0.50 each in the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.

DIRECTORS' PROFILE

Lau Pak Lam

49 years of age, Malaysian

Executive Director

He was appointed to the Board on 8 October 2004.

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

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

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

As at 30 April 2007, he has direct shareholdings of 721,866 ordinary shares of RM0.50 each in the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.

Liew Yoon Kee

58 years of age, Malaysian

Executive Director

He was appointed to the Board on 8 October 2004.

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

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

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

As at 30 April 2007, he has direct shareholdings of 73,333 ordinary shares of RM0.50 each in the Company. He has not entered into any transaction which has a conflict of interest with the Company and has not been convicted of any offences in the past ten years.

Chow Kee Kan @ Chow Tuck Kwan

54 years of age, Malaysian

Independent Non-Executive Director

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

He has his own audit and tax practices and has more than 30 years of practical experience in the same field.

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

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

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

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2006.

FINANCIAL PERFORMANCE

For the financial year under review, the Group recorded revenue of RM119.2 million compared with RM100.3 million in the previous corresponding period. Pre-tax profit was RM14.3 million compared with RM10.2 million in the preceding financial year. The Group's net earnings per share (EPS) was 10.17 sen compared with 6.98 sen last year.

Highlights

	2006	2005	+/- (%)
Revenue (RM million)	119.2	100.3	+18.8
Pre-tax profit (RM million)	14.3	10.2	+40.2
Net profit (RM million)	12.2	8.4	+45.2
EPS (sen)	10.17	6.98	+45.7

DIVIDEND

An interim dividend of 4 sen per share less 28% income tax for the financial year ended 31 December 2006 was paid on 28 December 2006. The Board does not recommend any final dividend payment for the financial year ended 31 December 2006.

REVIEW OF OPERATIONS

The new gummy candy production line, which was set up in the last quarter of year 2005, stabilised during the year and it has contributed to the growth in revenue. The Group's products received higher demand in both local and export markets. The gummy candy product, "Sour+", in particular, attracted good demand from consumers.

The improved profitability is attributable to the strategy to focus on higher margin products and the management's capability in maintaining cost efficiency.

CORPORATE DEVELOPMENT

During the year, the Company undertook a bonus issue of 30 million ordinary shares on the basis of 1 new ordinary share for every 3 existing ordinary shares held. The shares

pursuant to the bonus issue were allotted to shareholders on 11 July 2006.

On 18 July 2006, the listing of and quotation for the entire issued and paid-up share capital of the Company comprising 120,000,000 ordinary shares was transferred from the Second Board to the Main Board of Bursa Malaysia Securities Berhad.

PROSPECTS

The Board expects an increase in demand and plans have been undertaken to expand production capacity and improve production efficiency to meet the expected increase. The Group will continue to emphasize on product enhancement and development. Strategies will be implemented to improve profitability.

For overseas market, the Group will undertake branding exercises in several countries in the Asia region.

On 21 May 2007, the Group entered into a Joint-Venture Agreement with a subsidiary company of China Lifestyle Food and Beverages Group Limited, a company listed on the Singapore Stock Exchange, to establish a joint-venture company in Fujian, People's Republic of China to manufacture and distribute gummy candy products. The joint-venture is a major milestone in the Group's plans to accelerate its international sales growth and is expected to contribute positively to the future earnings of the Group.

The Board will strive to deliver improved performance in year 2007.

ACKNOWLEDGEMENT & APPRECIATION

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

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

Dato' Azman bin Mahmood
Chairman

STATEMENT ON CORPORATE GOVERNANCE

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

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

A. DIRECTORS

Board Composition and Balance

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

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

Meetings

The Board meets at least four (4) times a year at quarterly intervals with additional meetings to be convened as and when required. During the financial year ended 31 December 2006, the Board convened five (5) meetings, with details on the attendance of Directors listed below: -

Board Members	Attendance
Dato' Azman bin Mahmood	5/5
Mr. Liew Fook Meng	5/5
Mr. Lau Kee Von	4/5
Mr. Lau Pak Lam	5/5
Mr. Liew Yoon Kee	5/5
Mr. Chow Kee Kan @ Chow Tuck Kwan	5/5

Supply of Information

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

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



STATEMENT ON CORPORATE GOVERNANCE

Appointments to the Board

The Nomination Committee comprises the following members: -

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

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

Re-election

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

Directors' Training

All the Directors of the Company have completed the Mandatory Accreditation Programme prescribed by the Bursa Malaysia Securities Berhad's Listing Requirements. The Board encourages its Directors to undergo other relevant training programmes on a continuous basis to further enhance their skills and knowledge to enable them to discharge their respective duties effectively. During the year, the Directors attended seminars and workshops relevant to their respective roles such as Corporate Strategies & Policies, Managerial Economics, International Business, Corporate Disclosure Rules and Regulations in Malaysia, Organisational Behaviour & Human Resources Management, Production & Operation Management and Implementing Strategic Marketing Plan.

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee comprises the following members: -

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

The Remuneration Committee reviews and recommends to the Board on remuneration packages and other terms of employment of the Executive Directors.

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

STATEMENT ON CORPORATE GOVERNANCE

Details of Directors' Remuneration

The aggregate remuneration of the Directors for the financial year ended 31 December 2006 received by Directors of the Company from the Company is as follows: -

Remuneration	Executive Director RM	Non-Executive Director RM	Total RM
Fees	96,000	60,000	156,000
Salaries and Allowances	12,000	11,500	23,500
Bonuses and Incentives	-	-	-
Benefits in kind	-	-	-
TOTAL	108,000	71,500	179,500

The number of directors whose total remuneration from the Company falls within the following band for the financial year ended 31 December 2006 is disclosed as follows:-

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

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

C. SHAREHOLDERS

Dialogue Between Companies And Investors

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

The Annual General Meeting

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

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

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



STATEMENT ON CORPORATE GOVERNANCE

Internal Control

The Statement on Internal Control is set out on page 14 of this Annual Report.

Relationship with Auditors

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

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

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

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

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

This Statement is made in accordance with a resolution of the Board of Directors dated 18 April 2007.



ADDITIONAL COMPLIANCE INFORMATION

1. Share Buybacks

The Company did not enter into any share buyback transactions during the financial year ended 31 December 2006.

2. Options, Warrants or Convertible Securities

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2006.

3. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2006.

4. Imposition of Sanctions and / or Penalties

There were no sanctions and / or penalties imposed on the Company and its subsidiaries, Directors or Management by relevant regulatory bodies during the financial year ended 31 December 2006.

5. Non-audit Fees

During the financial year ended 31 December 2006, approximately RM61,000 was paid or payable to the external auditors by the Company and/or its subsidiaries principally in respect of corporate assignments undertaken in conjunction with the transfer of its listing status to the Main Board of Bursa Malaysia Securities Berhad and for taxation services provided to the Group.

6. Profit Guarantee

The Company did not receive any profit guarantee during the financial year ended 31 December 2006.

7. Material Contracts

There were no material contracts entered into by the Company and / or its subsidiaries during the financial year ended 31 December 2006, which involves the interest of Directors and major shareholders.

8. Revaluation Policy

The Company does not adopt a policy of regular revaluation.



STATEMENT ON INTERNAL CONTROL

INTRODUCTION

Paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad's Listing Requirements requires a listed entity to include a statement of internal control in the Annual Report. The Malaysian Code on Corporate Governance provides that listed companies should maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

The Board of Directors ("the Board") recognises the vital role internal controls play in creating transparency, accountability and in safeguarding the assets of the Company, acknowledges its responsibility for ensuring the presence of sound and effective internal control and risk management practices. However, it should be noted that any system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

In striving for continuous improvement, the Board will put in place appropriate action plans, when necessary, to further enhance the Group's systems of internal control.

RESPONSIBILITIES

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

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

SYSTEMS OF INTERNAL CONTROL

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

Clear Lines of Accountability & Reporting Within the Organisation

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

Formalised & Documented Policies and Procedures

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

Financial Performance

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



STATEMENT ON INTERNAL CONTROL

ISO Standards

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

The Audit Committee

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

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

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

INTERNAL AUDIT FUNCTION

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

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

The Internal Audit Function had conducted reviews on the areas of Manufacturing and Production process, Accounts Receivables, Credit Control and Collection process, Marketing or Distribution System, Property, Plant & Equipment, and Procurement & Accounts Payable Procedures for the Company and its subsidiaries as at to date. Audit reports were issued to the Audit Committee and Board of Directors, incorporating findings, recommendations to improve on the weaknesses noted in the course of the audits and management comments on the findings.

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

CONCLUSION

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group for the financial year ended 31 December 2006. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functions effectively.

This statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 18 April 2007.



REPORT ON AUDIT COMMITTEE

1. MEMBERSHIP

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

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

2. TERMS OF REFERENCE

Composition

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

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

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within one (1) month of the event appoint such number of new members as may be required to fill the vacancy.

Chairman

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

Secretary

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

Meetings

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

Authority

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

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

Duties and Responsibilities

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

- (i) To review and recommend the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- (ii) To discuss with the external auditors before the audit commences, the nature and scope of the audit for the Company and the Group;
- (iii) To review the quarterly and year-end financial statements prior to the approval by the Board, focusing particularly on: -
 - Any changes in accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption;
 - Compliance with accounting standards and other legal requirements.
- (iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- (v) To review the external auditor's management letter and management's response;
- (vi) To do the following in relation to the internal audit function:
 - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function;
 - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.



REPORT ON AUDIT COMMITTEE

- (vii) To review any related party transactions and conflict of interest situation that may arise within the Company or Group;
- (viii) To consider the major findings of internal investigations and management's response;

3. MEETINGS AND SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2006, a total of five (5) meetings were held with all Committee Members present.

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

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

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

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

4. INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function. During the financial year, the Internal Auditors conducted reviews on the areas of Manufacturing and Production process, Accounts Receivables, Credit Control and Collection process, Marketing or Distribution System, Property, Plant & Equipment, and Procurement & Accounts Payable Procedures for the Company and its subsidiaries. The Internal Auditors report on their findings, recommendations and management's response on the findings at every Audit Committee Meeting. The Internal Auditors also monitor the implementation of agreed audit issues and recommendations.

financial statements

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AUDITORS' REPORT

to the members of Cocoland Holdings Berhad

We have audited the financial statements set out on pages 25 to 57. These financial statements are the responsibility of the Company's directors.

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

We conducted our audit in accordance with Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimate made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company as at 31st December, 2006 and of their results and cash flow for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;
- and
- (b) the accounting and other records, and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries of which we have acted as auditors, have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Companies Act, 1965.

WONG WENG FOO & CO.
AF: 0829
CHARTERED ACCOUNTANTS

WONG WENG FOO
1218/03/08 (J/PH)

KUALA LUMPUR
Dated this : 18th April, 2007



DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31st December, 2006.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM	Company RM
Profit after income tax	12,199,029	19,143,134
Retained profit brought forward	23,783,246	139,977
Profit available for appropriation	35,982,275	19,283,111
Bonus issue	(15,000,000)	(15,000,000)
Interim dividend paid of 8% less 28% income tax on 28th December, 2006	(3,456,000)	(3,456,000)
Retained profit carried forward	17,526,275	827,111

DIVIDENDS

Since the end of the previous financial year, the directors declared and paid an interim dividend of 8% per ordinary share of RM0.50 each less 28% income tax amounting to RM3,456,000 on 28th December, 2006 in respect of the financial year ended 31st December, 2006.

The directors do not recommend a final dividend for the financial year ended 31st December, 2006.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES OR DEBENTURES

During the financial year, the Company;-

- i) on 27th April, 2006, increased its authorised share capital from RM50,000,000 divided into 100,000,000 ordinary shares of RM0.50 each to RM100,000,000 divided into 200,000,000 ordinary shares of RM0.50 each; and
- ii) on 11th July, 2006, had a bonus issue of 30,000,000 new ordinary shares of RM0.50 each on the basis of 1 new ordinary share for every 3 existing ordinary shares held by capitalising RM15,000,000 from the Company's retained earnings.

There were no issue of debentures during the financial year.

On 18th July, 2006 the Company transferred the listing of and quotation for its entire issued and paid-up share capital comprising 120,000,000 ordinary shares of RM0.50 each of the Company from the Second Board to the Main Board of the Bursa Malaysia Securities Berhad.



DIRECTORS' REPORT

OPTION GRANTED OVER UNISSUED SHARES

No share options were granted during the financial year.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS OF THE COMPANY

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

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

DIRECTORS' INTEREST

According to the register of directors shareholdings, the interest of directors in office at the end of the financial year in shares of the Company and related corporations during the financial year ended 31st December, 2006 are follows:-

	No of Ordinary Shares of RM0.50 each				Balance at 31.12.2006
	Balance at 1.1.2006	Bonus issue	Bought	Sold	
The Company					
Dato' Azman Bin Mahmood					
- direct	295,000	98,333	-	-	393,333
- indirect	-	-	-	-	-
Liew Fook Meng					
- direct	4,739,200	985,633	2,840,200	(1,782,300)	6,782,733
- indirect	51,400,303	17,591,234	2,641,500	(1,006,200)	70,626,837
Lau Kee Von					
- direct	101,800	-	315,800	(155,700)	261,900
- indirect	56,037,703	18,576,867	5,165,900	(2,632,800)	77,147,670
Liew Yoon Kee					
- direct	55,000	18,333	-	-	73,333
- indirect	56,084,503	18,558,534	5,481,700	(2,788,500)	77,336,237
Lau Pak Lam					
- direct	339,500	811,566	2,266,700	(171,500)	3,246,266
- indirect	55,800,003	17,765,301	3,215,000	(2,617,000)	74,163,304
Chow Kee Kan @ Chow Tuck Kwan					
- direct	-	-	-	-	-
- indirect	-	-	-	-	-

DIRECTORS' REPORT

No of Ordinary Shares of RM1 each

Ultimate Holding Company - Leverage Success Sdn Bhd	Balance at 1.1.2006	Bought	Sold	Balance at 31.12.2006
Liew Fook Meng				
- direct	1,500	-	-	1,500
- indirect	8,500	-	-	8,500
Lau Kee Von				
- direct	1,500	-	-	1,500
- indirect	8,500	-	-	8,500
Liew Yoon Kee				
- direct	1,500	-	-	1,500
- indirect	8,500	-	-	8,500
Lau Pak Lam				
- direct	1,500	-	-	1,500
- indirect	8,500	-	-	8,500

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

DIRECTORS' BENEFITS

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

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

ULTIMATE HOLDING COMPANY

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

AUDITORS

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

Signed on behalf of the Board of directors in accordance with a resolution dated 18th April, 2007.

LIEW FOOK MENG

Director

LAU KEE VON

Director

KUALA LUMPUR

CONSOLIDATED BALANCE SHEET

as at 31st December 2006

		2006 RM	As restated 2005 RM
ASSETS			
Non-current assets			
Property, plant and equipment	2	42,626,724	42,252,442
Prepaid lease payments	3	9,119,672	5,387,713
Investment	5	1,000	1,000
		51,747,396	47,641,155
Current assets			
Inventories	6	15,773,666	13,146,997
Trade receivables	7	19,754,193	18,088,000
Other receivables, deposits and prepayments	8	1,834,487	2,474,787
Deposits, cash and bank balances	9	13,111,746	6,851,204
		50,474,092	40,560,988
Total assets		102,221,488	88,202,143
EQUITY			
Capital and reserves attributable for the Company's equity holders			
Share capital	10	60,000,000	45,000,000
Reserves	11	17,720,194	24,157,783
Total equity		77,720,194	69,157,783
LIABILITIES			
Non-current liabilities			
Hire-purchase creditors	12	20,115	108,980
Term loans	13	2,761,959	57,009
Deferred income tax liabilities	14	3,199,500	3,315,500
		5,981,574	3,481,489
Current liabilities			
Trade payables		13,713,067	10,965,748
Other payables and accruals	15	3,252,226	3,293,155
Hire-purchase creditors	12	78,949	188,449
Amount due to directors	16	-	137,557
Term loans	13	744,479	16,459
Bank overdrafts	13	431,150	944,503
Current income tax liabilities		299,849	17,000
		18,519,720	15,562,871
Total liabilities		24,501,294	19,044,360
Total equity and liabilities		102,221,488	88,202,143

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

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2006

	Note	2006 RM	2005 RM
OPERATING REVENUE		119,238,797	100,262,412
COST OF SALES		(90,431,496)	(76,378,917)
GROSS PROFIT		28,807,301	23,883,495
SELLING & DISTRIBUTION EXPENSES		(4,247,916)	(3,498,821)
ADMINISTRATIVE EXPENSES		(10,738,474)	(10,213,457)
OTHER OPERATING INCOME		608,420	324,055
PROFIT FROM OPERATIONS		14,429,331	10,495,272
FINANCE COST	18	(144,881)	(263,387)
PROFIT BEFORE INCOME TAX	18	14,284,450	10,231,885
INCOME TAX EXPENSE	19	(2,085,421)	(1,871,219)
PROFIT FOR THE YEAR		12,199,029	8,360,666
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		12,199,029	8,360,666
BASIC AND DILUTED EARNINGS PER SHARE (SEN)	20	10.17	6.98

The attached notes form an integral part of the Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2006

Attributable to the equity holders of the Company

	Share capital (Note 10) RM	Share premium (Note 11) RM	Retained profit (Note 11) RM	Total RM
At 1st January, 2005	40,000,000	-	19,022,580	59,022,580
Public issue	5,000,000	1,500,000	-	6,500,000
Listing expenses	-	(1,125,463)	-	(1,125,463)
Profit for the year	-	-	8,360,666	8,360,666
Interim tax exempt dividend paid of 8% on 4th August, 2005	-	-	(3,600,000)	(3,600,000)
At 31st December, 2005/ 1st January, 2006	45,000,000	374,537	23,783,246	69,157,783
Profit for the year	-	-	12,199,029	12,199,029
Bonus issue	15,000,000	-	(15,000,000)	-
Transfer listing expenses	-	(180,618)	-	(180,618)
Interim dividend paid of 8% less 28% income tax on 28th December, 2006	-	-	(3,456,000)	(3,456,000)
At 31st December, 2006	60,000,000	193,919	17,526,275	77,720,194

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2006

	2006 RM	As restated 2005 RM
Cash Flow From Operating Activities		
Profit before income tax	14,284,450	10,231,885
Adjustments for:-		
Property, plant and equipment written off	42,888	-
Allowance for doubtful debts	296,947	1,027,238
Depreciation	4,995,378	5,627,509
Amortisation of prepaid lease payments	149,854	110,644
Dividend income	-	(150)
Gain on disposal of property, plant and equipment	(80,000)	(35,402)
Interest expense	144,881	263,387
Interest income	(255,586)	(171,816)
Operating profit before working capital changes	19,578,812	17,053,295
Increase in inventories	(2,626,669)	(3,732,149)
(Increase)/ Decrease in receivables	(1,582,350)	3,358,794
Increase in payables	2,568,833	1,860,332
Cash generated from operating activities	17,938,626	18,540,272
Interest paid	(144,881)	(263,387)
Interest received	255,586	171,816
Tax paid	(1,659,062)	(1,216,698)
Dividend paid	(3,456,000)	(3,600,000)
Net cash provided by operating activities	12,934,269	13,632,003
Cash Flow from Investing Activities		
Proceeds from disposal of property, plant and equipment	80,000	96,700
Dividend received	-	150
^ Purchase of property, plant and equipment	(3,819,915)	(11,339,632)
* Prepayment of land lease	(1,474,446)	-
Net cash used in investing activities	(5,214,361)	(11,242,782)
Cash Flow From Financing Activities		
Proceeds from public issue	-	6,500,000
Listing expenses	(180,618)	(1,125,463)
Repayment of term loans	(567,030)	(3,667,293)
Repayment of hire-purchase creditors	(198,365)	(1,011,422)
Net cash (used in)/ provided by financing activities	(946,013)	695,822
Net changes in cash and cash equivalents	6,773,895	3,085,043
* Cash and cash equivalents brought forward	5,906,701	2,821,658
* Cash and cash equivalents carried forward	12,680,596	5,906,701
Note:		
* Cash and cash equivalents consist of:-		
Fixed deposits with licensed banks	570,770	407,650
Short term deposits with licensed banks	11,200,000	4,510,000
Cash and bank balances	1,340,976	1,933,554
Bank overdrafts	(431,150)	(944,503)
	12,680,596	5,906,701



CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31st December 2006

^ Purchase of property, plant and equipment

Property, plant and equipment at aggregate cost of RM5,412,548 (2005 – RM11,399,632) of which Nil (2005 – RM60,000) was acquired by means of hire-purchase and RM1,592,633 (2005 – Nil) by means of term loan.

* Prepayment of land lease

Prepayment of land lease of RM3,881,813 (2005 – Nil) partly financed by term loan of RM2,407,367 (2005 – Nil).

The attached notes form an integral part of the Financial Statements

BALANCE SHEET

as at 31st December 2006

	Note	2006 RM	2005 RM
ASSETS			
Non-current assets			
Investment in subsidiary companies	4	39,999,998	39,999,998
		<u>39,999,998</u>	<u>39,999,998</u>
Current assets			
Other receivables deposits and prepayments	8	26,500	23,500
Amount due from subsidiary companies		21,005,475	5,096,039
Deposits, cash and bank balances	9	50,967	471,291
		<u>21,082,942</u>	<u>5,590,830</u>
Total assets		<u>61,082,940</u>	<u>45,590,828</u>
EQUITY			
Capital and reserves attributable for the Company's equity holders			
Share capital	10	60,000,000	45,000,000
Reserves	11	1,021,030	514,514
Total equity		<u>61,021,030</u>	<u>45,514,514</u>
LIABILITIES			
Current liabilities			
Other payables and accruals	15	61,910	59,314
Current income tax liabilities		-	17,000
		<u>61,910</u>	<u>76,314</u>
Total liabilities		<u>61,910</u>	<u>76,314</u>
Total equity and liabilities		<u>61,082,940</u>	<u>45,590,828</u>

The attached notes form an integral part of the Financial Statements



INCOME STATEMENT

for the year ended 31st December 2006

	Note	2006 RM	2005 RM
OPERATING REVENUE		27,000,000	4,000,000
OTHER OPERATING INCOME		4,039	60,806
ADMINISTRATIVE EXPENSES		(319,176)	(287,792)
PROFIT BEFORE INCOME TAX	18	26,684,863	3,773,014
INCOME TAX EXPENSE	19	(7,541,729)	(17,000)
PROFIT FOR THE YEAR		19,143,134	3,756,014
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		19,143,134	3,756,014

The attached notes form an integral part of the Financial Statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2006

Attributable to the equity holders of the Company

	Share capital (Note 10) RM	Share premium (Note 11) RM	(Accumulated loss)/ Retained profit (Note 11) RM	Total RM
At 1st January, 2005	40,000,000	-	(16,037)	39,983,963
Public issue	5,000,000	1,500,000	-	6,500,000
Listing expenses	-	(1,125,463)	-	(1,125,463)
Profit for the year	-	-	3,756,014	3,756,014
Interim tax exempt dividend paid of 8% on 4th August, 2005	-	-	(3,600,000)	(3,600,000)
At 31st December, 2005/ 1st January, 2006	45,000,000	374,537	139,977	45,514,514
Profit for the year	-	-	19,143,134	19,143,134
Bonus issue	15,000,000	-	(15,000,000)	-
Transfer listing expenses	-	(180,618)	-	(180,618)
Interim dividend paid of 8% less 28% income tax on 28th December, 2006	-	-	(3,456,000)	(3,456,000)
At 31st December, 2006	60,000,000	193,919	827,111	61,021,030

The attached notes form an integral part of the Financial Statements

CASH FLOW STATEMENT

for the year ended 31st December 2006

	2006	2005
	RM	RM
Cash Flow From Operating Activities		
Profit before income tax	26,684,863	3,773,014
Adjustments for:-		
Dividend income	(27,000,000)	(4,000,000)
Interest income	(4,039)	(60,806)
Operating loss before working capital changes	(319,176)	(287,792)
Increase in receivables	(15,894,436)	(4,608,921)
Increase/ (Decrease) in payables	2,596	(467,341)
Cash absorbed by operations	(16,211,016)	(5,364,054)
Interest received	4,039	60,806
Tax paid	(16,729)	-
Dividend paid	(3,456,000)	(3,600,000)
Net cash used in operating activities	(19,679,706)	(8,903,248)
Cash Flow From Investing Activities		
Dividend received (net)	19,440,000	4,000,000
	19,440,000	4,000,000
Cash Flow From Financing Activities		
Proceeds from public issue	-	6,500,000
Listing expenses	(180,618)	(1,125,463)
Net cash (used in)/ provided by financing activities	(180,618)	5,374,537
Net changes in cash and cash equivalents	(420,324)	471,289
*Cash & cash equivalents brought forward	471,291	2
*Cash & cash equivalents carried forward	50,967	471,291
Note:		
*Cash & cash equivalents consist of:		
Short term deposits with a licensed bank	-	450,000
Cash and bank balances	50,967	21,291
	50,967	471,291

The attached notes form an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of Preparation

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

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

1.2 Changes in Accounting Policies and Effects from Adoption of New and Revised FRSs

In the previous financial year ended 31st December, 2005, the Group and the Company had early adopted the following new and revised Financial Reporting Standards ("FRSs") issued by MASB which are mandatory for financial periods beginning or after 1st January, 2006:-

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Presentation of Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition, the Group have early adopted FRS117, Leases during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

The Group have not earlier adopted the following FRSs and amendments:

		Effective for financial periods beginning on or after
FRS 124	Related Party Disclosures	1 October 2006
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendments to FRS 119 ₂₀₀₄	Employee Benefits – Actuarial Gains and Losses, Group Plans And Disclosures	1 January 2007
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates– Net Investments in a Foreign Operation	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members’ Shares in Co-Operative Entities and Similar Liabilities	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The principal changes in accounting policy as a result of the early adoption of FRS117, Leases during the current financial year is as below:-

Prior to 1st January, 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost/ revaluation less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease.



NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1st January, 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold lands and buildings as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 23.

1.3 Basis of Consolidation

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

The new Standard FRS 3 "Business Combinations" states that all business combinations shall be accounted for by applying the purchase method. However, the Group has adopted the exemption allowed to apply FRS 3 on a prospective basis. Accordingly, business combinations entered into prior to 1st January, 2006, have not been restated to comply with this Standard.

All significant intercompany transactions and balances are eliminated on consolidation.

1.4 Property, Plant and Equipment and Depreciation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

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

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

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

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

1.5 Leases

i) Classification

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

ii) Finance Leases

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

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 1.4.



NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

iii) Operating Leases

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

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

1.6 Investments

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

1.7 Inventories

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

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

1.8 Impairment of Assets

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

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

1.9 Income Tax

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



NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

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

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

1.10 Receivables

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

1.11 Payables

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

1.12 Provisions

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

1.13 Hire-Purchase

Property, plant and equipment acquired under hire-purchase are capitalised and are depreciated on the same basis as owned assets as stated in Note 1.4 and the corresponding obligations relating to the remaining capital payments are treated as liabilities. Finance charges are charged to the income statement over the period of the plan and accounted for using the sum of digits method (Rule 78 method).

1.14 Interest-Bearing Borrowings

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

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

NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

1.15 Share Capital

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

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

1.16 Cash and Cash Equivalents

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

1.17 Financial Instruments

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

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

1.18 Foreign Currencies

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

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

Foreign currency	2006 RM	2005 RM
1 US Dollar	3.5	3.8
1 Singapore Dollar	2.3	2.2
1 Euro	4.7	4.7
1 Australian Dollar	2.8	2.8

1.19 Employee Benefits

(i) **Short term employee benefits**

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

(ii) **Post-employment benefits**

Defined contribution plan

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

1.20 Operating Revenue

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

1.21 Revenue Recognition

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

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

Rental income	on accrual basis over the period of tenancy, unless its collectibility is in doubt.
Interest income	as it accrues taking into account the effective yield on the assets, unless its collectibility is in doubt.
Dividend income	as and when the shareholders' right to receive payment is established.
Other income	on receipt basis.

NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

2. PROPERTY, PLANT AND EQUIPMENT

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

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NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

As restated 2005	Balance at 1.1.2005 RM	Additions RM	(Disposals) RM	Balance at 31.12.2005 RM
COST/ VALUATION				
At valuation:				
Freehold lands	7,081,913	-	-	7,081,913
Freehold buildings	9,218,086	-	-	9,218,086
At cost:				
Motor vehicles	4,963,684	212,140	(102,298)	5,073,526
Plant and machinery	34,973,968	7,806,112	(40,071)	42,740,009
Office equipment	728,010	40,729	-	768,739
Furniture and fittings	221,072	967	-	222,039
Warehouse equipment	232,982	592	-	233,574
Electrical fittings	789,107	49,365	-	838,472
Renovation	3,355,833	1,751,479	-	5,107,312
Science lab equipment	156,064	-	-	156,064
Factory equipment	5,203,199	1,538,248	-	6,741,447
	66,923,918	11,399,632	(142,369)	78,181,181
ACCUMULATED DEPRECIATION				
At valuation:				
Freehold lands	-	-	-	-
Freehold buildings	214,824	214,824	-	429,648
At cost:				
Motor vehicles	4,000,129	497,829	(41,000)	4,456,958
Plant and machinery	20,492,263	3,676,533	(40,071)	24,128,725
Office equipment	511,266	50,891	-	562,157
Furniture and fittings	189,878	6,284	-	196,162
Warehouse equipment	127,565	23,354	-	150,919
Electrical fittings	598,734	48,343	-	647,077
Renovation	1,664,350	460,889	-	2,125,239
Science lab equipment	43,166	15,606	-	58,772
Factory equipment	2,540,126	632,956	-	3,173,082
	30,382,301	5,627,509	(81,071)	35,928,739
	RM			RM
NET BOOK VALUE	36,541,617			42,252,442

NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

- i) Details of independent professional valuation of freehold lands and buildings owned by the subsidiary companies at 31st December, 2006 are as follows:-

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

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

- ii) Surplus arising from revaluation of these freehold properties, which had been written off upon adopting merger accounting as a basis of consolidation, amounted to RM3,615,748.
- iii) The title to certain freehold land and buildings of a subsidiary company have not been issued by the relevant authorities and have been alienated to the subsidiary company by way of sales and purchase agreements.
- iv) Certain property, plant and equipment of certain subsidiary companies were pledged as securities for banking facilities granted to those subsidiary companies as mentioned in Note 13.
- v) Property, plant and equipment of the Group acquired under hire-purchase instalment plans are as follows:-

	2006 RM	2005 RM
At net book value:		
Motor vehicles	212,979	212,979
Plant and machinery	471,447	471,447

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NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

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

	2006 RM	2005 RM
Freehold land and buildings	12,133,473	12,317,066

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

	2006 RM	2005 RM
Motor vehicle	2,905,773	2,905,773
Plant and machinery	8,197,273	8,197,273
Office equipment	176,636	176,636
Furniture and fittings	272,008	272,008
Electrical fittings	387,841	241,289
Renovation	936,155	840,881
Factory equipment	678,768	678,768
Store equipment	89,220	89,220
	13,643,674	13,401,848

3. PREPAID LEASE PAYMENTS

	2006 RM	As restated 2005 RM
Group		
At 1st January	5,387,713	5,498,357
Additions	3,881,813	-
Amortisation for the year	(149,854)	(110,644)
At 31st December	9,119,672	5,387,713

	2006 RM	As restated 2005 RM
Analysed as		
Long term leasehold land and building		
- at valuation	2,397,259	2,431,506
- at cost	3,947,412	106,206
Short term leasehold land and building		
- at valuation	2,775,000	2,850,000
- at cost	1	1
	9,119,672	5,387,713

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

NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

- i) Details of independent professional valuation of leasehold lands and buildings owned by the subsidiary companies at 31st December, 2006 are as follows:-

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

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

	2006 RM	As restated 2005 RM
Long term leasehold land and building	1,321,327	1,340,203
Short term leasehold land and building	315,164	323,895

4. INVESTMENT IN SUBSIDIARY COMPANIES

Company	2006 RM	2005 RM
Unquoted shares, at cost	39,999,998	39,999,998

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

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

a) Direct subsidiary companies

Name of company	Issued and fully paid-up share capital of RM1.00 each RM	Effective equity interest		Principal Activities
		2006 %	2005 %	
Cocoaland Industry Sdn Bhd	1,000,000	100	100	Manufacturing and trading of processed and preserved foods and fruits of all kinds
L.B. Food Sdn Bhd	1,500,000	100	100	Wholesale and retail of processed and preserved foods
B Plus Q Sdn Bhd	500,000	100	100	Manufacturer of fruit juice and foodstuffs

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

Name of company	Issued and fully paid-up share capital of RM1.00 each RM	Effective equity interest		Principal Activities
		2006 %	2005 %	
M.I.T.E. Food Enterprise Sdn Bhd	225,000	100	100	Trading and distribution of foodstuffs

5. INVESTMENT

Group	2006 RM	2005 RM
Unquoted shares, at cost	1,000	1,000

6. INVENTORIES

Group	2006 RM	2005 RM
At cost:		
Work in progress	987,957	1,040,202
Packing materials	4,816,082	3,568,711
Raw materials	4,923,797	4,513,163
Finished goods	5,045,830	4,024,921
	15,773,666	13,146,997

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

7. TRADE RECEIVABLES

Group	2006 RM	2005 RM
Trade receivables	21,917,297	20,034,989
Less: Allowance for doubtful debts	(2,163,104)	(1,946,989)
	<u>19,754,193</u>	<u>18,088,000</u>

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other receivables	222,549	152,747	-	-
Deposits	441,321	917,527	1,000	1,000
Prepayments	462,510	436,896	7,500	22,500
Tax recoverable	708,107	967,617	18,000	-
	<u>1,834,487</u>	<u>2,474,787</u>	<u>26,500</u>	<u>23,500</u>

9. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits with licensed banks	570,770	407,650	-	-
* Short term deposits with licensed banks	11,200,000	4,510,000	-	450,000
Cash and bank balances	1,340,976	1,933,554	50,967	21,291
	<u>13,111,746</u>	<u>6,851,204</u>	<u>50,967</u>	<u>471,291</u>

The interest rates and maturity periods of fixed deposits as at 31st December, 2006 are as follows:-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest rates	3.0% to 4%	2% to 4%	-	-
Maturity periods	1 to 15 months	1 to 15 months	-	-

*Short term deposits of the Group and Company are placed at interest rates of between 2.2% to 3.0% (2005 - 2.2% to 2.6%) per annum and maturity periods of between 5 days to 29 days (2005 - 4 days to 14 days).

Fixed deposits of RM461,864 (2005 – RM407,884) of the Group have been pledged to licensed banks for banking facilities extended to certain subsidiary companies.

Fixed deposits of certain subsidiary companies amounting to RM21,997 (2005 – RM99,380) and RM35,059 (2005 – Nil) are held in the name of certain directors and a former director of the subsidiary companies, respectively, in trust on behalf of the subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

10. SHARE CAPITAL

Company	Number of ordinary shares of RM0.50 each	2006		2005	
		RM	Number of ordinary shares of RM0.50 each	RM	Number of ordinary shares of RM0.50 each
Authorised:					
Balance at 1st January	100,000,000	50,000,000	100,000,000	50,000,000	
Created during the year	100,000,000	50,000,000	-	-	
Balance at 31st December	200,000,000	100,000,000	100,000,000	50,000,000	
Issued and fully paid:					
Balance at 1st January	90,000,000	45,000,000	80,000,000	40,000,000	
Bonus issue	30,000,000	15,000,000	-	-	
Public issue	-	-	10,000,000	5,000,000	
Balance at 31st December	120,000,000	60,000,000	90,000,000	45,000,000	

11. RESERVES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable:				
Share premium	193,919	374,537	193,919	374,537
Distributable:				
Retained profit	17,526,275	23,783,246	827,111	139,977
	17,720,194	24,157,783	1,021,030	514,514

12. HIRE-PURCHASE CREDITORS

Group	2006 RM	2005 RM
Minimum payments		
Not later than one year	81,592	210,576
Later than one year but not later than five years	21,375	102,967
	102,967	313,543
Less: Future hire-purchase charges	(3,903)	(16,114)
	99,064	297,429
Total payable	99,064	297,429
Less: Payable within one year	(78,949)	(188,449)
Payable after one year	20,115	108,980
Terms	3 to 4 years	3 to 4 years
Borrowing rate ranges per annum	3.15% - 3.50%	3.15% - 3.50%

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

NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

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

Group	2006 RM	2005 RM
Secured:		
Term loan I at 2% per annum above the bank's base lending rate with monthly rest, repayable by 84 equal monthly instalments of RM686 each commencing 2nd February 2004	31,526	36,734
Term loan II at 2% per annum above the bank's base lending rate with monthly rest, repayable by 84 equal monthly instalments of RM686 each commencing 2nd February 2004	31,526	36,734
Term loan III at 3.48% per annum for 1st year, 1% per annum below the bank's base lending rate for 2nd year, and 0.3% per annum above the bank's base lending rate from 3rd year onwards, repayable by 12 equal monthly instalments of RM72,732 for 1st year, 12 equal monthly instalments of RM74,952 for 2nd year and thereafter 36 equal monthly instalments of RM76,307 with adjustment in the last instalment commencing March, 2006	3,443,386	-
	3,506,438	73,468
Repayable as follows:-		
Within twelve months	744,479	16,459
Later than one year and not later than two years	766,555	16,459
Later than two years and not later than five years	1,995,404	40,550
	2,761,959	57,009
	3,506,438	73,468

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

- a) First party first legal charge for RM3.5 million over a freehold industrial factory identified as Lot 100, Rawang Integrated Industrial Park. Pending the issuance of an individual title to the property, the existing loan agreement cum assignment for RM3.5 million is to remain;
- b) First party first legal charge for RM10.0 million over a freehold industrial factory identified as Lot 5, Rawang Integrated Industrial Park. Pending the issuance of an individual title to the property, the existing loan agreement cum assignment for RM10.0 million is to remain;
- c) First party legal charge for RM1.75 million over a 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 E 1/4, Kawasan Perusahaan Taman Ehsan, 52100 Kepong, Selangor Darul Ehsan;
- d) First party legal charge for a freehold single-storey semi-detached house located at Golden Dragon Garden, 31900 Kampar, Perak;
- e) First party legal charge for RM44,000 over a freehold single storey terrace house located at PT 4324, Taman Diawan, 31900 Kampar, Perak;

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

- f) First party legal charge for RM44,000 over a freehold single storey terrace house located at PT 4325, Taman Diawan, 31900 Kampar, Perak;
- g) First Party Deed of Assignment for a piece of freehold land held under Master title Geran 57711 for No 1282, Section 20 situated in the Town of Rawang, District of Gombak, State of Selangor Darul Ehsan together with all building(s) and structure(s) to be erected thereon;
- h) First Party Deed of Assignment for a piece of leasehold land held under Master Title Pajakan Negeri No. 5393 for Lot No. 1890 situated in the Mukim of Rawang, District of Gombak, State of Selangor Darul Ehsan together with all building(s) and structure(s) to be erected thereon;
- i) Against fixed deposits belonging to certain directors of the subsidiary companies and certain subsidiary companies;
- j) A debenture created over certain subsidiary companies' fixed and floating assets; and
- k) Corporate guarantee by the Company; and
- l) Joint and several guarantee by the directors of the respective subsidiary companies.

(a), (b) & (c) were discharged during the current financial year ended 31st December, 2006.

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

14. DEFERRED INCOME TAX LIABILITIES

Group	2006 RM	2005 RM
Balance at 1st January	3,315,500	2,619,000
Transferred (to)/ from income statement (Note 19)	(116,000)	696,500
Balance at 31st December	<u>3,199,500</u>	<u>3,315,500</u>

The deferred income tax liabilities are principally in respect of the following temporary differences:-

Surplus of capital allowances claimed over book depreciation of property, plant and equipment	3,213,500	3,315,500
Unabsorbed tax losses	(14,000)	-
	<u>3,199,500</u>	<u>3,315,500</u>

15. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	1,613,714	1,899,039	12,210	12,314
Accruals	1,638,512	1,394,116	49,700	47,000
	<u>3,252,226</u>	<u>3,293,155</u>	<u>61,910</u>	<u>59,314</u>

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

16. AMOUNT DUE TO DIRECTORS

Group

This represent unsecured advances and payments made on behalf of certain subsidiary companies which are unsecured, interest free and have no fixed terms of repayment.

17. ULTIMATE HOLDING COMPANY

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

18. PROFIT BEFORE INCOME TAX

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
a) Profit before income tax is arrived at after charging/ (crediting):-				
Auditors' remuneration				
- current year	60,500	54,000	10,000	8,000
- under / (over)provision in prior years	1,000	(14,459)	500	-
Depreciation (Note 2)	4,995,378	5,627,509 (as restated)	-	-
Amortisation of prepaid lease payments	149,854	110,644 (as restated)	-	-
Loss on foreign exchange	703,960	78,109	-	-
Rental of premises	185,390	129,750	-	-
Bad debts written off	19,500	-	-	-
Allowance for doubtful debts	326,356	1,027,238	-	-
Allowance for doubtful debt no longer required	(77,673)	-	-	-
Gain on disposal of property, plant and equipment	(80,000)	(35,402)	-	-
Income from rental of premises	(1,200)	-	-	-
Interest income				
- fixed and short term deposit interest	(255,586)	(171,816)	(4,039)	(60,806)
Dividend income				
- tax exempt				
- subsidiary companies	-	-	-	(4,000,000)
- unquoted investment	-	(150)	-	-
Non tax exempt				
- subsidiary companies	-	-	(27,000,000)	-

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Labour costs:				
(Included in cost of sales)				
Salaries, wages, bonus & allowances	8,600,487	7,517,157	-	-
EPF and Socso	517,713	488,459	-	-
Others	234,279	219,710	-	-
	9,352,479	8,225,326	-	-
Staff costs:				
Directors' remuneration				
- fees	156,000	156,000	156,000	156,000
- other than fees				
- current director	2,228,840	2,220,240	23,500	23,500
- past directors	27,400	-	-	-
Salaries, wages, bonus & allowances	2,519,090	2,145,655	-	-
EPF and Socso	691,359	609,007	-	-
Others	208,389	305,493	-	-
	5,831,078	5,436,395	179,500	179,500
Finance cost:				
Interest expense				
- LC charges	2,326	1,042	-	-
- bank overdrafts	8,873	8,671	-	-
- hire-purchase	12,212	43,823	-	-
- overdue interest	115	42	-	-
- term loan interest	121,355	209,809	-	-
	144,881	263,387	-	-

b) Directors' remuneration

Directors' remuneration is analysed as follows:

Directors of the Company

Executive directors				
- fees	96,000	96,000	96,000	96,000
- salaries and other emoluments	1,208,340	1,078,340	12,000	12,000
Non-executive directors				
- fees	60,000	60,000	60,000	60,000
- other emoluments	11,500	11,500	11,500	11,500

Other directors (on board of subsidiary companies)

Executive directors				
- salaries and other emoluments				
- current director	1,009,000	1,130,400	-	-
- past director	27,400	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

Group

	2006		2005	
	Executive	Non-Executive	Executive	Non-Executive
The number of directors whose remuneration fell within the following ranges (per annum):-				
Directors of the Company				
RM1 – RM100,000	-	2	-	-
RM100,001 – RM200,000	1	-	1	-
RM200,001 – RM300,000	3	-	3	-
Other directors (on board of subsidiary companies)				
RM1 – RM100,000	2	-	1	-
RM100,001 – RM200,000	2	-	3	-
RM200,001 – RM300,000	1	-	2	-

19. INCOME TAX EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current taxation:				
Estimate for the year	2,223,640	1,237,050	7,542,000	17,000
Overprovision in prior years	(22,219)	(62,331)	(271)	-
	2,201,421	1,174,719	7,541,729	17,000
Deferred income tax liabilities:				
Transferred (from)/ to deferred income tax liabilities (Note 14)	(116,000)	696,500	-	-
	2,085,421	1,871,219	7,541,729	17,000
Reconciliation of effective tax rate:-				
Profit before income tax	14,284,450	10,231,885	26,684,863	3,773,014
Taxation using statutory tax rate of 28%	3,999,646	2,864,928	7,471,761	1,056,444
Reduction in statutory tax rate	(82,148)	(86,985)	-	-
Non-deductible expenses for tax purposes	1,553,637	1,786,536	70,185	80,282
Tax exempt income	-	-	-	(1,120,000)
Capital allowances utilised	(1,503,219)	(1,970,516)	-	-
Balancing charges	22,400	6,661	-	-
Reinvestment allowance utilised	(1,582,989)	(1,235,533)	-	-
Non taxable gain	(4,760)	(9,954)	-	-
Other items	1,213	(269)	54	274
Expenses eligible for double deduction	(180,140)	(117,818)	-	-
Transferred (from)/ to deferred income tax liabilities	(116,000)	696,500	-	-
	2,107,640	1,933,550	7,542,000	17,000
Overprovision in prior years	(22,219)	(62,331)	(271)	-
	2,085,421	1,871,219	7,541,729	17,000



NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

20. EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the Group's profit attributable to ordinary equity holders for the year of RM12,199,029 (2005 – RM8,360,666) by the weighted average number of ordinary shares in issue during the financial year of 120,000,000 (2005 – 119,698,630 (bonus issue effect adjusted)) shares.

21. SEGMENTAL REPORTING

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

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

22. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

(a) Credit risk

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

(b) Foreign currency exchange risk

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

(c) Interest rate risk

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

(d) Liquidity risk and cash flow risk

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

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

(e) **Market risk**

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

Fair values

In the opinion of the directors, the carrying values of financial assets and financial liabilities of the Group as at 31st December, 2006 are not materially different from their fair values.

23. COMPARATIVE FIGURES

Arising from the adoption of FRS117, Leases during the current financial year ended 31st December, 2006, the following comparative figures have been restated accordingly:-

	As previously reported RM	FRS 117 RM	As restated RM
Consolidated Balance Sheet			
Non-current assets			
Property, plant and equipment	47,640,155	(5,387,713)	42,252,442
Prepaid lease payments	-	5,387,713	5,387,713
Consolidated Income and Cash Flow Statements			
Depreciation of property, plant and equipment	5,738,153	(110,644)	5,627,509
Amortisation of prepaid lease payments	-	110,644	110,644

24. CONTINGENT LIABILITIES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Capital expenditure retained in respect of purchase of property, plant and equipment due to unsatisfactory performance	258,878	258,878	-	-
Corporate guarantees given to a licensed bank for banking facility granted to a subsidiary company as at 31st December, 2006	-	-	3,443,386	-
Bank guarantees	210,000	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

25. CAPITAL COMMITMENTS

Group	2006	2005
	RM	RM
Capital expenditure authorised and contracted for but not provided in the financial statements:		
- in respect of purchase of property, plant and equipment	126,336	6,023,668

26. GENERAL INFORMATION

- 26.1 The Company is a public limited company, incorporated and domiciled in Malaysia, quoted on the Main Board of the Bursa Malaysia Securities Berhad.
- 26.2 The Company's principal place of business is Lot 100, Rawang Integrated Industrial Park, 48000 Rawang, Selangor Darul Ehsan.
- 26.3 The financial statements of the Group and of the Company were authorised for issue by the Board of directors in accordance with a resolution dated 18th April, 2007.

27. RELATED PARTIES TRANSACTIONS

Company	2006	2005
	RM	RM
Dividend income from subsidiary companies		
- tax exempt	-	4,000,000
- non tax exempt	27,000,000	-

28. PRESENTATION CURRENCY

All amounts are stated in Ringgit Malaysia.



DIRECTORS' STATEMENT

We, the undersigned, being two directors of the Company, do hereby state that in the opinion of the directors, the financial statements set out on pages 25 to 57 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 2006 and of their results and cash flow for the year ended on that date.

Signed on behalf of the Board of directors in accordance with a resolution dated 18th April, 2007.

LIEW FOOK MENG
Director

LAU KEE VON
Director

KUALA LUMPUR

STATUTORY DECLARATION

I, LIEW FOOK MENG being the director responsible for the financial management of COCOALAND HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 25 to 57 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
this 18th April, 2007

Before me:-

K. Mariasoosay
Commissioner for Oaths
No. W344
Kuala Lumpur

LIST OF PROPERTIES

as at 31 December 2006

Owner / Location	Description of Asset/ Existing Use	Area	Tenure	Approx Age of Building (years)	Net Book Value / Carrying Value RM'000	Date of Valuation/ Acquisition
L.B. Food Sdn. Bhd. No. 41, Jalan E1/4 Kawasan Perusahaan Taman Ehsan 52100 Kepong Selangor Darul Ehsan.	A double-storey warehouse with a 3-storey office annexe.	26,000 sq. ft.	Leasehold 99 years expiring on 09.07.2078	25	2,397	1.12.2003 / Year 1991
L.B. Food Sdn. Bhd. Lot 883, Off Jalan Degong Mambang Diawan 31950 Kampar Perak Darul Ridzuan	A detached industrial factory complex comprising a main factory building with an annexe, 2 other factory buildings and a host of other support buildings/ structures.	130,652 sq. ft.	Leasehold 60 years expiring on 15.04.2046	15 to 19	2,775	1.12.2003/ Year 1988
Cocoaland Industry Sdn. Bhd. Lot 100, Rawang Integrated Industrial Park 48000 Rawang Selangor Darul Ehsan	A block of single storey factory with a 2-storey factory with annexe, 3 blocks of single storey factory/ warehouses and a 2-storey canteen cum staff quarters.	190,634 sq. ft.	Freehold	10 to 13	9,609	1.12.2003/ Year 1993
Cocoaland Industry Sdn. Bhd. Lot 5, Rawang Integrated Industrial Park 48000 Rawang Selangor Darul Ehsan	A single storey factory/ warehouse with a 2-storey office annexe.	89,371 sq. ft.	Freehold	4	5,914	1.12.2003/ Year 2001
Cocoaland Industry Sdn. Bhd. Geran 57711, No. Lot 1282, Seksyen 20 Bandar Rawang Daerah Gombak Selangor Darul Ehsan	Vacant	130,865 sq. ft.	Freehold	-	2,568	8.12.2005
Cocoaland Industry Sdn. Bhd. H.S. (D) 58472, PT5266, Bandar Rawang Daerah Gombak Selangor Darul Ehsan	Vacant	197,811	Leasehold 99 years expiring on 28.08.2105	-	3,843	8.12.2005

LIST OF PROPERTIES

as at 31 December 2006

Owner / Location	Description of Asset/ Existing Use	Area	Tenure	Approx Age of Building (years)	Net Book Value / Carrying Value RM'000	Date of Valuation/ Acquisition
M.I.T.E. Food Enterprise Sdn. Bhd. No. 309, Golden Dragon Garden 31900 Kampar Perak Darul Ridzuan	A single storey semi-detached house/ Staffs' hostel	4,230 sq. ft.	Freehold	25	134	1.12.2003/ Year 1982
B Plus Q Sdn. Bhd. No. 324, Taman Diawan Mambang Diawan, 31950 Kampar Perak Darul Ridzuan	A single storey terrace house/ Staffs' hostel	1,400 sq. ft.	Leasehold 99 years	4	52	18.08.2003
				Expiring on 29.12.2081		
B Plus Q Sdn. Bhd. No. 325, Taman Diawan Mambang Diawan 31950 Kampar Perak Darul Ridzuan	A single storey terrace house/ Staffs' hostel	1,400 sq. ft.	Leasehold 99 years	4	52	18.08.2003
				Expiring on 29.12.2081		

ANALYSIS OF SHAREHOLDINGS

as at 30 April 2007

1. Share Capital

Authorised Share Capital	RM100,000,000.00
Issued and fully paid-up	RM60,000,000.00
Class of Shares	Ordinary Shares of RM0.50 each
Voting Rights	One vote per Ordinary Share held

2. Distribution Schedule Of Shares

Size of Holdings	No. of Holders	Total Holdings	% of Holdings
1 – 99	221	10,538	0.01
100 – 1000	147	93,818	0.08
1,001 – 10,000	794	3,525,371	2.94
10,001 – 100,000	312	9,176,566	7.65
100,001 to less than 5% of issued shares	62	41,908,736	34.92
More than 5% of issued shares	1	65,284,971	54.40
Total	1,537	120,000,000	100.00

3. Thirty Largest Shareholders

	Name of Shareholders	No. of Shares	% of Shares
1.	Leverage Success Sdn. Bhd.	65,284,971	54.40
2.	Chong Yew Phun	4,623,000	3.85
3.	Ong Soon Peng	3,745,600	3.12
4.	Poon Lee Wah	3,487,633	2.91
5.	Ong Soon Peng	3,076,800	2.56
6.	TA Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Norshamsi Binti Omar Talib]	2,480,000	2.07
7.	TA Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Victor Chan Yew Fai]	2,450,300	2.04
8.	Ho Sek Kee Sdn. Bhd.	1,134,284	0.95
9.	Azri Bin Ahmad	1,000,000	0.83
10.	Hon Yew Chong	867,300	0.72
11.	Chew Mun Kah	813,500	0.68
12.	Chew Pui Ming	762,700	0.64
13.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. [Pheim Assets Management Sdn. Bhd. for Employees Provident Fund]	707,400	0.59
14.	HSBC Nominees (Asing) Sdn. Bhd. [Exempt An for Morgan Stanley & Co. International Plc.]	700,000	0.58
15.	MIDF Sisma Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Liew Fook Meng]	677,700	0.56
16.	Lok Siew Dhan	637,944	0.53
17.	Lau Pa Sin	620,711	0.52
18.	Lau Yoke Kiew	613,161	0.51
19.	Eng Ah Thung @ Eng Bean Keng	600,000	0.50
20.	Victor Chan Yew Fai	600,000	0.50
21.	Soh Siew Twee	583,067	0.49
22.	Lau Yook Chan	539,000	0.45
23.	Low Yoon Sun	526,495	0.44
24.	Norshamsi Binti Omar Talib	513,333	0.43

ANALYSIS OF SHAREHOLDINGS

as at 30 April 2007

	Name of Shareholders	No. of Shares	% of Shares
25.	Lee Yoke Choo	506,400	0.42
26.	Choong Kiat Keong	502,800	0.42
27.	Tan Song Cheng	458,300	0.38
28.	Lau Yook Chan	455,000	0.38
29.	Ho Kim Peng	419,000	0.35
30.	HDM Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Liew Fook Meng]	415,733	0.35

4. Information On Substantial Shareholders (based on the Register of Substantial Shareholders as at 30 April 2007).

Name of Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Leverage Success Sdn. Bhd.	65,284,971	54.40	0	0.00
Liew Fook Meng	1,093,433	0.91	68,102,437 (a)	56.75
Lau Kwai Choon	0	0.00	69,195,870 (a)	57.66
Lau Pak Lam	721,866	0.60	68,474,004 (a)	57.06
Liew Yoon Kee	73,333	0.06	69,122,537 (a)	57.60
Lau Kim Chew	0	0.00	69,195,870 (a)	57.66
Lew Foo Chay @ Lau Foo Chay	0	0.00	69,195,870 (a)	57.66
Lau Kee Von	261,900	0.22	68,933,970 (a)	57.44
Lau Pa Sin	620,711	0.52	68,723,825 (b)	57.27
Lau Yoke Kiew	613,161	0.51	68,582,709 (c)	57.15
Low Yoon Sun	526,495	0.44	68,669,375 (c)	57.22

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

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

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

5. Directors' Shareholdings (based on the Register of Directors' Shareholdings as at 30 April 2007).

Name of Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Azman Bin Mahmood	393,333	0.33	0	0.00
Liew Fook Meng	1,093,433	0.91	68,102,437 (a)	56.75
Lau Pak Lam	721,866	0.60	68,474,004 (a)	57.06
Liew Yoon Kee	73,333	0.06	69,122,537 (a)	57.60
Lau Kee Von	261,900	0.22	68,933,970 (a)	57.44
Chow Kee Kan @ Chow Tuck Kwan	0	0.00	0	0.00

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



PROXY FORM

COCOALAND HOLDINGS BERHAD

(Company No. 516019-H)
(Incorporated in Malaysia)

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

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

as my/our proxy to vote for me/us on my/our behalf at the 7th Annual General Meeting of the Company to be held at Dynasty Ballroom, Level 5, Dynasty Hotel, 218 Jalan Ipoh, 51200 Kuala Lumpur on Wednesday, 20 June 2007 at 10:00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

RESOLUTIONS	FOR	AGAINST
1. Receive the Audited Financial Statements for the financial year ended 31 December 2006 and the Reports of the Directors and Auditors thereon		
2. Re-election of Lau Kee Von as Director		
3. Re-election of Lau Pak Lam as Director		
4. Approve payment of Directors' fee amounting to RM156,000 in respect of the financial year ended 31 December 2006		
5. Re-appointment of Messrs. Wong Weng Foo & Co. as Auditors		
6. Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
7. Proposed amendments to the Company's Articles of Association		

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

Dated this _____ day of _____ 2007

Number of Shares held

Signature: _____

NOTES:-

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

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Stamp

THE SECRETARY
COCOALAND HOLDINGS BERHAD
SUITE 405, 4TH FLOOR
MAGNUM PLAZA
128, JALAN PUDU
55100 KUALA LUMPUR

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This is the Appendix I referred to in the Special Resolution of the Notice of the Seventh Annual General Meeting of CoCoaland Holdings Berhad.

Proposed Amendments to the Articles of Association of the Company

The Articles of Association of the Company are proposed to be amended in the following manner:-

- (1) The existing Article 2 be amended by deleting the definition of "Approved Market Place":-

Words		Meanings
Approved Market Place	...	A stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption Order (No. 2), 1998

- (2) The existing Article 3(2)(b) be deleted in its entirety:-

Existing Article 3(2)(b)

"No issue of preference shares shall be made which would result in the total nominal value of issued preference shares issued exceeding the total nominal value of the issued ordinary shares at any time."

- (3) The existing Article 3(2)(c) and 3(2)(d) be re-numbered as Article 3(2)(b) and 3(2)(c) respectively.

- (4) The existing Article 4(1) be deleted in its entirety and replaced with the following new Article 4(1):-

Existing Article 4(1)

"Subject to Article 3(2)(b), the Company shall have power with the sanction of an ordinary resolution to issue preference shares carrying a right to redemption out of profits or liable to be redeemed at the option of the Company or to issue preference shares ranking equally with or in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner and either at par or at a premium as they may think fit."

New Article 4(1)

"The Company shall have power with the sanction of an ordinary resolution to issue preference shares carrying a right to redemption out of profits or liable to be redeemed at the option of the Company or to issue preference shares ranking equally with or in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner and either at par or at a premium as they may think fit."

- (5) The existing Article 4(2) be amended by inserting a new sentence which reads as follows:-

"On a resolution to be decided on a show of hands, a holder of preferences shares who is personally present and entitled to vote shall be entitled to 1 vote"



APPENDIX 1

and the new Article 4(2) shall read as follows:-

New Article 4(2)

“Preference shareholders shall have the same rights as ordinary shareholders as regards the receiving of notices, reports and balance sheets and the attending of general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the whole of the company’s property, business or undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is in arrears for more than six (6) months. On a resolution to be decided on a show of hands, a holder of preferences shares who is personally present and entitled to vote shall be entitled to 1 vote.”

(6) The existing Article 4(3) be deleted in its entirety:-

Existing Article 4(3)

“Preference shareholders must be entitled to a return of capital in preference to holders of ordinary shares when the company is wound up.”

(7) The existing Article 23 be deleted in its entirety and replaced with the following new Article 23:-

Existing Article 23

The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determined not exceeding in the whole thirty (30) days in any year. Subject always to the requirements of Bursa Securities, at least twelve (12) market days’ notice of intention to close the said register shall be published in a daily newspaper circulating in Malaysian and shall be also be given to Bursa Securities. The said notice shall state the purpose or purposes for which the register is being closed. At least three (3) market days prior notice shall be given to Bursa Depository to prepare the appropriate Record of Depositors provided that where the Record of Depositors is required in respect of corporate actions, at least seven (7) market days prior notice shall be given to Bursa Depository.

New Article 23

The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determined not exceeding in the whole thirty (30) days in any year. Subject always to the requirements of Bursa Securities, at least ten (10) market days’ notice of intention to close the said register shall be given to Bursa Securities. The said notice shall state the purpose or purposes for which the register is being closed. At least three (3) market days prior notice shall be given to Bursa Depository to prepare the appropriate Record of Depositors provided that where the Record of Depositors is required in respect of corporate actions, at least seven (7) market days prior notice shall be given to Bursa Depository.

- (8) The existing Article 30 be deleted in its entirety and replaced with the following new Article 30:-

Existing Article 30 – Transmission of securities from Foreign Register

- (1) “Where:-

- (a) the securities of the Company are listed on the Approved Market Place; and
- (b) such company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories)(Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,

such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the Approved Market Place (hereinafter referred to as “the Foreign Register”) to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as “the Malaysian Register”) provided that there shall be no change in the ownership of such securities.

- (2) For the avoidance of doubt, no company which fulfils the requirements of subparagraphs 1(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.”

New Article 30 – Transmission of securities

“Where:-

- (a) the securities of the Company are listed on another stock exchange; and
- (b) such company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories)(Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,

such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the other stock exchange to the register of holders maintained by the registrar of the company in Malaysia and vice-versa provided that there shall be no change in the ownership of such securities.”

- (9) The existing Article 57(2) be deleted in its entirety and replaced with the following new Article 57(2):-

Existing Article 57(2)

“The Company shall inform Bursa Depository of the dates of general meetings and shall in written request made in duplicate in the prescribed form, request Bursa Depository in accordance with the Rules, to issue a Record of Depositors, as at a date not less than three (3) market days before the date of the general meeting (hereinafter referred to as “the General Meeting Record of Depositors”). Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.”



APPENDIX 1

New Article 57(2)

"The Company shall inform Bursa Depository of the dates of general meetings and shall in written request made in duplicate in the prescribed form, request Bursa Depository in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be a date not less than three (3) market days before the date of the general meeting (hereinafter referred to as "the General Meeting Record of Depositors"). Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors."

- (10) The existing Article 83 be deleted in its entirety and replaced with the following new Article 83:-

Existing Article 83

"Until otherwise determined by general meeting, the number of directors shall not be less than two (2) and not more than twelve (12), all of whom shall be natural persons. The first Directors of the Company shall be Wong Yoke Fun and Wong Wai Foong."

New Article 83

"Until otherwise determined by general meeting, the number of directors shall not be less than two (2) and not more than twelve (12). The first Directors of the Company are Wong Yoke Fun and Wong Wai Foong."

- (11) The existing Article 87 be deleted in its entirety and replaced with the following new Article 87:-

Existing Article 87

"The office of Director shall become vacant, if the Director:

- (a) becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (b) becomes of unsound mind or a person liable to be dealt with in any way under the law relating to mental disorder;
- (c) becomes prohibited by law from acting as a Director,
- (d) resigns from his office by notice in writing given to the Company;
- (e) is removed from his office by ordinary resolution of the Company in general meeting; and
- (f) is absent from more than 50.0% of the total board of directors' meetings held during a financial year."

New Article 87

"The office of Director shall become vacant, if the Director:

- (a) becomes bankrupt or makes any arrangement or composition with his creditors generally during his term of office;
- (b) becomes of unsound mind or a person liable to be dealt with in any way under the law relating to mental disorder during his term of office;
- (c) becomes prohibited by law from acting as a Director,
- (d) resigns from his office by notice in writing given to the Company; or
- (e) is removed from his office by ordinary resolution of the Company in general meeting."

- (12) The existing Article 105 be deleted in its entirety and replaced with the following new Article 105:-

Existing Article 105

"A committee may meet and adjourn its meeting as its members think proper. Questions arising at any meeting shall be determined by a majority of votes of the members present. The Chairman shall have a casting vote in case of a equality of votes except where only two (2) Directors are competent to vote on the question at issue."

New Article 105

"A committee may meet and adjourn its meeting as its members think proper. Questions arising at any meeting shall be determined by a majority of votes of the members present. The Chairman shall have a casting vote in case of an equality of votes except where only two (2) Directors form a quorum or are competent to vote on the question at issue."

- (13) The existing Article 146 be deleted in its entirety:-

Existing Article 146

"In addition to the requirements set out in Section 31 of the Act, the Company shall not delete, amend or add to any of the Articles contained herein unless prior written approval has been sought and obtained from Bursa Securities for such deletion, amendment or addition."

- (14) The existing Article 147 be re-numbered as Article 146.

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