

COCOALAND HOLDINGS BERHAD
Registration No. 200001013413 (516019-H)
(Incorporated in Malaysia)

(Questions and Answers during the Annual General Meeting held on 22 September 2021)

- 1) *Raw materials cost and freight cost have been increased since last year, do we able to pass these rising costs to consumers or contract manufacturing customers?*

Yes. The raw material cost has been increased for past couple of months especially sugar and RBT palm olein. It depends on what product is. Let's say Gummy, most slightly yes. For gummy, we are the market leader in the region, it is easier to pass on the cost inflated to the customers relatively. For contract manufacturing customers, we are applying cost plus method, if the material cost, labour cost, operating cost increased, we are able to pass on majority cost increased to OEM customers.

- 2) *The decline of revenue in financial year ended 2020 was predominantly due to the softer demand for in-house gummy from abroad especially Vietnam, China, South Korea and Hong Kong (refer to page 18 of the Annual Report). Considering that most of the abovementioned countries seem to be coping relatively well with Covid-19, what are the factors that causing softer demand in these countries? Similar reasons were also mentioned in the first quarter and second quarter financial statements for the financial year ending 31 December 2021, does management expect the demand from these countries to remain soft for the coming years?*

Yes. During the Covid-19 pandemic, our products especially gummy has been declined significantly in Vietnam, China, South Korea and Hong Kong because the candy is not an essential product as compared to cookies, Cocopie during Covid-19 pandemic.

Again, our mango gummy is quite famous in some tourist centres. During the lock down period, border of these centres were closed, the sales of gummy dropped significantly in these countries.

Does management expect the demand from these countries to remain soft for the coming years?

It depends on the development of Covid-19 pandemic. If border of those countries are opened up and more people are vaccinated, the business can be rebounded most likely.

- 3) *Revenue has been in downtrend over the past 6 quarters, with revenue dropped to RM47.4 million in unaudited second quarter financial statements for the period ended 30 June 2021. Why was the Company reporting lower revenue, despite our economy briefly opened in First Quarter and Second Quarter of year 2021? Do management expect this downtrend to continue for coming quarters?*

It is quite similar to the answer of Question 2. Because the candy is not essential product during Covid-19 as compared to cookies and Cocopie, that's why revenue declined.

The question whether the downtrend continues for coming years, it depends on the development of Covid-19 pandemic. If more border are opened up by every country and more people are vaccinated, the chance of revenue rebounded will be higher.

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- 4) *The six months financial results for the financial year ending 31 December 2021 announced recently showed that Cocoaland managed to maintain its profits margin despite the substantial increased in raw material prices such as palm oil, etc. Can the Board/Management provide some updates on the impact of the increase in raw materials to the profit margins for the second half of the year?*

Yes, some of the material costs has gone up especially palm oil, sugar and other packaging materials.

Again, the impact of the increased in raw materials to profit margin depends on which product is referred to.

- 5) *The company has been introducing new products to diversify from its core gummy products. Can the Board/Management provide some details on the percentage of gummy and non-gummy products' contribution to the Group's revenue in the past 3 years?*

For financial year ended 2020, revenue came from gummy was 55% as compared to 45% for non-gummy products.

For financial year ended 2019, revenue contribution from gummy was 58% as compared to 42% for non-gummy products

For financial year ended 2018, the contributed from gummy was 53% as compared to 47% for non-gummy products.

- 6) *Three (3) of the Group's factories are located at Kepong/Rawang. However, there is an existing factory in Kampar, Perak. Are there any plans to relocate this factory back to Klang Valley to derive better operational synergy?*

We have currently rented out our Kampar factory. No plan to relocate the Kampar factory to Klang Valley at this moment.

- 7) *The local hypermarkets or Lazada marketplace platform are selling limited Cocoaland products. Why Jelly or Mum's Bake Pineapple or Strawberry Jam Cookie were not listed for selling. Is there any reason that Cocoaland not selling it locally?*

We have our own strategic reason why we want to selling certain products at hypermarket or Lazada. For Jelly or Mum's Bake Pineapple, because we have to pay higher listing fee for those hypermarkets, that's why the margin has been squeezed up.

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