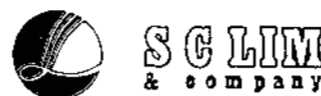


**10. ACCOUNTANTS' REPORT***(Prepared for inclusion in the Prospectus)***ACCOUNTANTS' REPORT****(Prepared for inclusion in Prospectus to be dated 22/03/2005)**Date : **16 MAR 2005**

The Board Of Directors  
**GUAN CHONG BERHAD**  
 PLO 273, Jalan Timah 2  
 81700 Pasir Gudang  
 Johor Darul Takzim

Dear Sirs,

**1. INTRODUCTION**

This report has been prepared by S. C. Lim & Co., an approved company auditor, for inclusion in the Prospectus to be dated 22/03/2005 in connection with the public issue of 24,000,000 ordinary shares of RM 0.25 each at an issue price of RM 0.65 per share and offer for sale of 66,000,000 ordinary shares of RM 0.25 each at an offer price of RM 0.65 per share in GUAN CHONG BERHAD (hereinafter referred to as "GCB" or "the Company"), and the listing of and quotation for the entire issued and fully paid-up share capital of GCB comprising 240,000,000 ordinary shares of RM 0.25 each on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

**2. GENERAL INFORMATION****2.1 The Company and Its Subsidiary Companies**

GCB was incorporated in Malaysia as a public limited company on 22 March 2004. Its principal activity is that of investment holding. Details of its subsidiary companies, all of which are incorporated in Malaysia, are as follows :

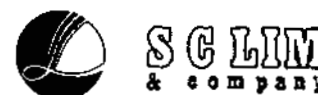
<u>Company Name</u>	<u>Date Of Incorporation</u>	<u>Authorised Share Capital</u> RM	<u>Issued And Paid-Up Share Capital</u> RM	<u>Principal Activity</u>
Guan Chong Cocoa Manufacturer Sdn. Bhd. ("GCC")	09 Jan 1985	25,000,000	12,000,000	Producing cocoa-derived food ingredients.
Guan Chong Trading Sdn. Bhd. ("GCT")	31 Jul 1984	500,000	250,500	Buying and selling of cocoa beans.
Enrich Mix Sdn. Bhd. ("EM")	25 Sep 2002	1,000,000	1,000,000	Producing blended cocoa-derived food ingredients.

GCB does not have any associated company.

GCB and its subsidiary companies are referred to as the "GCB Group" or "Group" hereinafter.

**S C LIM & CO., CHARTERED ACCOUNTANTS (AF 0681)**

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E-mail: email@sclim.com.my
- 13-7, The Boulevard, Mid Valley City, Lingkaran Syed Putra.  
59200 Kuala Lumpur, Malaysia.  
Tel: 603-22841788, 22846788 Fax: 603-22842688  
E-mail: mail@sclim.com.my

**10. ACCOUNTANTS' REPORT (Cont'd)****2. GENERAL INFORMATION – (con't)****2.2 Restructuring and Flotation Scheme**

In conjunction with the proposed listing and quotation of the entire issued and paid-up share capital of 240,000,000 ordinary shares of RM 0.25 each of GCB on the Main Board of Bursa Securities, the Company undertakes the following corporate exercises :

- (a) Acquisitions of the entire issued and paid-up share capital of GCC and GCT comprising 12,000,000 ordinary shares of RM 1.00 each and 250,500 ordinary shares of RM 1.00 each respectively for a total purchase consideration of RM 31,088,003 to be satisfied by the issuance of 124,352,012 new ordinary shares of RM 0.25 each in GCB at par. After the aforesaid acquisitions, GCB also acquired from GCC 51% of issued and paid-up share capital of EM comprising 510,000 ordinary shares of RM 1.00 each for a total cash consideration of RM 556,662 (collectively referred to as the "Acquisitions" hereinafter). The Acquisitions was completed on 4 January 2005.
- (b) Renounceable Rights Issue of 91,647,980 new ordinary shares of RM 0.25 each in GCB at par to all shareholders of GCB after the Acquisitions on the basis of approximately 74 new ordinary shares for every existing 100 ordinary shares held in GCB. The Rights Issue was completed on 17 February 2005.
- (c) Public Issue of 24,000,000 ordinary shares of RM 0.25 each in GCB at an issue price of RM 0.65 per share.
- (d) Offer for Sale of 66,000,000 ordinary shares of RM 0.25 each in GCB at an offer price of RM 0.65 per share.
- (e) Establishment of an Employee Share Option Scheme ("ESOS") for the issuance of new ordinary shares to the eligible directors and employees of GCB Group subject to a maximum of 36,000,000 ordinary shares of RM 0.25 each representing 15% of the enlarged share capital of GCB upon listing.

The above scheme was approved by the Securities Commission, Foreign Investment Committee and Ministry of International Trade and Industry on 1 December 2004, 1 December 2004 and 27 October 2004 respectively.

**2.3 Share Capital****(a) Authorised Share Capital**

The present authorised share capital of GCB is RM 100,000,000 comprising 400,000,000 ordinary shares of RM 0.25 each. The changes in its authorised share capital since its incorporation are as follows:

<u>Date Of Creation</u>	<u>No. Of Shares</u>	<u>Par Value</u>	<u>Share Type</u>	<u>Cumulative Amount</u>
		RM		RM
22 March 2004	100,000	1.00	Ordinary	100,000
05 May 2004	400,000	0.25	Subdivision of par value from RM 1.00 to RM 0.25 per share	100,000
03 December 2004	399,600,000	0.25	Ordinary	100,000,000

**10. ACCOUNTANTS' REPORT (Cont'd)****2. GENERAL INFORMATION – (con't)****2.3 Share Capital – (cont'd)****(b) Issued And Paid-up Share Capital**

The present issued and paid-up share capital of GCB is RM 54,000,000 comprising 216,000,000 ordinary shares of RM 0.25 each. The changes in its issued and paid-up share capital since its incorporation are as follows :

<u>Date Of Allotment</u>	<u>No. Of Ordinary Shares</u>	<u>Par Value</u> RM	<u>Consideration</u>	<u>Cumulative Amount</u> RM
22 March 2004	2	1.00	Issued at par as subscribers' shares	2
05 May 2004	8	0.25	Share split	2
03 January 2005	124,352,012	0.25	Issued at par as consideration for the acquisitions of 100% equity interest in GCC Group and GCT	31,088,005
17 February 2005	91,647,980	0.25	Rights Issue at RM 0.25 per share	54,000,000

**3. FINANCIAL STATEMENTS AND AUDITORS****(a) GCB**

We have been appointed as auditors of GCB since the date of its incorporation on 22 March 2004. Its financial statements for the financial period from 22 March 2004 to 31 October 2004 was reported on by us without any qualification.

**(b) GCC**

We have been appointed as auditors of GCC since 6 January 2003. Its financial statements for the financial years ended 31 December 2002 to 2003 and 10-month financial period ended 31 October 2004 were reported on by us without any qualification. The financial statements for the financial years ended 31 December 1999 to 2001 were reported on by other firms of auditors without any qualification.

**(c) GCT**

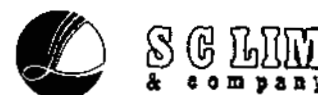
We have been appointed as auditors of GCT since 2 May 1996. Its financial statements for the financial years ended 31 December 1999 to 2003 and 10-month financial period ended 31 October 2004 were reported on by us without any qualification.

**(d) EM**

We have been appointed as auditors of EM since the date of its incorporation on 25 September 2002. Its financial statements for the financial period from 25 September 2002 to 31 December 2002, financial year ended 31 December 2003 and 10-month financial period ended 31 October 2004 were reported on by us without any qualification.

**4. ACCOUNTING STANDARDS AND POLICIES**

This report is presented based on the audited financial statements which have been prepared in accordance with applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB") and is presented on a basis which consistent with the accounting policies normally adopted by GCB Group. There is no change in any accounting policy throughout the financial years/period under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****5. SUMMARY OF RESULTS****5.1 GCB GROUP - Proforma Consolidated Results**

The summarised proforma consolidated results of GCB Group for the past five (5) financial years ("FY") ended 31 December 1999 to 2003 and 10-month financial period ended 31 October 2004 set out below have been prepared based on the assumption that the current structure of GCB Group has been in existence throughout the relevant periods under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with notes hereto :

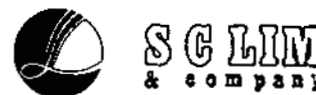
	← Financial Year Ended 31 December →					10-Month
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>31 Oct 2004</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	75,287	120,610	141,097	220,304	370,947	274,552
EBITDA	5,660	11,136	10,986	13,465	22,937	20,737
Amortisation	-	-	-	-	-	-
Depreciation	(1,689)	(2,997)	(3,173)	(3,444)	(3,578)	(3,791)
Interest expenses	(462)	(1,080)	(1,228)	(1,419)	(1,861)	(2,515)
Interest income	-	9	-	-	34	131
Profit before tax	3,509	7,068	6,585	8,602	17,532	14,562
Tax expense	(2)	(1,724)	(1,345)	(1,156)	(2,647)	(2,468)
Profit after tax but before minority interest	3,507	5,344	5,240	7,446	14,885	12,094
Minority interest	-	-	-	*	(45)	(284)
Profit after tax and minority interest	3,507	5,344	5,240	7,446	14,840	11,810
No. of ordinary shares of RM 0.25 each assumed to be in issue ('000) ^	124,352	124,352	124,352	124,352	124,352	124,352
Gross earnings per share (Sen)	2.82	5.68	5.30	6.92	14.06	13.78 @
Net earnings per share (Sen)	2.82	4.30	4.21	5.99	11.93	11.40 @
Enlarged no. of ordinary shares of RM 0.25 each assumed to be in issue ('000) #	240,000	240,000	240,000	240,000	240,000	240,000
Gross earnings per share (Sen)	1.46	2.95	2.74	3.58	7.29	7.14 @
Net earnings per share (Sen)	1.46	2.23	2.18	3.10	6.18	5.90 @

\* Amount less than RM 1,000.

@ Annualised.

^ Representing the number of GCB shares in issue after the Acquisitions but before the completion of the Rights Issue and Public Issue.

# Representing the number of GCB shares in issue after the Acquisitions, Rights Issue and Public Issue.

**10. ACCOUNTANTS' REPORT (Cont'd)****5. SUMMARY OF RESULTS – (con't)****5.1 GCB GROUP - Proforma Consolidated Results – (cont'd)***Notes :*

- (a) *The proforma consolidated results have been prepared based on the audited financial statements of GCB and its subsidiary companies, and on the assumption that the Acquisitions as set out in Section 2.2 (a) had been in effect throughout the periods under review.*
- (b) *The proforma consolidated results were arrived at after making necessary adjustments for restatements to the financial statements.*
- (c) *The turnover of GCB Group for FY 1999 to 2002 is essentially the turnover of GCC because EM has not commenced business operations yet, whilst GCT temporarily ceased business operations during these financial years.*

*The turnover dropped 16.86% to RM 75.3 million during FY 1999 primarily due to lower unit selling prices of cocoa products. In fact, the sales volume had actually increased, though insignificant, from FY 1998 to 1999.*

*GCC invested in a second production line and started its trial run in December 1999. Coupled with the investment of RM 6.3 million in plant & machinery during FY 2000, the production capacity and output increased substantially. As a result, the sales volume doubled for FY 2000. However, the amount of turnover increased by 60.20% only due to lower unit selling prices of cocoa products.*

*During FY 2001, the turnover grew by 16.99% to RM 141.1 million as a result of higher unit selling prices of cocoa products and higher sales volume. GCC managed to achieve higher production capacity and output principally attributed to the investment in plant & machinery during FY 2000 and 2001.*

*The turnover registered a 56.14% growth to RM 220.3 million during FY 2002 primarily attributed to higher unit selling prices of cocoa products. In fact, the sales volume remained at about the same level as preceding year.*

*During FY 2003, the turnover recorded a growth of 68.38% to RM 370.9 million as a result of higher unit selling prices of cocoa products and higher production output of GCC, as well as RM 5.0 million sales contributed by EM which started its first year of operations.*

*On an annualised basis, the turnover for the financial period ended 31 October 2004 decreased by approximately 11.18% as a result of lower sales volume and weighted average selling price of cocoa products.*

- (d) *Pre-tax profit increased as the turnover grew from FY 1999 to 2003 except for FY 2001. The pre-tax profit for FY 2001 declined by 6.83% to RM 6.6 million despite a growth of RM 20.5 million in turnover over the preceding year, mainly due to a lower bean-to-product margin attained by GCC. During the financial years under review, pre-tax profit margin fluctuated in tandem with gross profit margin, which in turn was largely dependent on bean-to-product margin. The bean-to-product margin represents the percentage of price difference between cocoa beans and cocoa products over the weighted average selling price of cocoa products. On an annualised basis, the pre-tax profit for the financial period ended 31 October 2004 is 0.33% lower than preceding year as result of lower turnover.*

**10. ACCOUNTANTS' REPORT (Cont'd)****5. SUMMARY OF RESULTS – (con't)****5.1 GCB GROUP - Proforma Consolidated Results – (cont'd)**

- (e) *There was no tax charge in respect of business income for FY 1999 as it was waived in accordance with the Income Tax (Amendment) Act, 1999. The effective tax rate for FY 2000 to 2003 was lower than the statutory tax rate attributed to the availability of tax incentive in GCC. For the financial period ended 31 October 2004, the effective tax rate was lower than the statutory tax rate attributed to the availability of tax incentives in GCC and EM.*
- (f) *There were no exceptional or extraordinary items during the financial years/period under review.*
- (g) *The gross and net earnings per share of the GCB Group are computed based on the pre-tax profit after minority interest, and profit after tax and minority interest respectively.*

**5.2 The Company and its subsidiary companies**

The summarised audited results of GCB and its subsidiary companies for the financial years/period under review are set out as follows :

**5.2.1 GCB**

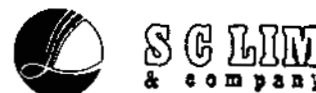
	<b>Financial Period From 22 Mar 2004 To 31 Oct 2004 RM '000</b>
Turnover	-
EBITDA	(5)
Tax expense	-
(Loss) after tax	(5)
No. of ordinary shares ('000)	*
Net loss per share (RM)	625.00

\* This represents issued and paid-up share capital of RM 2.00.

**Notes :**

- (a) *The Company was only incorporated on 22 March 2004. As such, its income statement was drawn up to 31 October 2004. The loss incurred for the financial period ended 31 October 2004 was in respect of preliminary and pre-operating expenses.*
- (b) *There was no tax charge for the financial period ended 31 October 2004 as GCB did not derive any chargeable income.*
- (c) *There were no exceptional or extraordinary items during the financial period under review.*

## 10. ACCOUNTANTS' REPORT (Cont'd)



## 5. SUMMARY OF RESULTS – (con't)

## 5.2 The Company and its subsidiary companies – (con't)

## 5.2.2 GCC Group

	Financial Year Ended 31 December		10-Month Period Ended
	<u>2002</u>	<u>2003</u>	<u>31 Oct 2004</u>
	RM '000	RM '000	RM '000
Turnover	220,304	370,947	274,552
EBITDA	13,465	22,608	20,016
Amortisation	-	-	-
Depreciation	(3,444)	(3,578)	(3,791)
Interest expenses	(1,419)	(1,650)	(1,802)
Interest income	-	-	-
Profit before tax	8,602	17,380	14,423
Tax expense	(1,156)	(2,596)	(2,431)
Profit after tax but before minority interest	7,446	14,784	11,992
Minority interest	*	(45)	(284)
Profit after tax and minority interest	7,446	14,739	11,708
No. of ordinary shares of RM 1.00 each in issue ('000)	12,000	12,000	12,000
Gross earnings per share (RM)	0.72	1.45	1.41 @
Net earnings per share (RM)	0.62	1.23	1.17 @

\* Amount less than RM 1,000.

@Annualised.

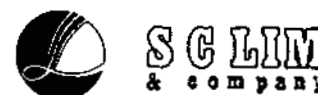
**Notes :**

(a) The turnover of GCC Group for FY 2002 is essentially the turnover of GCC because EM has not commenced business operations then. The turnover recorded a growth of 68.38% to RM 370.9 million during FY 2003 as a result of higher unit selling prices of cocoa products and higher production output of GCC, as well as RM 5.0 million sales contributed by EM which started its first year of operations.

On an annualised basis, the turnover for the financial period ended 31 October 2004 decreased by approximately 11.18% as a result of lower sales volume and weighted average selling price of cocoa products.

(b) During FY 2003, pre-tax profit doubled to RM 17.4 million with the 68.38% increase in turnover. Meanwhile, pre-tax profit margin improved from 3.90% to 4.69% in tandem with higher gross profit margin. This is attributed to higher bean-to-product margin, better economies of scale and improved production efficiency.

On an annualised basis, the pre-tax profit for the financial period ended 31 October 2004 is 0.42% lower than preceding year as a result of lower turnover.

**10. ACCOUNTANTS' REPORT (Cont'd)****5. SUMMARY OF RESULTS – (con't)****5.2 The Company and its subsidiary companies – (con't)****5.2.2 GCC Group – (con't)**

(c) *The effective tax rate for FY 2002 to 2003 was lower than the statutory tax rate attributed to the availability of tax incentive in GCC.*

*For the financial period ended 31 October 2004, the effective tax rate was lower than the statutory tax rate attributed to the availability of tax incentives in GCC and EM.*

(d) *There were no exceptional or extraordinary items during the financial years/period under review.*

(e) *The gross and net earnings per share of the GCB Group are computed based on the pre-tax profit after minority interest, and profit after tax and minority interest respectively.*

**5.2.3 GCC**

	← Financial Year Ended 31 December →					10-Month Period Ended
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>31 Oct 2004</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	75,287	120,610	141,097	220,304	366,226	265,626
EBITDA	5,643	11,138	10,992	13,469	22,270	19,105
Amortisation	-	-	-	-	-	-
Depreciation	(1,689)	(2,997)	(3,173)	(3,444)	(3,382)	(3,614)
Interest expenses	(462)	(1,080)	(1,228)	(1,419)	(1,634)	(1,751)
Interest income	-	9	-	-	-	-
Profit before tax	3,492	7,070	6,591	8,606	17,254	13,740
Tax expense	-	(1,724)	(1,347)	(1,156)	(2,561)	(2,330)
Profit after tax	3,492	5,346	5,244	7,450	14,693	11,410
No. of ordinary shares of RM 1.00 each in issue ('000)	5,000	5,000	8,000	12,000	12,000	12,000
Gross earnings per share (RM)	0.70	1.41	0.82	0.72	1.44	1.37 @
Net earnings per share (RM)	0.70	1.07	0.66	0.62	1.22	1.14 @

@ Annualised.



**10. ACCOUNTANTS' REPORT (Cont'd)****5. SUMMARY OF RESULTS – (con't)****5.2 The Company and its subsidiary companies – (con't)****5.2.3 GCC - (cont'd)***Notes :*

- (a) *The turnover dropped 16.86% to RM 75.3 million during FY 1999 primarily due to lower unit selling prices of cocoa products. In fact, the sales volume had actually increased, though insignificant, from FY 1998 to 1999.*

*GCC invested in a second production line and started its trial run in December 1999. Coupled with the investment of RM 6.3 million in plant & machinery during FY 2000, the production capacity and output increased substantially. As a result, the sales volume doubled for FY 2000. However, the amount of turnover increased by 60.20% only due to lower unit selling prices of cocoa products.*

*During FY 2001, the turnover grew by 16.99% to RM 141.1 million as a result of higher unit selling prices of cocoa products and higher sales volume. GCC managed to achieve higher production capacity and output principally attributed to the investment in plant & machinery during FY 2000 and 2001.*

*The turnover registered a 56.14% growth to RM 220.3 million during FY 2002 primarily attributed to higher unit selling prices of cocoa products. In fact, the sales volume remained at about the same level as preceding year.*

*During FY 2003, the turnover recorded a growth of 66.24% to RM 366.2 million as a result of higher unit selling prices of cocoa products and higher production output of GCC. GCC shut down production plant for about one month in mid of FY 2002 to overhaul plant & machinery as well as to implement certain process re-engineering project. These initiatives coupled with the addition of grinding machines to the second production line in August 2002 has removed the bottleneck in GCC's production flow. As a result, the production output has increased significantly since the final quarter of FY 2002. The full impact of expanded production capacity was felt in FY 2003.*

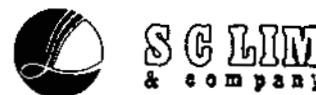
*On an annualised basis, the turnover for the financial period ended 31 October 2004 decreased by approximately 12.96% as a result of lower sales volume and weighted average selling price of cocoa products.*

- (b) *Pre-tax profit increased as the turnover grew from FY 1999 to 2003 except for FY 2001. The pre-tax profit for FY 2001 declined by 6.78% to RM 6.6 million despite a growth of RM 20.5 million in turnover over the preceding year, mainly due to a lower bean-to-product margin attained by GCC. During the financial years under review, pre-tax profit margin fluctuated in tandem with gross profit margin, which in turn was largely dependent on bean-to-product margin. The bean-to-product margin represents the percentage of price difference between cocoa beans and cocoa products over the weighted average selling price of cocoa products. On an annualised basis, the pre-tax profit for the financial period ended 31 October 2004 is 4.44% lower than preceding year as a result of lower turnover.*
- (c) *There was no tax charge in respect of business income for FY 1999 as it was waived in accordance with the Income Tax (Amendment) Act, 1999. The effective tax rate for FY 2000 to financial period ended 31 October 2004 was lower than the statutory tax rate attributed to the availability of tax incentive.*
- (d) *There were no exceptional or extraordinary items during the financial years/period under review.*

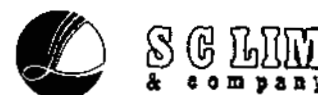
**10. ACCOUNTANTS' REPORT (Cont'd)****5. SUMMARY OF RESULTS – (con't)****5.2 The Company and its subsidiary companies – (con't)****5.2.4 GCT**

	← Financial Year Ended 31 December →					10-Month
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	Period Ended <u>31 Oct 2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	-	-	-	-	143,598	252,305
EBITDA	17	(2)	(6)	*	329	764
Amortisation	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	(211)	(713)
Interest income	-	*	-	-	34	131
Profit/(Loss) before tax	17	(2)	(6)	*	152	182
Tax expense	(2)	-	2	-	(51)	(36)
Profit/(Loss) after tax	15	(2)	(4)	*	101	146
No. of ordinary shares of RM 1.00 each in issue ('000)	250	250	250	250	250	250
Gross earnings/(losses) per share (Sen)	6.80	(0.80)	(2.40)	(0.19)	60.80	87.36 @
Net earnings/(losses) per share (Sen)	6.00	(0.80)	(1.60)	(0.19)	40.40	70.08 @

\* Amount less than RM 1,000.  
@ Annualised.

**10. ACCOUNTANTS' REPORT (Cont'd)****5. SUMMARY OF RESULTS – (con't)****5.2 The Company and its subsidiary companies – (con't)****5.2.4 GCT – (con't)***Notes :*

- (a) *The results of GCT for FY 1999 were arrived at after making necessary adjustments for restatements to the financial statements.*
- (b) *There was no turnover during FY 1999 to 2002 because GCT temporarily ceased business operations during these financial years. Beginning from June 2003, GCT sourced cocoa beans mainly from overseas for resale to GCC.*
- The turnover for the financial period ended 31 October 2004 covered 10 months of trading activity as compared to about 7 months in FY 2003 .*
- (c) *For the financial period ended 31 October 2004, pre-tax profit grew higher in tandem with higher turnover as compared to FY 2003. The pre-tax profit margin was very thin because GCT sourced and financed the import of cocoa beans merely to complement the operations of GCC.*
- (d) *There was no tax charge in respect of business income for FY 1999 to 2002 because GCT temporarily ceased business operations during these financial years. However, there was a provision for real property gain tax of RM 2,573 and an overprovision for income tax of RM 1,000 during FY 1999, and an overprovision for real property gain tax of RM 2,340 and an underprovision for income tax of RM 49 during FY 2001. During FY 2003, the effective tax rate of 33.55% was higher than the statutory tax rate mainly due to certain expenses not deductible for tax purpose. The effective tax rate for the financial period ended 31 October 2004 is similar to the statutory tax rate.*
- (e) *There were no exceptional or extraordinary items during the financial years/period under review.*

**10. ACCOUNTANTS' REPORT (Cont'd)****5. SUMMARY OF RESULTS – (con't)****5.2 The Company and its subsidiary companies – (con't)****5.2.5 EM**

	<b>Financial Period From 25 Sep 2002 To 31 Dec 2002</b>	<b>Financial Year Ended 31 Dec 2003</b>	<b>10-Month Period Ended 31 Oct 2004</b>
	RM '000	RM '000	RM '000
Turnover	-	5,009	9,578
EBITDA	(4)	342	909
Amortisation	-	-	-
Depreciation	-	(196)	(177)
Interest expenses	-	(16)	(51)
Interest income	-	-	-
(Loss)/Profit before tax	(4)	130	681
Tax expense	-	(35)	(101)
(Loss)/Profit after tax	(4)	95	580
No. of ordinary shares of RM 1.00 each in issue ('000)	*	1,000	1,000
Gross (loss)/earnings per share (RM)	(40.00)	0.13	0.82 @
Net (loss)/earnings per share (RM)	(40.00)	0.10	0.70 @

\* Amount less than 1,000.

@ Annualised.

**Notes :**

(a) There was no turnover for financial period ended 31 December 2002 as EM had not commenced business operations yet. Though EM commenced business operations in April 2003, the first sale started in June 2003.

On an annualised basis, the turnover for the financial period ended 31 October 2004 increased by approximately 129.46% mainly attributed to the higher demand from the existing major customers.

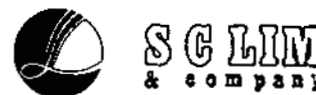
(b) With about 9 months of manufacturing operations, EM managed to achieve a pre-tax profit of RM 130,234 for FY 2003. However, the pre-tax profit margin was rather low at 2.60% mainly due to the high transportation costs incurred for exporting its products.

For the financial period ended 31 October 2004, the pre-tax profit margin improved to 7.11% mainly attributed to better economies of scale.

(c) During FY 2003, the effective tax rate of 26.92% was slightly higher than the statutory tax rate due to certain expenses not deductible for tax purpose.

For the financial period ended 31 October 2004, the effective tax rate was lower than the statutory tax rate attributed to the availability of tax incentive.

(d) There were no exceptional or extraordinary items during the financial periods/year under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****6. DIVIDENDS****6.1 GCB**

No dividend has been declared and paid by GCB since its incorporation on 22 March 2004.

**6.2 Subsidiary Companies**

(a) Details of dividends declared and paid by the subsidiary companies in respect of each of the financial years/period under review are as follows :

<u>Subsidiary Company</u>	<u>Financial Year/Period Ended</u>	<u>Issued And Paid-Up Share Capital</u>	<u>Gross Dividend Rate (%)</u>	<u>Net Dividend Paid/Payable</u>
		RM		RM
GCC	31 Dec 2000	5,000,000	First and final tax exempt dividend of 80%	4,000,000
GCC	31 Dec 2001	8,000,000	First and final tax exempt dividend of 75%	6,000,000
GCC	31 Dec 2002	8,000,000	First interim tax exempt dividend of 87.5%	7,000,000
GCC	31 Dec 2003	12,000,000	First interim tax exempt dividend of 73.25%	8,790,000
GCC	31 Oct 2004	12,000,000	Special dividends comprising : - A tax exempt dividend of 79.17% - A dividend of 8.33% less tax at 28%	9,500,000 720,000

(b) No dividend has been paid, declared and recommended by GCT and EM since their respective incorporation.

**10. ACCOUNTANTS' REPORT (Cont'd)****7. SUMMARISED BALANCE SHEETS**

It is impracticable to present the proforma consolidated balance sheets of GCB Group for the financial years/period under review as the purchase considerations for the acquisition of GCC, GCT and EM were arrived at based on the net tangible assets of the respective companies as at 31 December 2003. Accordingly, the proforma GCB Group has only been presented by way of the proforma statement of assets and liabilities as at 31 October 2004 in Section 8 of this report.

**7.1 GCB**

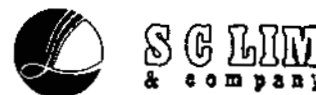
	As at <b>31 Oct 2004</b>
	RM '000
<b>Deferred Expenditure</b>	495
<b><u>Current Assets</u></b>	
Cash in hand	*
<b><u>Current Liabilities</u></b>	
Other creditors	500
<b>Net Current (Liabilities)</b>	(500)
	(5)
<b><u>Shareholders' Funds</u></b>	
Share capital	**
(Accumulated Loss)	(5)
	(5)
Net tangible assets per share (RM)	#

\* Amount less than RM 1,000.

\*\* This represents issued and paid-up share capital of RM 2.00.

# The Company has not commenced operations as at 31 October 2004. Accordingly, the net tangible assets per share is not computed.

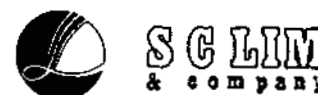
The Company was only incorporated on 22 March 2004, therefore the first set of financial statements was drawn up to 31 October 2004.

**10. ACCOUNTANTS' REPORT (Cont'd)****7. SUMMARISED BALANCE SHEETS – (cont'd)****7.2 GCC Group**

	As At 31 December		As at
	<u>2002</u>	<u>2003</u>	<u>31 Oct 2004</u>
	RM '000	RM '000	RM '000
<b><u>Current Assets</u></b>			
Cash and bank balances	392	740	4,430
Trade debtors	31,775	29,588	29,527
Other debtors, deposits and prepayments	3,804	654	1,315
Inventories	42,654	19,477	50,666
	<b>78,625</b>	<b>50,459</b>	<b>85,938</b>
<b><u>Current Liabilities</u></b>			
Trade creditors	41,091	2,317	19,236
Other creditors	1,832	2,703	3,768
Bank borrowings	36,855	51,091	65,108
Dividend payable	-	-	10,220
Tax payable	-	819	257
	<b>79,778</b>	<b>56,930</b>	<b>98,589</b>
<b>Net Current (Liabilities)</b>	<b>(1,153)</b>	<b>(6,471)</b>	<b>(12,651)</b>
<b>Property, Plant and Equipment</b>	<b>31,482</b>	<b>42,915</b>	<b>54,236</b>
<b>Lease Rental Paid In Advance</b>	<b>762</b>	<b>1,004</b>	<b>1,293</b>
<b>Investment</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Minority Interest</b>	<b>-</b>	<b>(535)</b>	<b>(819)</b>
<b>Bank Borrowings</b>	<b>(2,785)</b>	<b>(1,683)</b>	<b>(3,623)</b>
<b>Deferred Tax Liabilities</b>	<b>(3,350)</b>	<b>(4,325)</b>	<b>(6,043)</b>
	<b>24,961</b>	<b>30,910</b>	<b>32,398</b>
<b><u>Shareholders' Funds</u></b>			
Share capital	12,000	12,000	12,000
Retained profits	12,961	18,910	20,398
	<b>24,961</b>	<b>30,910</b>	<b>32,398</b>
<b>Net tangible assets per share (RM)</b>	<b>2.08</b>	<b>2.58</b>	<b>2.70</b>

*Note : Certain amounts have been reclassified retrospectively to conform with FY 2003's presentation.*

## 10. ACCOUNTANTS' REPORT (Cont'd)



## 7. SUMMARISED BALANCE SHEETS – (cont'd)

## 7.3 GCC

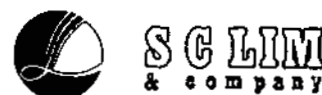
	← As At 31 December →					As at
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>31 Oct 2004</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b><u>Current Assets</u></b>						
Cash and bank balances	2	6	1,098	392	6	2,182
Trade debtors	4,520	8,158	14,934	31,775	29,368	28,951
Other debtors, deposits and prepayments	1,872	1,218	3,417	3,822	811	1,429
Inventories	13,938	20,328	27,638	42,654	19,015	48,934
	<b>20,332</b>	<b>29,710</b>	<b>47,087</b>	<b>78,643</b>	<b>49,200</b>	<b>81,496</b>
<b><u>Current Liabilities</u></b>						
Trade creditors	1,199	2,908	10,527	41,091	1,559	18,287
Other creditors	4,982	2,647	2,105	1,831	2,295	2,590
Bank borrowings	14,977	24,105	28,591	36,855	50,856	63,135
Dividend payable	-	-	-	-	-	10,220
Tax payable	-	123	-	-	819	250
	<b>21,158</b>	<b>29,783</b>	<b>41,223</b>	<b>79,777</b>	<b>55,529</b>	<b>94,482</b>
<b>Net Current (Liabilities)/Assets</b>	<b>(826)</b>	<b>(73)</b>	<b>5,864</b>	<b>(1,134)</b>	<b>(6,329)</b>	<b>(12,986)</b>
<b>Property, Plant and Equipment</b>	<b>27,299</b>	<b>32,064</b>	<b>31,934</b>	<b>31,467</b>	<b>40,835</b>	<b>52,085</b>
<b>Lease Rental Paid In Advance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>762</b>	<b>1,004</b>	<b>1,292</b>
<b>Subsidiary Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>*</b>	<b>510</b>	<b>510</b>
<b>Investment</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Bank Borrowings</b>	<b>(5,548)</b>	<b>(4,126)</b>	<b>(4,679)</b>	<b>(2,785)</b>	<b>(867)</b>	<b>(2,912)</b>
<b>Deferred Tax Liabilities</b>	<b>-</b>	<b>(1,599)</b>	<b>(2,609)</b>	<b>(3,350)</b>	<b>(4,290)</b>	<b>(5,936)</b>
	<b>20,925</b>	<b>26,271</b>	<b>30,515</b>	<b>24,965</b>	<b>30,868</b>	<b>32,058</b>
<b><u>Shareholder's Funds</u></b>						
Share capital	5,000	5,000	8,000	12,000	12,000	12,000
Retained profits	15,925	21,271	22,515	12,965	18,868	20,058
	<b>20,925</b>	<b>26,271</b>	<b>30,515</b>	<b>24,965</b>	<b>30,868</b>	<b>32,058</b>
Net tangible assets per share (RM)	4.19	5.25	3.81	2.08	2.57	2.67

\* Amount less than RM 1,000.

**Notes :**

- (a) Certain amounts have been reclassified retrospectively to conform with FY 2003's presentation.
- (b) The inventory level was substantially lower as at 31 December 2003 mainly because certain level of inventory was kept in GCT, which commenced business operations during the same year. However, the inventory level increased significantly to RM48.9 million as at 31 October 2004 principally due to higher production output but slower sales as a result of the shift in product mix strategy.
- (c) The higher trade creditors' balance as at 31 December 2002 and 31 October 2004 was mainly attributed to the longer credit periods made available by its related company, GCT and a major supplier for certain purchases of cocoa beans.



**10. ACCOUNTANTS' REPORT (Cont'd)****7. SUMMARISED BALANCE SHEETS – (cont'd)****7.4 GCT**

	← As At 31 December →					As at
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>31 Oct 2004</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b><u>Current Assets</u></b>						
Cash and bank balances	*	-	-	2	185	557
Fixed deposits with licensed bank	-	-	-	-	4,500	4,000
Trade debtors	-	-	-	-	1,997	12,470
Other debtors and prepayments	152	150	146	141	22	30
Inventory	-	-	-	-	21,399	35,921
	<b>152</b>	<b>150</b>	<b>146</b>	<b>143</b>	<b>28,103</b>	<b>52,978</b>
<b><u>Current Liabilities</u></b>						
Trade creditors	-	-	-	-	3,432	29,399
Other creditors	67	67	69	66	19	5
Bank borrowings	-	-	-	-	24,423	23,238
Tax payable	2	2	-	-	51	12
	<b>69</b>	<b>69</b>	<b>69</b>	<b>66</b>	<b>27,925</b>	<b>52,654</b>
<b>Net Current Assets</b>	<b>83</b>	<b>81</b>	<b>77</b>	<b>77</b>	<b>178</b>	<b>324</b>
<b><u>Shareholders' Funds</u></b>						
Share capital	250	250	250	250	250	250
(Accumulated losses)	(167)	(169)	(173)	(173)	(72)	74
	<b>83</b>	<b>81</b>	<b>77</b>	<b>77</b>	<b>178</b>	<b>324</b>
<b>Net tangible assets per share (RM)</b>	<b>0.33</b>	<b>0.32</b>	<b>0.31</b>	<b>0.31</b>	<b>0.71</b>	<b>1.30</b>

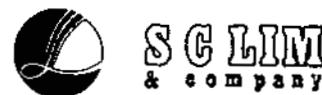
\* Amount less than RM 1,000.

**10. ACCOUNTANTS' REPORT (Cont'd)****7. SUMMARISED BALANCE SHEETS - (cont'd)****7.5 EM**

	As At 31 December		As at
	<u>2002</u>	<u>2003</u>	<u>31 Oct 2004</u>
	RM '000	RM '000	RM '000
<b><u>Current Assets</u></b>			
Cash and bank balances	*	734	2,248
Trade debtors	-	507	618
Other debtors, deposit and prepayments	-	6	10
Inventories	-	467	1,735
	<b>*</b>	<b>1,714</b>	<b>4,611</b>
<b><u>Current Liabilities</u></b>			
Trade creditors	-	1,045	991
Other creditors	19	571	1,302
Bank borrowings	-	235	1,973
Tax payable	-	-	6
	<b>19</b>	<b>1,851</b>	<b>4,272</b>
<b>Net Current (Liabilities)/Assets</b>	<b>(19)</b>	<b>(137)</b>	<b>339</b>
<b>Property, Plant and Equipment</b>	<b>15</b>	<b>2,079</b>	<b>2,151</b>
<b>Bank Borrowings</b>	<b>-</b>	<b>(816)</b>	<b>(712)</b>
<b>Deferred Tax Liabilities</b>	<b>-</b>	<b>(35)</b>	<b>(107)</b>
	<b>(4)</b>	<b>1,091</b>	<b>1,671</b>
<b><u>Shareholders' (Deficit)/Funds</u></b>			
Share capital	*	1,000	1,000
(Accumulated loss)/Retained profits	(4)	91	671
	<b>(4)</b>	<b>1,091</b>	<b>1,671</b>
<b>Net tangible (liabilities)/assets per share (RM)</b>	<b>(40)</b>	<b>1.09</b>	<b>1.67</b>

\* Amount less than RM 1,000.

Note : Certain amount has been reclassified retrospectively to confirm FY 2003's presentation.

**10. ACCOUNTANTS' REPORT (Cont'd)****8. STATEMENTS OF ASSETS AND LIABILITIES**

The statements of assets and liabilities of the Company and Proforma Group as at 31 October 2004 have been prepared based on the audited financial statements and on the assumptions that the Acquisitions had been effected on 31 October 2004. The statement of assets and liabilities of the Proforma Group has been prepared for illustrative purposes only and should be read in conjunction with the notes set out below.

	<u>Notes</u>	<u>Company</u> RM '000	<u>Proforma Group</u> RM '000
Property, plant and equipment	9.2	-	54,236
Lease rental paid in advance	9.3	-	1,292
Investment	9.4	-	5
Deferred expenditure	9.5	495	495
		495	56,028
<b><u>Current Assets</u></b>			
Inventories	9.6	-	86,549
Trade debtors		-	29,527
Other debtors, deposits and prepayments		-	845
Fixed deposits with licensed bank	9.7	-	4,000
Cash and bank balances		*	4,986
		*	125,907
<b><u>Current Liabilities</u></b>			
Trade creditors		-	36,164
Other creditors	9.8	500	3,773
Bank borrowings	9.9	-	88,345
Dividend payable		-	10,220
Tax payable		-	269
		500	138,771
<b>Net Current (Liabilities)</b>		(500)	(12,864)
		(5)	43,164
Share capital	9.10	*	31,088
Reserve on consolidation		-	1,596
(Accumulated losses)		(5)	(5)
<b>Shareholders' (Deficit)/Fund</b>		(5)	32,679
Minority interest		-	819
Bank borrowings	9.9	-	3,623
Deferred tax liabilities	9.11	-	6,043
		(5)	43,164
Net tangible assets per share (RM)		**	0.26

\* Amount less than RM 1,000.

\*\* The Company has not commenced operations as at 31 October 2004. Accordingly, the net tangible assets per share is not computed.

**10. ACCOUNTANTS' REPORT (Cont'd)****9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES****9.1 SIGNIFICANT ACCOUNTING POLICIES****(a) Accounting convention**

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

**(b) Basis of consolidation**

Subsidiary companies are those companies in which the Company has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Unless otherwise indicated, the Company is deemed to have power to exercise control over the financial and operating policies if the Company owns directly or indirectly through its subsidiary companies, more than one half of the voting power of the subsidiary companies.

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiary companies made up to the end of the financial period/year using the acquisition method of accounting. All inter-company transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

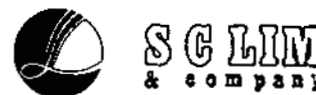
The results of subsidiary companies acquired or disposed of during the financial period/year are included in the financial statements from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the net assets of subsidiary companies acquired are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of net assets is reflected as goodwill or reserve on consolidation, as appropriate.

**(c) Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.1(h).

Leasehold land and buildings are depreciated on a straight line basis over the shorter of 50 years or the remaining lease period. Capital work-in-progress are not depreciated until they are completed and put into use whilst other property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. The principal annual rates of depreciation used are as follows :

Plant, machinery, tools and equipment	6-12%
Motor vehicles	16-20%
Furniture, fittings and office equipment	8-40%

**10. ACCOUNTANTS' REPORT (Cont'd)****9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES – (con't)****9.1 SIGNIFICANT ACCOUNTING POLICIES - (cont'd)****(d) Investment in subsidiary companies**

Subsidiary companies are those companies in which the Company has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

The investment in subsidiary companies is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.1 (h). On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

**(e) Investment**

Non-current investment other than investment in subsidiary companies is stated at cost less provision for any diminution in value. Such provision is made when there is a decline other than temporary in the value of investment and is recognised as an expense in the period in which the decline occurs. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

**(f) Inventories**

Inventories comprising raw materials, work-in-progress, finished goods, stores and supplies are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out or weighted average bases, as applicable. Net realisable value is the estimate of the selling price in the ordinary course of business less the cost of completion and selling expenses.

The costs of raw materials, stores and supplies comprise the original purchase price plus cost incurred in bringing the inventory to their present location whilst the costs of finished goods and work-in-progress include raw materials, packaging materials, direct labour and an appropriate proportion of production overheads.

**(g) Trade and other debtors**

Trade and other debtors are carried at anticipated realisable value. All known bad debts are written off in the period in which they are identified. An allowance is made for doubtful debts based on estimates of possible losses which may arise from non-collection of certain receivable amounts.

**(h) Impairment of assets**

The carrying amounts of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying amounts of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

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.

**10. ACCOUNTANTS' REPORT (Cont'd)****9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES – (con't)****9.1 SIGNIFICANT ACCOUNTING POLICIES - (cont'd)****(h) Impairment of assets - (cont'd)**

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 determined (net of amortisation and depreciation) 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.

**(i) Liabilities**

Trade and other payables and borrowings are stated at cost.

**(j) Income tax**

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

Deferred tax liabilities and assets are provided for under the liability method at the current tax rates in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred 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 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 or part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

**(k) Revenue recognition****(i) Sales of goods**

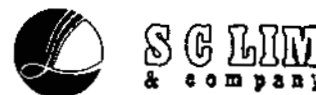
Revenue from sales of goods is measured at the fair value of the consideration receivable and is recognised when the significant risks and rewards of ownership have been transferred to the buyers.

**(ii) Interest income**

Interest income is recognised on accrual basis unless collectability is in doubt, in which case the recognition of such income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

**(l) Research and development expenditure**

Research and development expenditure is charged to the income statement in the financial period/year in which it is incurred except insofar as it relates to a clearly defined project which the benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of the future benefit and is stated at cost incurred less grants received, if any. The deferred expenditure is amortised through the income statement over the period of the project upon commencement of commercial production.

**10. ACCOUNTANTS' REPORT (Cont'd)****9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES – (con't)****9.1 SIGNIFICANT ACCOUNTING POLICIES - (cont'd)****(m) Employee benefits****(i) Short term benefits**

Allowance, bonus, salary and social security contributions (“SOCSO”) are recognised as expenses in the income statement in financial period/year in which the associated services are rendered by employees of the Group.

**(ii) Defined contribution plans**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the income statement as incurred.

**(n) Cash and cash equivalents**

Cash and cash equivalents comprise deposits, bank and cash balances and other short term highly liquid investments that are readily convertible to cash with insignificant risks of changes in value, net of outstanding bank overdrafts, if any.

**(o) Borrowing costs**

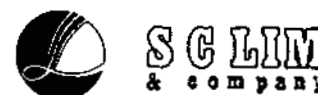
Borrowing costs directly incurred in financing the acquisition, construction or production of qualifying assets are capitalised, until such time the assets are ready for their intended use. All other borrowing costs are charged to the income statement in the period they are incurred.

**(p) Foreign currency conversion and translation**

Transactions in foreign currencies are measured and recorded in Ringgit Malaysia by using exchange rate in effect at the date of transactions or at contracted rates, where applicable. At each balance sheet date, recorded monetary balances that are denominated in a foreign currency are translated into Ringgit Malaysia at the rate of exchange prevailing at the balance sheet date. All exchange differences are taken into the income statement.

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

	<u>31 Oct 2004</u>
	RM
1 Euro (EUR)	4.80
1 Great Britain Pound (GBP)	6.96
1 Singapore Dollar (SGD)	2.28
1 United States Dollar (USD)	3.80

**10. ACCOUNTANTS' REPORT (Cont'd)****9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES – (con't)****9.1 SIGNIFICANT ACCOUNTING POLICIES - (cont'd)****(q) Financial instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments. Financial instruments carried on the balance sheet include deposits, bank and cash balances, investment, debtors, creditors and borrowings. The accounting policies on recognition and measurement of these items are disclosed within this notes, "Significant Accounting Policies".

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

The Group is also party to financial instruments with the objective to reduce risk exposure to fluctuations in foreign exchange rates. These derivative financial instruments are not recognised in the financial statements on inception as disclosed in Note 9.14 (b).

**9.2 PROPERTY, PLANT AND EQUIPMENT****Proforma Group**

	<u>Leasehold land and buildings</u>	<u>Plant, machinery, tools and equipment</u>	<u>Motor vehicles</u>	<u>Furniture, fittings and office equipment</u>	<u>Capital work-in- progress</u>	<u>Total</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b><u>At Cost</u></b>						
As at 1 January 2004	8,931	43,460	1,884	1,402	8,159	63,836
Additions	3,156	2,955	153	265	8,795	15,324
Disposals	-	-	(57)	(1)	-	(58)
Reclassifications	-	16,954	-	-	(16,954)	-
As at 31 October 2004	12,087	63,369	1,980	1,666	-	79,102
<b><u>Accumulated Depreciation</u></b>						
As at 1 January 2004	930	18,503	875	613	-	20,921
Charge for the financial period	298	3,355	234	116	-	4,003
Disposals	-	-	(57)	(1)	-	(58)
As at 31 October 2004	1,228	21,858	1,052	728	-	24,866
Net book value as at 31 October 2004	10,859	41,511	928	938	-	54,236

Leasehold property of a subsidiary company with net book value of RM 84,475 are secured against the bank borrowings (Note 9.9).



**10. ACCOUNTANTS' REPORT (Cont'd)**
**S C LIM**  
 & company
**9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES – (con't)****9.3 LEASE RENTAL PAID IN ADVANCE**

	<b>Proforma Group</b>
	RM '000
Balance as at 1 January 2004	1,004
Add : Payment of sub-leases	401
	<hr/>
	1,405
Less : Lease rental charged to income statement	(113)
	<hr/>
Balance as at 31 October 2004	<u>1,292</u>

These represent the prepayment or lump sum payment for the sub-leases of land and warehouses from Johor Port Berhad, which are charged to income statement over their respective lease periods of 20 and 21 years.

**9.4 INVESTMENT**

This represents investment in quoted shares stated at cost.

**9.5 DEFERRED EXPENDITURE**

This represents listing expenses incurred in connection with an impending flotation exercise on the Main Board of Bursa Securities.

**9.6 INVENTORIES**

	<b>Proforma Group</b>
	RM '000
<b><u>At Cost/Net Realisable Value</u></b>	
Raw materials	49,014
Work-in-progress	3,148
Finished goods	32,381
Store and supplies	2,006
	<hr/>
	<u>86,549</u>

**9.7 FIXED DEPOSITS WITH LICENSED BANK**

The fixed deposits with licensed bank are pledged to a financial institution against the banking facilities as mentioned in Note 9.9.

The effective interest rate for fixed deposits with licensed bank is ranging from 2.1% to 3.0% per annum. As at the end of financial period, all the fixed deposits are placed with maturity period of 1 month.

**10. ACCOUNTANTS' REPORT (Cont'd)**
**S C LIM**  
 & company
**9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES -- (con't)****9.8 OTHER CREDITORS**

	<u>Company</u>	<u>Proforma Group</u>
	RM '000	RM '000
Amount due to a director	-	1
Amount due to an affiliated company	-	1,048
Accrued expenses	-	1,352
Others	500	1,372
	<u>500</u>	<u>3,773</u>

The amounts due to a director and an affiliated company are unsecured and interest free with no fixed terms of repayment.

An affiliated company is a company in which a minority corporate shareholder of a subsidiary company has financial interest.

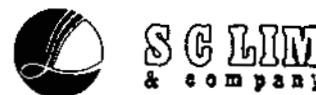
**9.9 BANK BORROWINGS**

	<u>Proforma Group</u>
	RM '000
<b><u>Current</u></b>	
Secured	
- Bank overdrafts	8,647
- Bankers' acceptances	55,248
- Term loans	1,213
- Trade loan	23,237
	<u>88,345</u>
<b><u>Non-current</u></b>	
Secured	
- Term loans	3,623
	<u>91,968</u>

(a) The bank borrowings are secured against :

- (i) The debenture incorporating a fixed and floating charges over the Group's assets, both present and future.
- (ii) Leasehold property of a subsidiary company with net book value of RM 84,475 (Note 9.2); and
- (iii) Fixed deposits with the licensed bank of a subsidiary company (Note 9.7).

(b) The bank overdrafts are interest bearing at 3.5% to 7.0% per annum whilst the bankers' acceptances and trade loan are interest bearing at 1.5% to 4.3% per annum.

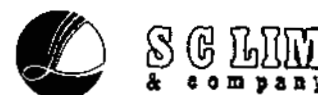
**10. ACCOUNTANTS' REPORT (Cont'd)****9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES – (con't)****9.9 BANK BORROWINGS – (con't)**

(c) The term loans are interest bearing at 3.5% to 7.0% per annum and are repayable by 36 to 96 equal monthly instalments. As at the end of the financial period, they are repayable as follows :

	<b>Proforma Group</b>
	RM '000
<b>CURRENT</b>	
Not later than one year	1,213
<b>NON-CURRENT</b>	
Later than one year and not later than two years	1,284
Later than two years and not later than five years	2,097
Later than five years	242
	<b>3,623</b>
	<b>4,836</b>

**9.10 SHARE CAPITAL**

	<b>Par Value</b>	<b>Company</b>		<b>Proforma Group</b>	
		<b>Number Of Ordinary Shares</b>	<b>Share Capital</b>	<b>Number Of Ordinary Shares</b>	<b>Share Capital</b>
	RM	'000	RM '000	'000	RM '000
<b>Authorised :</b>					
As at date of incorporation	1.00	100	100	100	100
Sub-division of the par value of RM 1.00 each into RM 0.25 each	-	300	-	300	-
	0.25	400	100	400	100
Increase in authorised share capital	0.25	-	-	399,600	99,900
As at 31 October 2004	0.25	400	100	400,000	100,000
<b>Issued and fully paid :</b>					
As at date of incorporation	1.00	*	*	*	*
Sub-division of the par value of RM 1.00 each into RM 0.25 each	-	*	-	*	-
	0.25	*	*	*	*
Issuance of 124,352,012 new ordinary shares of RM 0.25 each for the Acquisitions	0.25	-	-	124,352	31,088
As at 31 October 2004	0.25	*	*	124,352	31,088

**10. ACCOUNTANTS' REPORT (Cont'd)****9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES – (con't)****9.11 DEFERRED TAX LIABILITIES**

	<b>Proforma Group</b>
	RM '000
<b><u>Movements of deferred tax liabilities</u></b>	
Balance as at 1 January 2004	4,325
Deferred tax expense related to the origination of temporary differences	1,670
Reduction in opening deferred tax liabilities resulting from reduction in income tax rate	(4)
Underprovision of deferred tax expense in previous financial year	52
	<hr/>
Balance as at 31 October 2004	6,043
	<hr/>

**9.12 PROFORMA NET TANGIBLE ASSETS PER SHARE**

Based on the statement of assets and liabilities as at 31 October 2004, the net tangible assets ("NTA") per share of the Group after the Acquisitions is computed as follows :

	<b>Proforma Group</b>
NTA as per the statement of assets and liabilities (RM '000)	32,679
	<hr/>
Number of ordinary shares of RM 0.25 each in issue ('000)	124,352
	<hr/>
NTA per share (RM)	0.26
	<hr/>

**9.13 COMMITMENTS**

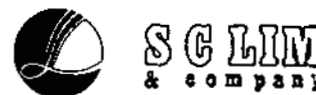
As at 31 October 2004, the Group has the following outstanding land lease rental commitments which are not taken up in the financial statements :

	<b>Proforma Group</b>
	RM '000
<b>Lease rental payable :</b>	
Not later than one year	562
Later than one year and not later than five years	1,225
Later than five years	1,609
	<hr/>
	3,396
	<hr/>

**9.14 FINANCIAL INSTRUMENTS****(a) Financial Risk Management Policies**

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. The Group operates within clearly defined guidelines and the Group's policies are not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policies in respect of the major areas of treasury activity are set out as follows :

**10. ACCOUNTANTS' REPORT (Cont'd)****9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES – (con't)****9.14 FINANCIAL INSTRUMENTS - (cont'd)****(a) Financial Risk Management Policies – (con't)****(i) Interest Rate Risk**

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long term interest-bearing assets as at 31 October 2004. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits, marketable securities or occasionally in short term commercial papers.

The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. The Group does not hedge against interest rate risk. The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

**(ii) Credit Risk**

Credit risk, or the risk of counterparties defaulting, is managed through the application of credit approvals, limits and monitoring procedures on an ongoing basis.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

**(iii) Foreign Currency Risk**

The Group's operations are exposed to various currencies, mainly Euro, Great Britain Pound ("GBP"), Singapore Dollar and United States Dollar ("USD"). Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

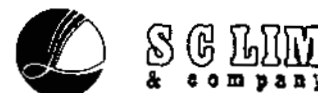
As at the balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amounts and maturities :

	Currency	Amount in foreign currency '000	Maturity Profile			Total notional amount RM '000
			Within 1 year RM '000	1 year up to 5 years RM '000	5 years or more RM '000	
<b>As at 31 October 2004 :</b>						
Forwards used to	GBP	1,224	8,454	-	-	8,454
hedge anticipated	USD	11,881	45,185	-	-	45,185
sales						
			53,639	-	-	53,639

The net unrecognised gain as at 31 October 2004 on forward contracts used to hedge anticipated sales which are expected to occur within the next twelve months amounted to RM 20,465 and are deferred until the related sales occur, at which time they will be included in the measurement of the sales.

**10. ACCOUNTANTS' REPORT (Cont'd)**

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**9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES – (con't)**

**9.14 FINANCIAL INSTRUMENTS - (cont'd)**

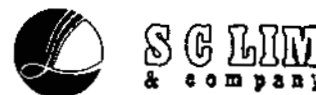
**(a) Financial Risk Management Policies – (con't)**

**(iv) Market Risk**

The Group's principal exposure to market risk arises mainly from the changes in cocoa-related commodity prices. The nature of its business results in a natural hedge, to certain extent, between the prices of cocoa beans (as raw materials) and manufactured cocoa products.

**(v) Liquidity Risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investment to meet its working capital requirements. As far as possible, the Group raises committed funding from licensed financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

**10. ACCOUNTANTS' REPORT (Cont'd)****9. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES – (con't)****9.14 FINANCIAL INSTRUMENTS - (cont'd)****(b) Fair Values**

The fair values of financial assets and liabilities of the Group at the balance sheet date approximated their carrying amounts except for the followings :

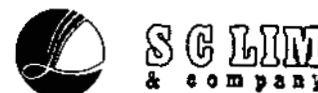
	<u>Proforma Group</u>	
	Carrying <u>amount</u>	<u>Fair value</u>
	RM '000	RM '000
<b><u>FINANCIAL ASSET</u></b>		
<b>As at 31 October 2004 :</b>		
Investment - Quoted shares	3	5

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheet of the Group at the balance sheet date are :

	<u>Proforma Group</u>	
	<u>Nominal/ notional amount</u>	<u>Net fair value</u>
	RM '000	RM '000
<b>As at 31 October 2004 :</b>		
Forward foreign exchange contracts	53,639	21

The methodologies used in arriving at the fair values of the following financial instruments of the Group are as follows :

- (i) The fair values of cash and cash equivalents, debtors, creditors and short term bank borrowings are considered to approximate their carrying amounts as they are either payable on demand or within the normal credit terms or they have short maturity.
- (ii) The fair value of quoted investment is determined by reference to stock exchange quoted market prices at the close of business on the balance sheet date.
- (iii) The fair value of term loans approximates their carrying amount as the interest rates is on floating rate basis.
- (iv) The fair value of a forward foreign exchange contract is the amount that would be payable or receivable on termination of the outstanding position arising therefrom and is determined by reference to the difference between the contracted rate and forward exchange rate at the balance sheet date applied to a contract of similar quantum and maturity profile.

**10. ACCOUNTANTS' REPORT (Cont'd)****10. PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

The proforma consolidated cash flow statement of the GCB Group for the financial period ended 31 October 2004 has been prepared for illustrative purposes only and is based on the assumption that the Acquisitions as set out in Section 2.2 (a) of this report had been in effect throughout the period under review.

	<b>Proforma Group</b>
	RM '000
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>	
Profit before tax	14,562
Adjustments for :	
Allowance for doubtful debts	31
Bad debts recovered	(134)
Depreciation	4,003
Gain on disposal of property, plant and equipment	(15)
Amortisation of lease rental	113
Provision for union case claim	73
Interest expenses	2,515
Interest income	(131)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>21,017</b>
<b>Changes in working capital</b>	
Inventories	(45,673)
Trade debtors	818
Other debtors, deposits and prepayments	(169)
Trade creditors	31,758
Other creditors	978
<b>CASH GENERATED FROM OPERATIONS</b>	<b>8,729</b>
Interest paid	(2,515)
Interest received	131
Tax paid	(1,350)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>4,995</b>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>	
Payment for the sub-leases of land and warehouses	(401)
Proceeds from disposal of property, plant and equipment	15
Purchase of property, plant and equipment	(15,324)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(15,710)</b>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>	
Payment of listing expenses	(495)
Net movement in trade bills	5,812
Proceeds from term loan	4,000
Repayment of term loans	(2,882)
Net decrease in fixed deposits pledged	500
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>6,935</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,780)</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF FINANCIAL PERIOD</b>	<b>119</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE END OF FINANCIAL PERIOD</b>	<b>(3,661)</b>

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**10. ACCOUNTANTS' REPORT (Cont'd)**
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**10. PROFORMA CONSOLIDATED CASH FLOW STATEMENT – (con't)**

	Proforma Group
	RM '000
<b>CASH AND CASH EQUIVALENTS CONSIST OF :</b>	
Fixed deposits with licensed bank	4,000
Cash and bank balances	4,986
Bank overdrafts	(8,647)
<b>Less : Non-cash and cash equivalents</b>	
Fixed deposits pledged to licensed bank as collateral	(4,000)
	<u>(3,661)</u>

**11. SUBSEQUENT EVENTS**

Other than the completion of the Acquisitions and Rights Issue as disclosed in Section 2.2(a) and (b). There was no subsequent events which would require any amounts stated herein to be adjusted or any further disclosure to be made in this report.

**12. AUDITED FINANCIAL STATEMENTS**

No audited financial statements have been prepared in respect of any period subsequent to 31 October 2004.

Yours faithfully,

.....  
 S. C. LIM & CO.  
 No. AF 0681  
 Chartered Accountants

.....  
 NG KIM KIAT  
 No.2074/10/06 (J)  
 Partner

Member of  
 B.R. International  
 Accounting Firms