

#### 4. INFORMATION ON THE GROUP

##### 4.1 BACKGROUND

###### 4.1.1 Incorporation

GCB was incorporated in Malaysia as a public limited company on 22 March 2004. GCB is an investment holding company with three subsidiaries, namely GCC, GCT and EM. GCC, GCT and EM were incorporated as private limited companies on 9 January 1985, 31 July 1984 and 25 September 2002 respectively under the Act. The Group is principally involved in the manufacturing of cocoa-derived food ingredients, namely cocoa liquor, cocoa butter, cocoa cake and cocoa powder.

###### 4.1.2 Share Capital And Changes In Share Capital

The present authorised share capital of GCB is RM100,000,000 comprising 400,000,000 ordinary shares of RM0.25 each. The issued and paid-up share capital of GCB will be increased to RM60,000,000 comprising 240,000,000 ordinary shares of RM0.25 each.

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

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value (RM)	Consideration	Total Issued And Paid-up Share Capital (RM)
22.03.2004	2	1.00	Subscribers' shares	2
05.05.2004	8	0.25	Sub-division of shares	2
03.01.2005	124,352,012	0.25	Issued as consideration for Acquisitions	31,088,005
17.02.2005	91,647,980	0.25	Rights Issue	54,000,000

###### 4.1.3 Listing Scheme

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of GCB on the Main Board of Bursa Securities, the Company undertook a listing scheme which involved the following: -

###### (a) Acquisitions

###### (i) Acquisition of GCC

GCB acquired the entire issued and paid-up share capital of GCC comprising 12,000,000 ordinary shares of RM1.00 each from its existing shareholder for a total purchase consideration of RM30,909,962 based on its audited NTA value as at 31 December 2003. The purchase consideration of RM30,909,962 was satisfied by an issue of 123,639,848 Shares in GCB at an issue price of RM0.25 per Share.

**4. INFORMATION ON THE GROUP (Cont'd)**

The vendor's shareholdings in GCB after the Acquisition of GCC is as follows:

Vendor	No of shares held in GCC	Percentage interest %	Purchase consideration RM	No. of GCB Shares issued
GCR	12,000,000	100	30,909,962	123,639,848
<b>TOTAL</b>	<b>12,000,000</b>	<b>100</b>	<b>30,909,962</b>	<b>123,639,848</b>

The Acquisition of GCC was completed on 3 January 2005.

## (ii) Acquisition of GCT

GCB acquired the entire issued and paid-up share capital of GCT comprising 250,500 ordinary shares of RM1.00 each from its existing shareholders for a total purchase consideration of RM178,041 based on its audited NTA value as at 31 December 2003. The purchase consideration of RM178,041 was satisfied by an issue of 712,164 Shares in GCB at an issue price of RM0.25 per Share.

The vendors' shareholdings in GCB after the acquisition of GCT are as follows:

Vendors	No of shares held in GCT	Percentage interest %	Purchase consideration RM	No. of GCB Shares issued
GCR	250,002	99.8	177,687	710,748
Lim Yock @ Lim Kiak	40	0.02	28	112
Tay Hoe Lian	80	0.03	57	228
Tay Hoe Chin	60	0.02	43	172
Tey Chi @ Tay Chin Chuan	30	0.01	21	84
Tay How Sik @ Tay How Sick	40	0.02	29	116
Tay How Seng	40	0.02	28	112
Tay How Yeh	40	0.02	29	116
Tan Bak Keng @ Tang Ka Guek	30	0.01	21	84
Tay See @ Tay Cheng Guan	40	0.02	28	112
Hia Cheng	50	0.02	36	144
Lim Eng	48	0.02	34	136
<b>TOTAL</b>	<b>250,500</b>	<b>100.00*</b>	<b>178,041</b>	<b>712,164</b>

\*Does not exactly add to 100.00% due to rounding differences

The Acquisition of GCT was completed on 3 January 2005.

**4. INFORMATION ON THE GROUP (Cont'd)****(iii) Acquisition of EM**

After the Acquisition of GCC, GCB acquired 51% of the issued and paid-up share capital of EM comprising 510,000 ordinary shares of RM1.00 each from GCC for a total purchase consideration of RM556,662 based on its audited NTA value as at 31 December 2003 of RM1,091,495. The purchase consideration of RM556,662 was satisfied wholly by cash.

The vendor's shareholdings in GCB after the acquisition of EM is as follows:

Vendor	No of shares held in EM	Percentage Interest %	Purchase consideration RM	No. of GCB Shares Issued
GCC	510,000	51.0	556,662	-
<b>TOTAL</b>	<b>510,000</b>	<b>51.0</b>	<b>556,662</b>	<b>0</b>

The Acquisition of EM was completed on 4 January 2005.

The Acquisitions resulted in the issued and paid-up share capital of GCB being increased from 8 Shares to 124,352,020 Shares.

All the new Shares issued pursuant to the Acquisitions ranked pari passu in all respect with the existing Shares of GCB including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment of the Shares issued pursuant to the Acquisitions.

**(b) Rights Issue**

Upon completion of the Acquisitions, GCB undertook a Rights Issue of 91,647,980 new Shares of RM0.25 each in GCB at par to all the existing shareholders of GCB. The Rights Issue was undertaken on the basis of approximately seventy four (74) new ordinary shares for every existing one hundred (100) ordinary shares in GCB held after the Acquisitions. GCR renounced all its entitlement to the other existing shareholders of GCB as follows:-

Shareholders	Number of Shares in GCB			
	After Acquisitions	Rights Shares	(Renunciation)/ Subscription	After Rights Issue
GCR	124,350,596	91,646,930	(91,646,930)	124,350,596
Lim Yock @ Lim Kiak	112	83	8,651,217	8,651,412
Tay Hoe Lian	232	171	17,302,429	17,302,832
Tay Hoe Chin	172	127	12,976,823	12,977,122
Tey Chi @ Tay Chin Chuan	84	62	6,489,931	6,490,077
Tay How Sik @ Tay How Sick	120	88	8,651,212	8,651,420
Tay How Seng	112	83	8,651,217	8,651,412
Tay How Yeh	116	85	8,651,215	8,651,416
Tan Bak Keng @ Tang Ka Guek	84	62	6,486,895	6,487,041
Tay See @ Tay Cheng Guan	112	83	8,651,217	8,651,412
Hia Cheng	144	106	4,553,210	4,553,460
Lim Eng	136	100	581,564	581,800
<b>Total</b>	<b>124,352,020</b>	<b>91,647,980</b>	<b>-</b>	<b>216,000,000</b>

**4. INFORMATION ON THE GROUP (Cont'd)**

The Rights Issue was completed on 17 February 2005. The Rights Issue resulted in the issued and paid-up share capital of GCB being further increased from 124,352,020 Shares to 216,000,000 Shares.

All the new Shares issued pursuant to the Rights Issue ranked pari passu in all respect with the existing Shares of GCB including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment of the Shares issued pursuant to the Rights Issue.

**(c) Public Issue**

The Public Issue of 24,000,000 ordinary shares at an IPO Price of RM0.65 are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

**(i) Public**

12,000,000 Public Issue Shares representing 5% of the enlarged issued and paid-up share capital will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions to be allotted by way of balloting, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

**(ii) Eligible Employees, Directors and Business Associates of the Group**

4,200,000 Public Issue Shares representing 1.75% of the enlarged issued and paid-up share capital will be reserved for the eligible employees and Directors of the Group as well as the business associates of the Group.

The shares have been allocated to 103 eligible employees and 8 Directors of the Group based on the following criteria as approved by the Company's Board of Directors: -

- (a) At least eighteen (18) years old;
- (b) Job position;
- (c) Length of service; and
- (d) Confirmed employees.

Details of the Directors' pink form allocation are as follows: -

<b>Name of Directors of GCB</b>	<b>Designation</b>	<b>Pink Form Allocation</b>
Dato Dr. Mohamad Musa Bin Md. Jamil	Executive Chairman	50,000
Tay Hoe Lian	Managing Director/Chief Executive Officer	300,000
Tay How Sik @ Tay How Sick	Executive Director/Chief Operating Officer	300,000
Hia Cheng	Executive Director/Chief Financial Officer	300,000

**4. INFORMATION ON THE GROUP (Cont'd)**

<b>Name of Directors of GCB</b>	<b>Designation</b>	<b>Pink Form Allocation</b>
Tay Chi @ Tay Chin Chuan	Alternate Director to Tay Hoe Lian	300,000
Tay How Yeh	Alternate Director to Tay How Sik @ Tay How Sick	300,000
Dato' Dr. Omar @ S Omar Bin Abdul Rahman	Independent Non-Executive Director	30,000
Tay Puay Chuan	Independent Non-Executive Director	20,000
<b>Total</b>		<b>1,600,000</b>

The shares have been allocated to 50 of its selected valued business associates of the Group whom have at least one year of business relationship with the Group as approved by the Company's Board of Directors.

**(iii) Private Placement**

1,800,000 Public Issue Shares representing 0.75% of the enlarged issued and paid-up share capital are reserved for private placement to selected investors (who are deemed public).

**(iv) Bumiputera Investors**

6,000,000 Public Issue Shares representing 2.5% of the enlarged issued and paid-up share capital will be reserved for Bumiputera investors approved by MITI, which have been identified.

The Public Issue will result in the issued and paid-up share capital of GCB being further increased from 216,000,000 Shares to 240,000,000 Shares.

All the new Shares issued pursuant to the Public Issue ranked pari passu in all respect with the existing Shares of GCB including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment of the Shares issued pursuant to the Public Issue.

**(d) Offer For Sale**

The Offer for Sale of 66,000,000 new Shares at an IPO Price of RM0.65 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated to the approved Bumiputera investors by the MITI.

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**4. INFORMATION ON THE GROUP (Cont'd)**

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**(e) Employee Share Option Scheme ("ESOS")**

According to Bursa Securities's guidelines on ESOS, the effective date for the implementation of the ESOS shall be the date of full compliance with all the relevant requirements of Bursa Securities including the following: -

- a) submission of the final copy of the Bye-Laws of the ESOS to Bursa Securities;
- b) receipt of approval-in-principle for the listing of the shares to be issued under the ESOS from Bursa Securities;
- c) procurement of shareholders' approval for the ESOS;
- d) receipt of approval of any other relevant authorities, where applicable; and
- e) fulfilment of all conditions attached to the above approvals, if any.

AmMerchant Bank must submit a confirmation to Bursa Securities of full compliance above stating the effective date of implementation together with a certified true copy of the relevant resolution passed by shareholders in general meeting. The submission of the confirmation must be made no later than 5 market days after the effective date of implementation.

The ESOS will be for a duration of five (5) years and maximum number of Shares that may be issued to eligible Directors and employees of the Group under the ESOS is limited to 15% of GCB's issued and paid-up share capital at any point in time.

According to Bursa Securities's guidelines on ESOS, where the ESOS Options are granted before the Company is listed on Bursa Securities, the exercise price of the ESOS Options shall not be less than the IPO price. Where the ESOS Options are granted on or after the Company is listed on Bursa Securities, the exercise price shall be the higher of: -

- i) the weighted average market price of the Shares for the five (5) Market Days immediately preceding the date of offer, or with a discount of not more than 10% on the said weighted average market price; or
- ii) the par value of the Shares.

The Directors of the Company propose to grant up to 20,360,000 Options to the eligible Directors and employees of the Group ("**Initial Grant**"). The exercise price of the Options which is the subject matter of the Initial Grant is the IPO Price of the Shares, where the Options are granted before the Company is listed on Bursa Securities.

In addition to the Initial Grant, the Company shall, within the duration of the ESOS, make offers to grant Options to the eligible Directors and employees of the Group in accordance with the ESOS Bye-Laws adopted by the shareholders of the Company.

**4. INFORMATION ON THE GROUP (Cont'd)**

Each such Option which is not part of the Initial Grant shall be exercisable at a price which is the weighted average market price of the Company's Shares for the five (5) market days immediately preceding the date on which the Option is granted less, if the directors of the Company shall decide at their discretion from time to time, a discount of not more than 10%.

The ESOS shall be in force for a duration of 5 years. However, the ESOS may be extended for up to another 5 years at the discretion of the Board upon the recommendation of the Options Committee. The new Shares to be issued upon the exercise of the Options will, upon allotment and issue, rank *pari passu* in all respects with the existing issued and paid-up Shares of the Company, except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the said Shares. The new Shares will be subject to all the provisions of the Articles of Association of the Company.

The ESOS Committee established under the Bye-Laws governing the ESOS may, in accordance with the Bye-Laws governing the ESOS, offer options to the Non-Executive Directors of the Company to subscribe shares in the Company pursuant to the ESOS, subject always to any adjustments which may be made in accordance with the Bye-Laws governing and constituting the ESOS.

The Option Committee may offer Options to the following Non-Executive Director of the Company to subscribe up to the maximum number of Shares in the Company pursuant to the ESOS as set out below, subject always to any adjustments which may be made in accordance with the By-Laws :-

<b>Director</b>	<b>Designation</b>	<b>Maximum entitlements</b>
Dato' Dr. Omar @ S Omar Bin Abdul Rahman	Independent Non-Executive Director	500,000
Tay Puay Chuan	Independent Non-Executive Director	500,000

The Bye-Laws of the ESOS are set out in Section 12 of this Prospectus.

The Directors of GCB intend to utilise the proceeds from the exercise of the ESOS Options for working capital purposes.

The new Shares to be allotted upon any exercise of the ESOS Options will upon allotment rank *pari passu* in all respect with the then existing issued ordinary shares of the Company except that the Shares so issued shall not rank for any dividends or other distribution declared, made or paid to shareholders which entitlement date thereof precedes the relevant exercise date of ESOS Option and will be subject to all provisions of the Articles of Association of the Company.

**(f) Listing**

Upon completion of the above mentioned Acquisitions, Rights Issue and IPO, GCB will seek a listing of and quotation for its entire enlarged issued and paid-up share capital of RM60,000,000 comprising 240,000,000 Shares on the Main Board of Bursa Securities.

**4. INFORMATION ON THE GROUP (Cont'd)****(g) Summary**

In summary, the IPO Shares will be allocated and allotted in the following manner: -

	<b>Public Issue Shares</b>	<b>Offer Shares</b>	<b>Total IPO Shares</b>
Public	12,000,000	-	12,000,000
Eligible Employees, Directors and Business Associates of the Group	4,200,000	-	4,200,000
Placees	1,800,000	-	1,800,000
Bumiputera investors	6,000,000	66,000,000	72,000,000
<b>Total</b>	<b>24,000,000</b>	<b>66,000,000</b>	<b>90,000,000</b>

All the IPO Shares available for application by the Malaysian public and the eligible employees, Directors and/or business associates of the Group have been fully underwritten. The IPO Shares available for application by identified placees and Bumiputera investors are not underwritten. The Placement Agent has received irrevocable undertakings from the identified placees to take up the IPO Shares available for application under the private placement.

Any IPO Shares which are not taken up by eligible employees, Directors and the business associates of the Group will be made available for application by the Malaysian public and/or identified investors via private placement. Any IPO Shares by Malaysian Public which are not taken up will be made available to identified placees via private placement if the private placement is oversubscribed and vice versa. Any further IPO Shares not subscribed for will be made available for subscription by the Underwriters in the proportions specified in the Underwriting Agreement dated 18 February 2005.

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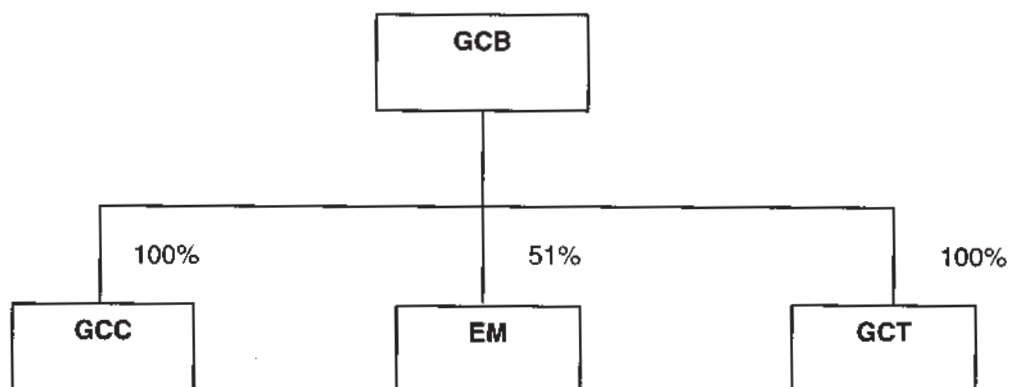


#### 4. INFORMATION ON THE GROUP (Cont'd)

#### 4.2 BUSINESS

##### 4.2.1 Group Structure

An overview of the Group's structure is set out below: -



Details of the subsidiary companies of the Company are summarised below: -

Company	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
<b>Subsidiary of GCB</b>				
GCC	9.01.1985/ Malaysia	12,000,000	100.0	Producing cocoa-derived food ingredients
GCT	31.07.1984/ Malaysia	250,500	100.0	Buying and selling of cocoa beans
EM	25.09.2002/ Malaysia	1,000,000	51.0	Producing blended cocoa-derived food ingredients

**4. INFORMATION ON THE GROUP (Cont'd)****4.2.2 Types of Products**

With more than a decade of experience and years of experimentation, GCB Group has successfully expanded its product range to include four main categories of cocoa-derived food ingredients, namely cocoa liquor, cocoa butter, cocoa cake and cocoa powder, with a variety of flavours and colours. The wide range of cocoa-derived food ingredients are marketed under the trade mark "FAVORICH", which is a combination of the phrases 'high in flavour' and 'rich in colour'. Currently, GCB Group's cocoa-derived food ingredients are sold to multi-national corporations and international trading companies, a testimony to the competitiveness of its products in the world market.

GCB Group's range of products can be divided into four (4) major categories as depicted below:

**Principal Products of GCB Group as at 1 March 2005**

	<b>Product Category</b>	<b>Varieties</b>	<b>Major Applications</b>
1.	Cocoa Liquor*	<b>By Origin</b> African Asian	Chocolates
2.	Cocoa Cake	<b>By Colour</b> Light Brown (Natural) Brown (Alkalised) Medium Red (Alkalised) Dark Brown (Alkalised) Dark Reddish (Alkalised) Black (Alkalised)	Dairy products, bakery products, instant drinks, confectioneries and chocolate drinks
3.	Cocoa Butter	Pure Prime Pressed	Chocolates
4.	Cocoa Powder	<b>By Colour</b> Light Brown (Natural) Brown (Alkalised) Dark Brown (Alkalised) Reddish Brown (Alkalised) Dark Reddish (Alkalised) Black (Alkalised)	Dairy products, bakery products, instant drinks, confectioneries and chocolate drinks

\* Cocoa liquor is a common term used in the cocoa industry to describe viscous cocoa mass generated after the grinding process which is in liquid or paste form and has no alcoholic content.

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**4. INFORMATION ON THE GROUP (Cont'd)**

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**4.2.3 Technology Used**

In general, cocoa processing can be divided into the following main processes:-

- Cleaning of cocoa beans to remove dirt and foreign materials
- Preheating and winnowing to separate cocoa shells from cocoa nibs
- Alkalisng cocoa nibs to alter the colour of cocoa
- Roasting cocoa nibs to develop flavour
- Cocoa nibs grinding
- Pressing cocoa liquor to extract cocoa butter
- Pulverising cocoa cake into cocoa powder
- Packaging of cocoa-derived food ingredients

A description of the technology involved in the above processes is as follows:-

**Cleaning**

Cocoa beans are cleaned of foreign materials by four different processes:-

1. screening to remove materials which are of different sizes from cocoa beans;
2. the use of aspirator to remove materials that are lighter than cocoa beans;
3. the use of magnet drums to remove metal pieces; and
4. the use of gravity separator to remove the remaining stones.

**Preheating and Winnowing**

Cocoa beans are pre-heated to create "popping effect" which will ease the winnowing or deshelling process. The winnower removes and separates cocoa nibs from the cocoa shells by vacuum and sieving process.

**Alkalisng**

Alkalisng is the treatment of cocoa nibs and cocoa cake with alkali solution such as potassium carbonate. The objective of alkalisng is to derive the colour and flavour of the cocoa powder produced.

**Roasting**

The quality of cocoa liquor, cocoa butter and cocoa powder is largely determined in the roasting process. Technical know-how in roasting technology is important to produce cocoa-derived ingredients with the desired flavour and aroma. The roasting process can be conducted in batches to allow the utilisation of various combinations of parameters. This will help to develop the optimal flavour and it is also a sterilisation process.

**Cocoa Nibs Grinding**

In a three-stage grinding process, the cocoa nibs are transformed from solid form to a fluid mass with particle size of 75 micron fineness with 52% fat, known as cocoa liquor.

#### 4. INFORMATION ON THE GROUP (Cont'd)

##### Pressing

In the pressing process, cocoa liquor is pumped into the hydraulic cocoa butter presser whereby it is separated into cocoa cake (10-12% fat content) and cocoa butter.

##### Pulverising

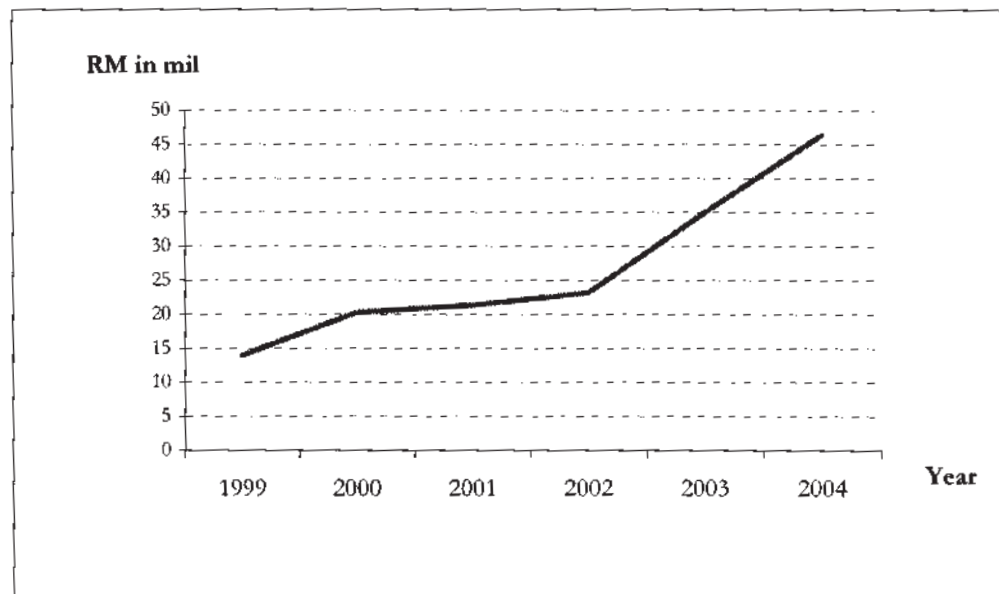
Cocoa cake are fed into either the Impact Classifier Mill ("ICM") cocoa cake grinder or pin mill to be pulverised into cocoa powder with particle size of 75 micron and 10-12% fat content. It allows crystallisation and stabilisation of the cocoa powder to prevent formation of clump and enhance the colour.

##### Packaging

Before the packaging process, the products will first pass through a sieve and metal detector to remove all foreign materials before final packing. The common size of packaging is 25kg and 1,000kg.

From FYE1999 to 10-months financial period ended 31 October 2004, GCB Group has invested about RM46.0 million into plant and machinery to upgrade its production facilities. In line with its expansion plan, GCB Group has allocated a total of RM19.5 million of investment in plant and machinery for FYE2003 and FYE2004 of which RM8.2 million has been spent in FYE2003.

##### Cumulative Investment in Plant and Machinery by GCB Group from FYE1999 – to 10-month financial period ended 31 October 2004



**4. INFORMATION ON THE GROUP (Cont'd)**

GCB Group has two cleaning plants (i.e bean separator, magnet drum and destoner), 1 infra red preheating machine, 1 microniser machine, 2 winnower machines, 1 cocoa nibs alkaliser, 3 roaster and 16 grinders of various specifications to prepare the cocoa beans for processing. The 6 cocoa butter presses have a total capacity of 125 mt of cocoa liquor per day. It also has 1 ICM cocoa cake grinder and 1 pin mill. GCB Group continuously seeks to improve efficiency in its production process.

**Production Machineries of GCB Group as at 1 March 2005**

	Type of machine	Total Units	Type of Application /Usage
1	Bean separator	2	To remove foreign objects from cocoa beans
2	Magnet drums	2	To remove metal pieces from cocoa beans
3	Destoner	2	To remove stone from cocoa beans
4	Infra red preheating machine	1	To preheat cocoa beans and create popping effect
5	Microniser	1	To preheat cocoa beans and create popping effect
6	Winnower	2	To separate cocoa nibs from cocoa shells
7	Cocoa nibs reactor	1	To alkaliser cocoa nibs to develop different colours
8	Roaster	3	To roast cocoa nibs
9	Cooler	3	To cool down cocoa nibs after roasted
10	Grinder – pre-grinding	4	1 <sup>st</sup> stage grinding of cocoa nibs into cocoa liquor
11	Grinder – intermediate grinding	5	2 <sup>nd</sup> stage grinding of cocoa nibs into cocoa liquor
12	Grinder – fine grinding	7	Final stage grinding of cocoa nibs into cocoa liquor
13	Liquor sieve	5	To sieve out foreign objects from cocoa liquor
14	Cocoa butter press	6	To press cocoa butter
15	Cocoa butter filter	1	To filter crude cocoa butter into fine cocoa butter
16	Cocoa butter cooling machine	1	To cool down cocoa butter before packing
17	Cocoa butter packing machine	1	To pack cocoa butter into 25kg carton
18	Cocoa liquor tempering machine	1	To temper cocoa liquor
19	Cocoa liquor packing machine	1	To pack cocoa liquor into 25kg carton
20	Cocoa Cake jumbo packing machine	2	To pack cocoa cake into 1mt bulk bag
21	Metal rejecter	3	To reject products which are contaminated with metal
22	Cake processing reactor (“CPR”)	1	To alkaliser cocoa cake
23	Cocoa cake mixer	2	To blend and cool down cocoa cake
24	ICM cocoa cake grinder	1	To grind cocoa cake into cocoa powder
25	Cocoa powder stabiliser	1	To stabilise cocoa powder from ICM cake grinder
26	Pin mill	1	To grind cocoa cake into cocoa powder
27	Screw stabiliser	2	To stabilise cocoa powder
28	Cocoa powder packing machine	2	To pack cocoa powder into 25kg bag
29	Cocoa cake packing machine	1	To pack cocoa cake into 25kg bag
30	Cocoa shell crusher	2	To crush coarse cocoa shell into fine cocoa shell
31	Cocoa shell packing machine	1	To pack cocoa shell
32	Metal detector	3	To detect metal materials in the finished goods
33	Sugar crusher	1	To grind sugar and storage
34	Ribbon blender	2	To blend sugar and cocoa liquor or powder
35	Polishing crusher	2	To grind sugar
36	Separator	1	To separate foreign materials
37	Dehumidifier	3	To dehumidify the production area
38	Packing machine	1	To pack the finished products

**4. INFORMATION ON THE GROUP (Cont'd)****4.2.4 Approvals, Major Licences and Permits Obtained**

Details of the approvals obtained by the Company for the Listing from the SC, MITI and FIC together with the conditions imposed by these authorities and status of compliance are set out in Section 6.1 of this Prospectus. Other major licences and permits obtained by the Group are as follows: -

Authority	Description	Major Conditions Imposed	Status of Compliance
<b>GCC</b>			
DOE	Approval dated 15 June 2004 to renovation/addition to the existing factory and office at PLO 273, Jalan Timah 2, Kawasan Perindustrian Pasir Gudang.	<p>(i) GCC is only allowed to operate at the premises/factory the industry of producing cocoa mass, cocoa butter and cocoa powder;</p> <p>(ii) The manufacturing process that is allowed to operate at the said premises is a process which will not involve any industrial effluents. The operation of the factory is subject to the Environmental Quality Act, 1974 and the rules thereunder gazetted and enforced from time to time;</p> <p>(iii) Installation of fuel burning equipment such as generator and others must obtain written approval of the DOE as required under the Environmental Quality (Clean Air) Regulations 1978;</p> <p>(iv) Open burning of factory waste in and outside the factory premises is absolutely prohibited as provided in section 29A of the Environmental Quality Act, 1974;</p> <p>(v) Any scheduled wastes produced shall be managed according to the requirements under Environmental Quality (Scheduled Wastes) Regulations 1989;</p> <p>(vi) Any wastes discharged into the atmosphere shall comply with the Environmental Quality (Clean Air) Regulations 1978;</p> <p>(vii) Noise levels at the border of the factory shall be controlled so as not to exceed 55dB(A) during day time and 45 dB(A) at night;</p>	<p>Met</p> <p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p> <p>Met</p>

**4. INFORMATION ON THE GROUP (Cont'd)**

Authority	Description	Major Conditions Imposed	Status of Compliance
		<p>(viii) All rubbish shall be put in fully covered skid tank to prevent overflow on land and shall be placed away from the drainage system. GCC shall practise "good house keeping" within the premises;</p> <p>(ix) Usage/installation of any fire extinguishing system which uses any Halon is subject to the Environmental Quality (Halon Management) Regulations 1999;</p> <p>(x) Use of refrigerant environmentally hazardous substance as the refrigerant in existing or new installation is subject to the Environmental Quality (Refrigerant Management) Regulations 1999;</p> <p>(xi) Use of "Ozone Depleting Substance" such as Chlorofluorocarbon (CFC) is subject to the Environmental Quality (Prohibition on the use of Chlorofluorocarbon and Other Gases as Propellants and Blowing Agents) Order 1993;</p> <p>(xii) Any variation or addition of the factory operation shall obtain prior approval of DOE; and</p> <p>(xiii) The DOE is entitled to withdraw and/or impose additional terms if necessary.</p>	<p>Met</p> <p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p> <p>Noted</p> <p>Noted</p>

## 4. INFORMATION ON THE GROUP (Cont'd)

Authority	Description	Major Conditions Imposed	Status of Compliance
DOE	Approval dated 10 September 2004 to PLO 273, Jalan Timah 2, Kawasan Perindustrian Pasir Gudang.	<p>(i) Cocoa cake is added to the list of products allowed to be operated at premise;</p> <p>(ii) Any process involving discharge of industrial effluents and resulting in the operation of the factory subject to the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979 (the 1979 Regulations) is not allowed;</p> <p>(iii) Discharge of sewage from the sewage treatment plant must fully comply with the parameter limits in the standard B of the Third Schedule of the 1979 Regulations. The design of treatment system of the plant shall be approved by Jabatan Perkhidmatan Pembentungan;</p> <p>(iv) Any wastes discharged into the atmosphere shall comply with the Environmental Quality (Clean Air) Regulations 1978. All sources producing powder and air pollution must be equipped with effective and perfectly functioning pollution control system;</p> <p>(v) Installation of fuel burning equipment such as generator and others must obtain prior written approval of the Department of Environment as required under the Environmental Quality (Clean Air) Regulations 1978;</p> <p>(vi) Any scheduled wastes produced shall be managed according to the requirements under Environmental Quality (Scheduled Wastes) Regulations 1989;</p>	<p>Met</p> <p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p>



**4. INFORMATION ON THE GROUP (Cont'd)**

Authority	Description	Major Conditions Imposed	Status of Compliance
		(vii) Open burning of factory waste in and outside the factory premises is absolutely prohibited as provided in section 29A of the Environmental Quality Act, 1974;	Not applicable
		(viii) Noise levels at the border of the factory shall be controlled so as not to exceed 55dB(A) during day time and 45 dB(A) at night;	Met
		(ix) Usage/installation of any fire extinguishing system which uses any Halon is subject to the Environmental Quality (Halon Management) Regulations 1999;	Not applicable
		(x) Use of refrigerant environmentally hazardous substance as the refrigerant in existing or new installation is subject to the Environmental Quality (Refrigerant Management) Regulations 1999;	Not applicable
		(xi) Use of "Ozone Depleting Substance" such as Chlorofluorocarbon (CFC) is subject to the Environmental Quality (Prohibition on the use of Chlorofluorocarbon and Other Gases as Propellants and Blowing Agents) Order 1993;	Not applicable
		(xii) All rubbish shall be put in fully covered skid tank to prevent overflow on land and shall be placed away from the drainage system;	Met
		(xiii) GCC shall practise "good house keeping" within the premises and beautify its premises;	Met
		(xiv) Any variation or addition of the factory operation shall obtain prior approval of DOE; and	Noted
		(xv) The DOE is entitled to withdraw and/or impose additional terms if necessary.	Noted

## 4. INFORMATION ON THE GROUP (Cont'd)

Authority	Description	Major Conditions Imposed	Status of Compliance
MITI	<p>Manufacturing licence (Licence No. A 009426 Serial No. A 014250) for the manufacture of cocoa butter, cocoa cake, cocoa powder and cocoa liquor at PLO 273, Jalan Timah 2, Kawasan Perindustrian Pasir Gudang, 81700 Johor Bahru, Johor Darul Takzim dated 15 October 1994 subject to conditions stated therein.</p> <p>Approval was obtained via letter dated 20 November 2003 for expansion plans to existing site at PLO 273, Jalan Timah 2, Kawasan Perindustrian Pasir Gudang, 81700 Johor Bahru, Johor Darul Takzim and manufacturing licence for the expansion at the new sites.</p>	<p>Conditions for licence dated 15 October 1994 was revised and replaced with the following:</p> <p>(i) All shares in GCC must be bought and held by Malaysian citizens. Approval of MITI needs to be obtained for sale of shares of GCC.</p> <p>(ii) GCC must train Malaysian citizens to enable the transfer of technology and knowledge at all levels.</p>	Met
MITI	<p>Manufacturing licence (Licence No. A 014287 Serial No. A 021911) for the manufacture of cocoa butter, cocoa cake, cocoa powder and cocoa liquor at PTD 119841, Warehouse 3A, Jalan Gudang 2, Johor Port, 81700 Pasir Gudang, Johor dated 30 January 2004.</p>	<p>(i) The additional shares of RM4,000,000 are exempted from the equity condition. MITI must be informed of any disposal of these shares.</p>	Met
MITI	<p>Manufacturing licence (Licence No. A 014288 Serial No. A 021912) for the manufacture of cocoa butter, cocoa cake, cocoa powder and cocoa liquor at PTD 119841, Warehouse 3B, Jalan Gudang 2, Johor Port, 81700 Pasir Gudang, Johor dated 30 January 2004.</p>	<p>(ii) GCC must train Malaysian citizens to enable the transfer of technology and knowledge at all levels.</p>	Met

## 4. INFORMATION ON THE GROUP (Cont'd)

Authority	Description	Major Conditions Imposed	Status of Compliance
MIDA	Pioneer Status by Malaysian Industrial Development Authority ("MIDA") on 16 December 2003 with tax exemption on 70% of its statutory income for 5 years from the manufacture of cocoa butter, cocoa cake, cocoa powder and cocoa liquor as part of its expansion plans at both its existing and new sites.	(i) A minimum of 60% of GCC's shares must be acquired and held by Malaysians, and	Met
MITI	Certificate of Pioneer No. 1955 dated 29 June 2004 for the period from 16 December 2003 to 15 December 2008.	(ii) Total staff at management, technical and and supervisory levels must be at least 15% of the total staff force of GCC.	Met
<b>EM</b>			
MITI	Licence No. A 013444 Serial No. A 021231 dated 7 May 2003 issued by the Ministry of International Trade and Industry of Malaysia ("MITI") under the Industrial Co-Ordination Act 1975 for the manufacture of chocolate and chocolate confectionery at Johor Port Warehouse 3B, 81700 Pasir Gudang, Johor Darul Ta'zim. The Manufacturing Licence is effective from 26 December 2002.	(i) MITI must be informed of any disposal of EM's shares. (ii) EM must train Malaysians to ensure the transfer of technology and skills is filtered to all levels.	Met Met
DOE	Letter dated 19 September 2003 stating no objection to application of business premise licence.	(i) EM is only allowed to operate at the premises the industry of producing chocolate and chocolate confectionery. No other industry is allowed; (ii) Any process involving discharge of industrial effluents and resulting in the operation of the factory subject to the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979 (the 1979 Regulations) is not allowed; (iii) Discharge of sewage from the sewage treatment plant must fully comply with the parameter limits in the standard B of the Third Schedule of the 1979 Regulations. The design of treatment system of the plant shall be approved by Jabatan Perkhidmatan Pembentungan;	Met Not applicable Not applicable

**4. INFORMATION ON THE GROUP (Cont'd)**

Authority	Description	Major Conditions Imposed	Status of Compliance
		(iv) Any wastes discharged into the atmosphere shall comply with the requirements of Environmental Quality (Clean Air) Regulations 1978, P.U. (A) 280/78 (the 1978 Regulations). Any process which produces dust must be equipped with dust trapping equipment which is always functioning well;	Not applicable
		(v) Installation of fuel burning equipment such as generator and pollution control equipment must obtain prior written approval of the Department as required under the 1978 Regulations. Only the use of gas fuel/electricity is allowed;	Not applicable
		(vi) Open burning of factory waste in and outside the premises is totally prohibited as provided in section 29A of the Environmental Quality Act, 1974;	Not applicable
		(vii) Noise levels at the border of the factory must be controlled in order not to exceed 55dB(A) at all time;	Met
		(viii) Usage/installation of any fire extinguishing system which uses any Halon is subject to the Environmental Quality (Halon Management) Regulations 1999;	Not applicable
		(ix) Use of refrigerant environmentally hazardous substance as the refrigerant in existing or new installation is subject to the Environmental Quality (Refrigerant Management) Regulations 1999;	Not applicable
		(x) Use of "Ozone Depleting Substance" such as Chlorofluorocarbon (CFC) is subject to the Environmental Quality (Prohibition on the use of Chlorofluorocarbon and Other Gases as Propellants and Blowing Agents) Order;	Not applicable
		(xi) All rubbish shall be put in fully covered skid tank to prevent overflow on land and shall be placed away from the drainage system;	Met

## 4. INFORMATION ON THE GROUP (Cont'd)

Authority	Description	Major Conditions Imposed	Status of Compliance
		(xii) EM shall practise "Good House Keeping" and beautify the compound of the premises; (xiii) Any variation or addition of the factory operation shall obtain prior approval of the Department; and (xiv) The Department is entitled to withdraw and/or impose additional terms if necessary.	Met  Noted  Noted
MITI	Certificate of Pioneer No. 1871 dated 28 January 2004 for the period from 1 June 2003 to 31 May 2008 with tax exemption on 70% of its statutory income for 5 years from the manufacture of chocolate & chocolate confectionery.	(i) Value added products of EM must be at least 40%; and  (ii) Total staff at management, technical and supervisory levels must be at least 15% of the total staff force of EM.	Not met (However, EM has appealed to MIDA to remove this condition vide its letter dated 1 September 2004).  Met

**4. INFORMATION ON THE GROUP (Cont'd)****4.2.5 Trade marks, Licences and Certifications****List of Licences, Trade marks and Certifications of GCB Group as at 1 March 2005**

No.	Type of Licence/ Trade mark/ Certification	Licence/ Trade mark / Certification No.	Issuer	Company	Date of Issue/ (Renewal)	Date of Commencement	Date of Expiry
1	Manufacturing Licence	A 009426 (Serial No. A 014250)	MITI	GCC	15 Oct 1994	13 May 1994	Perpetual
2	Manufacturing Licence	A 014287 (Serial No. A 021911)	MITI	GCC	30 Jan 2004	20 Nov 2003	Perpetual
3	Manufacturing Licence	A 014288 (Serial No. A 021912)	MITI	GCC	30 Jan 2004	20 Nov 2003	Perpetual
4	Manufacturing /Business Premise Licence	6782/2005	Johor Corporation	GCC	4 Jan 2005	1 Jan 2005	31 Dec 2005
5	Manufacturing /Business Premise Licence	6783/2005	Johor Corporation	GCC	4 Jan 2005	1 Jan 2005	31 Dec 2005
6	Manufacturing /Business Premise Licence	6784/2005	Johor Corporation	GCC	4 Jan 2005	1 Jan 2005	31 Dec 2005
7	Cocoa Grinding Licence	04000151991J	MCB	GCC	30 Jan 2003	1 Jan 2003	31 Dec 2007
8	Buying, Selling or Exporting Cocoa Licence	03003801991J	MCB	GCC	28 Sep 2004	1 Oct 2004	30 Sep 2009
9	Advertising/ Sign board/ Poster Licence	6782/2005	Johor Corporation	GCC	4 Jan 2005	1 Jan 2005	31 Dec 2005
10	Advertising/ Sign board/ Poster Licence	6783/2005	Johor Corporation	GCC	4 Jan 2005	1 Jan 2005	31 Dec 2005
11	Advertising/ Sign board/ Poster Licence	6784/2005	Johor Corporation	GCC	4 Jan 2005	1 Jan 2005	31 Dec 2005
12	Trade mark - FAVORICH	96008705	Registrar of Trade marks Malaysia	GCC	13 Sept 2002/ (13 July 2004)	31 Jul 1996	31 Jul 2013
13	KOSHER	NA	Orthodox Jewish Community of Singapore	GCC	28 Mar 2004	28 Mar 2004	28 Mar 2005
14	Pioneer Status	Certificate no.1955	MITI	GCC	29 Jun 2004	16 Dec 2003	15 Dec 2008

**4. INFORMATION ON THE GROUP (Cont'd)**

No.	Type of Licence/ Trade mark/ Certification	Licence/ Trade mark / Certification No.	Issuer	Company	Date of Issue/ (Renewal)	Date of Commencement	Date of Expiry
15	ISO 9001:2000	SG04/0193	SGS United Kingdom Ltd.	GCC	NA	22 Oct 2004	21 Oct 2007
16	ISO 9001:2000	MY04/0032/QS	SGS (Malaysia) Sdn Bhd	GCC	NA	22 Oct 2004	21 Oct 2007
17	HACCP Codex Alimentarius	MY04/0012/HA CCP	SGS (Malaysia) Sdn Bhd	GCC	NA	22 Sept 2004	21 Sept 2007
18	Halal	002015	Islamic Development Department of Malaysia	GCC	15 Oct 2004	15 Oct 2004	14 Oct 2006
19	Buying, Selling or Exporting Cocoa Licence	03027702004J	MCB	GCT	13 Apr 2004	1 Apr 2004	31 Mar 2005
20	Manufacturing Licence	A 013444 (Serial No. A 021231)	MITI	EM	7 May 2003	26 Dec 2002	Perpetual
21	Pioneer Status	Certificate no.1871	MITI	EM	28 Jan 2004	1 Jun 2003	31 May 2008
22	ISO 9001:2000	SG04/0017/MY	SGS United Kingdom Ltd.	EM	NA	12 Feb 2004	11 Feb 2007
23	Codex Alimentarius Commission Guideline for the Application of the Hazard Analysis and Critical Control Point (HACCP) System (1997)	MY04/0001/HA CCP	SGS (Malaysia) Sdn Bhd	EM	NA	12 Feb 2004	11 Feb 2007
24	Manufacturing /Business Premises Licence	6338/2005	Johor Corporation	EM	28 Dec 2004	1 Jan 2005	31 Dec 2005
25	Advertising/ Signboard/ Poster licence	6338/2005	Johor Corporation	EM	28 Dec 2004	1 Jan 2005	31 Dec 2005

Since 2001, GCC has obtained a Kosher certification from the Jewish Community of Singapore, which is renewable annually. GCC and GCT have obtained the licence for buying, selling or exporting cocoa beans from MCB. GCC and EM have also obtained Pioneer Status. With the pioneer status, both GCC and EM will enjoy a tax exemption on 70% of their statutory income for a period of five consecutive years.

GCC and EM have obtained both the HACCP and ISO9001:2000 in 2004. HACCP stands for Hazard Analysis and Critical Control Point. The HACCP system is a scientific, rational and systematic approach for identification, evaluation and control of hazards in food production to ensure it is safe and suitable for human consumption.

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#### **4. INFORMATION ON THE GROUP (Cont'd)**

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Under the HACCP system, food safety control is integrated into various critical control points of throughout the food chain including primary production through to the final consumer. These critical control points are the quality control points which are pertinent to the production entire process as they ensure that there are extensive monitoring and control at these check points to minimise the risk of contamination while maintaining high quality standards. It will ensure that the food produced has gone through stringent quality and hygiene controls.

##### **4.2.6 Dependency On Patents**

The wide range of cocoa-derived food ingredients are marketed under the brand name "FAVORICH" which is a combination of the phrases "high in flavour" and "rich in colour". GCC has registered and is using the said trade mark since 1996 and the trade mark is valid until 31 July 2013. The Group has also registered the domain name [www.favorich.com](http://www.favorich.com) which it uses in connection with its business.

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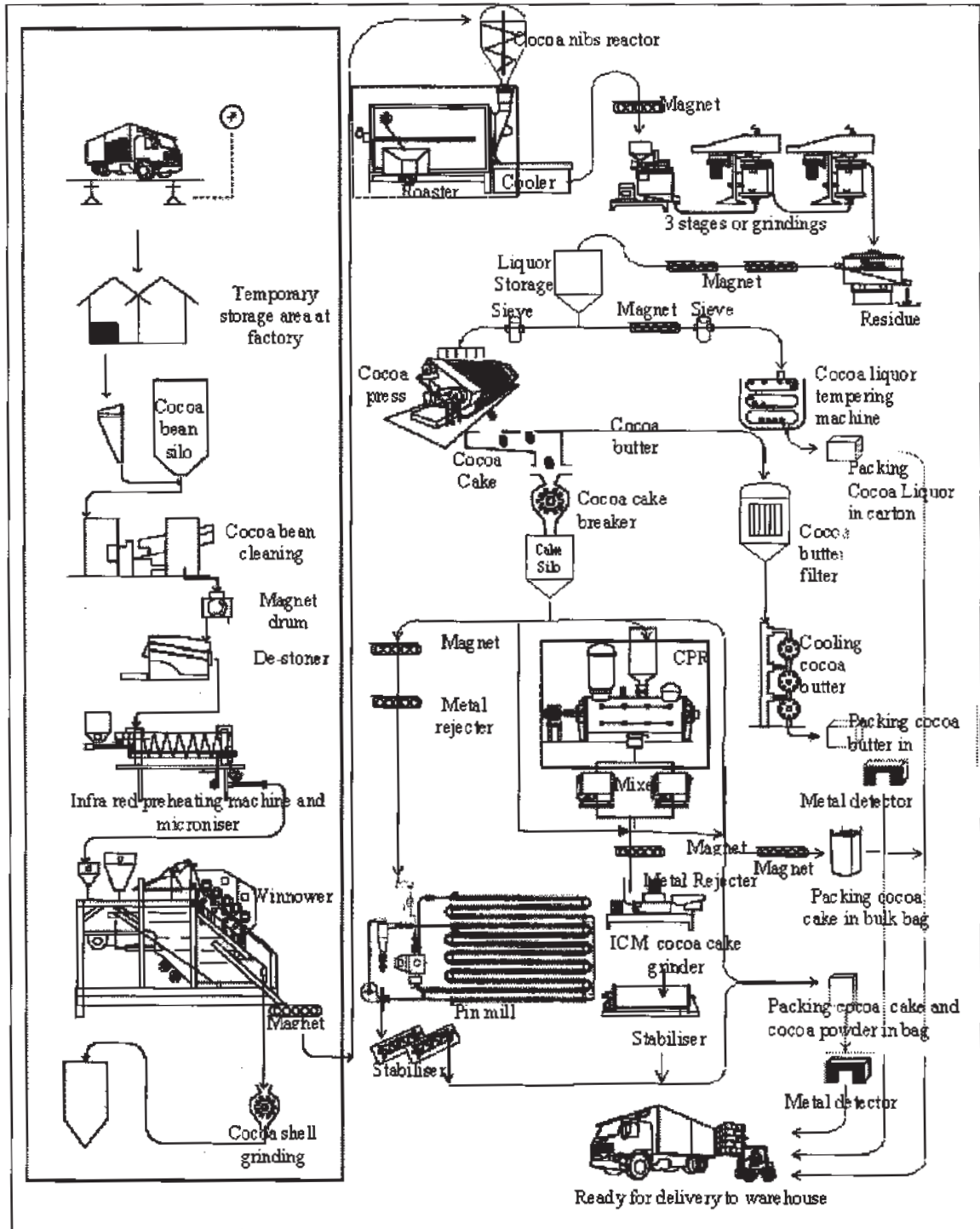


4. INFORMATION ON THE GROUP (Cont'd)

4.2.7 Production Process

The following diagram illustrates the production process of GCC:-

Cocoa-Derived Food Ingredients Production Process Flow



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**4. INFORMATION ON THE GROUP (Cont'd)**

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When the bags of cocoa beans, which are stacked on wooden pallets arrive in the factory, they will be placed in the temporary storage area.

At the beginning of the production process, the cocoa beans will be placed into the bean silo. The cocoa bean silo stores the beans before they are released into the production process in batches. From the silo, the cocoa beans will be sent to the cleaning machine. The cleaning machine will separate and remove all extraneous materials including clump beans, dust, shells, strings, sticks and other foreign objects that came with the cocoa beans. After cleaning, the cocoa beans will pass through a magnetic drum which will remove metallic objects in the cocoa beans.

Next, stones will be removed using the destoner. Consequently, the cocoa beans will be heated to between 105 degree Celsius to 110 degree Celsius in either the microniser or the infra red pre-heating machine. The heat will enable the cocoa shells to be removed easily in the next process.

After the heat treatment, the winnower will remove the cocoa shells from the cocoa beans leaving just the cocoa nibs. The cocoa shells will either be discarded or grinded finer to be sold as feedmeal or fertiliser.

Subsequently, the cocoa nibs alkalisation process will help to develop the desired colour and flavour for the cocoa nibs. The process will determine the grade of the cocoa-derived food ingredients. Then, the alkalisated cocoa nibs will be roasted in the roaster to kill bacteria, germs and micro organisms, which are hazardous to health. Next, the roasted cocoa nibs will be sent to the cooler.

After the cooling process, the roasted cocoa nibs will pass through the magnet bar to remove traces of metal residue, which may have been left by the equipment used in the previous process. Subsequently, the cocoa nibs will be undergoing three stages of grinding to achieve the desired fineness in the cocoa liquor, the outcome of the grinding. Next, the cocoa liquor will be passed through a sieve and magnet bars before being deposited into the liquor storage silo.

At this stage, the process will take two different directions. A designated quantity of liquor, usually of the best quality, will be sent for tempering after passing through the sieve and magnet bars. The tempering process will cool down the cocoa liquor. Then, the cocoa liquor would be packed in cartons and labelled with its product name and code number.

The rest of the cocoa liquor will pass through a sieve before being directed to the cocoa press to press out oil which is called cocoa butter, leaving behind a solid mass called cocoa cake. At this stage the process will take two directions again. The cocoa butter will go through the filtering machine to remove all solid residue before the cooling process. The cooling process will enable the cocoa butter to solidify faster for packing. Upon completion of packing, the cocoa butter will pass through the metal detector before delivery to the warehouse.

At the same time, the cocoa cake from the pressing process will be broken into small pieces to form kibbled cocoa cake which is deposited into the cocoa cake silo.

The cocoa cake will pass through a magnet to ensure that there is no metal materials in the finished products. The finished products will either be packed into 1 mt bulk bag or 25 kg paper bag. Cocoa cakes which are packed into 25kg paper bag will pass through the metal detector.

**4. INFORMATION ON THE GROUP (Cont'd)**

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After passing the magnet and metal rejecter, cocoa cake from the silo will be grinded into cocoa powder by the pin mill or ICM cocoa cake grinder. Subsequently, the cocoa powder will be stabilised using the stabiliser. The stabilisation process will ensure the cocoa powder is fluffy, clump-free and ready for packing into paper bags. Before leaving the factory, the cocoa powder in paper bags will be scanned by the metal detector.

Alternatively, cocoa cake from the silo can also be processed into alkalisated cocoa cake and alkalisated cocoa powder. The CPR will perform the alkalisating process. In the CPR, an alkali solution will be added to the cocoa cake to change the colour of the cocoa cake to the specified colours. The cocoa cake mixer will be utilised for cooling the cocoa cake. Next, the alkalisated cocoa cake can be either packed into 1 mt bulk bag or 25 kg paper bag.

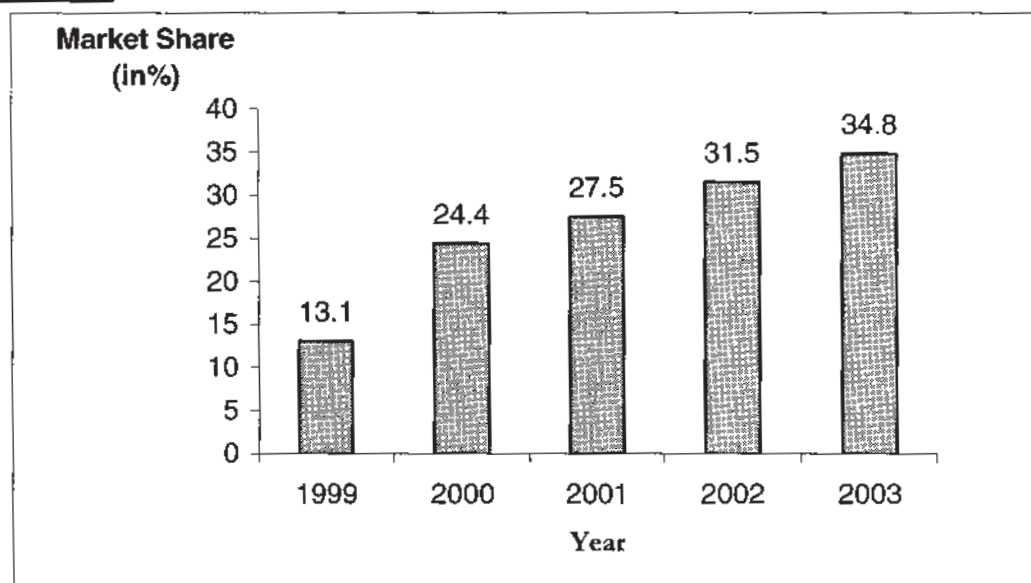
The finished products will undergo various quality testing before delivering to the customers.

**4.2.8 Estimated Market Coverage, Position and Share**

The Group prides itself as one of the leading manufacturer in this region providing cocoa-derived food ingredients to the international market. Based on FYE2003 revenue, GCB Group is the top player in Malaysia with revenue of RM371 million, capturing a market share of 35.4% among the major players.

GCB Group is a major contributor to the country's cocoa-derived food ingredients export earnings. Over the period 1999 to 2003, the value of Malaysian cocoa-derived food ingredients exports increased from RM552 million to RM991 million. During the same period, GCB Group's cocoa-derived food ingredients exports increased from RM73 million to RM345 million. In terms of percentage market share to total export earnings, GCB Group's share increased from 13.1% in 1999 to 34.8% in 2003. GCB Group is the single largest exporter of cocoa cake and a major exporter of cocoa butter in the country. Over the past five years, 94.8% to 97.8% of its revenues were derived from the export market. Its range of cocoa-derived food ingredients are marketed mainly to the USA, Singapore, Holland and China.

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**4. INFORMATION ON THE GROUP (Cont'd)****GCB Group's Market Share in Malaysia Cocoa-Derived Food Ingredients Export Earnings**

Source: Department of Statistics

(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)

**4.2.9 New Products/Services**

As part of GCB Group's future strategy, GCB Group shall be changing its product mix to produce more cocoa powder. This would also entail continuous marketing efforts to sell directly to confectionery and chocolate manufacturers which would in turn diversify the Group's customer base.

**4.2.10 Principal Markets for Products****GCB Group's Sales Analysis by Exports and Local Markets (FYE1999-2004)**

Financial Year ended 31 December	Export Sales Contribution	Local Sales Contribution
	%	%
1999	96.5	3.5
2000	96.3	3.7
2001	97.8	2.2
2002	95.3	4.7
2003	94.8	5.2
2004*	93.7	6.3

\* 10-month financial period ended 31 October 2004

**4. INFORMATION ON THE GROUP (Cont'd)****GCB Group's Major Export Market by Revenue (in RM and %) (FYE 1999-2004)**

Country	Financial Year End											
	1999		2000		2001		2002		2003		2004*	
	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%
Holland	22.6	30	27	22.4	7.3	5.1	57.8	26.2	122.7	33.1	104.3	38.0
Singapore	3.5	4.6	11	9.1	16.4	11.6	47.2	21.4	113.8	30.7	21.0	7.7
USA	27.5	36.6	50.8	42.1	98.6	69.9	93.2	42.3	90.7	24.5	97.6	35.5
Russian Federation	2.4	3.2	1.5	1.3	1.1	0.8	-	-	7.4	2	9.6	3.5
Japan	-	-	0.2	0.2	-	-	-	-	5	1.4	9.6	3.5
China	0.5	0.7	0.6	0.5	0.8	0.5	3.7	1.7	3.5	1	3.4	1.2
Jordan	0.7	1	0.4	0.4	2.4	1.7	1.2	0.6	1.9	0.5	2.1	0.8

\* 10-month financial period ended 31 October 2004

The Group's major markets are Holland, Singapore and US. Sales to emerging markets such as China, Middle East and Russian Federation are also growing. These markets present valuable opportunities for GCB Group to expand their customer base and set the foundation for future growth.

Access to the export markets for cocoa-derived food ingredients is mainly through trading companies, from which chocolate and confectionery manufacturers buy directly. GCB Group has long-term relationships with some of the established trading companies such as Unicom (International) B.V., ED & F Man Asia Pte. Ltd and Atlantic Cocoa Company, and it has access to major export markets worldwide.

In addition, GCB Group also engages agents to handle distribution of cocoa-derived food ingredients in Egypt, Middle East and Russian Federation. Trade missions and export exhibitions organised by the MCB and MATRADE have helped GCB Group's efforts in accessing and gaining exposure to the overseas markets.

In terms of product sales, almost all of the cocoa butter and cocoa cake produced are exported overseas. Local sales are mainly contributed by cocoa powder which is sold to manufacturers of confectioneries and biscuits.

**4.2.11 Types, Sources and Availability of Raw Materials/Inputs**

Most of the cocoa beans used by GCB Group are of Indonesian and Cote d'Ivoire origin. GCB Group purchases most of its cocoa beans from international trading companies as they are able to supply in large quantities, have minimal risk of default on contract and offer longer forward contract of one to two years. On the other hand, the direct exporters of cocoa beans are only willing to offer shorter forward contracts ranging from one to three months. The availability of forward contracts of longer terms allows GCB Group to plan ahead. In addition, the logistics of dealing with only a handful of international trading companies are easier, compared with buying in smaller quantities from many suppliers.

In November 2004, the resurgence of political unrest in Cote d'Ivoire has caused some concerns on cocoa beans supply. However, the impact is minimal on GCB as GCB mainly sources cocoa beans from international trading houses on forward contract arrangements. As at 1 March 2005, GCB has not encountered any major disruption in the supply of cocoa beans from Cote d'Ivoire.

#### 4. INFORMATION ON THE GROUP (Cont'd)

In addition, GCB's risk exposure is minimal due to the fact that most of the Group's beans are of Indonesian (Sulawesi Island) origin. For purchase of African cocoa beans that are of higher quality, the Group could purchase cocoa beans from other countries such as Ghana, Nigeria and Cameroon apart from of Cote d'Ivoire to minimise the risk of disrupted supplies from Cote d'Ivoire. For the 10-month financial period ended 31 October 2004, import of cocoa beans from Cote d'Ivoire accounted for 17.9% of the Group's total bean purchases.

##### 4.2.12 Quality Control Procedures

GCB Group's Quality Assurance ("QA") department is responsible for ensuring GCB Group's products meet the specifications set by the Group. GCB Group's quality management programs are based on HACCP System.

The objective of GCB Group's quality system is to ensure that the entire processing system meets the parameters required, so that the finished products meet the standard specifications. GCB Group's quality system covers the entire manufacturing process from the receipt of raw materials to the delivery of the finished products. The quality assurance process includes the following:-

- all parameters of machines will be checked and recorded by operators at specific time interval.
- production capacity bottleneck of the machines will be recorded in the Production Daily Report. The Production Daily Report serves as an important indicator of the condition of machines so that preventive measures can be made before problems occur. Therefore, quality and food safety problems are minimised and production efficiency are maintained.
- in-line samples will be collected at pre-determined intervals over a period of 24 hours. Each sample will be analysed according to the Nibs Alkalisising, Roasting and Sterilising (NARS) Plant In-Line Process Sampling and QC Testing Plan. Operators in the plant will be informed of the in-line process results. If the results are out of action limits, actions will be taken immediately.
- quality analysis of cocoa beans upon arrival.
- laboratory analysis of primary packaging materials (which will be in direct contact with finished products) for total plate count (TPC) of microbes such as yeast, salmonella, mould and E-coli. Samples are also physically checked for printing, colour and edge seal. Samples are randomly picked.
- after the finished product is packed, cocoa cake and cocoa powder samples will be taken to check for TPC, moisture, coliform, pH and colour testing. Cocoa butter and cocoa liquor will be tested for iodine value (IV), free fatty acid (FFA) (not for liquor), moisture, TPC, and Enterobacteriaceae. Finished products will not be released without the Quality Assurance confirmation.

For standardisation of the quality of cocoa beans and cocoa-derived food ingredients, the MCB has set a specific standard for cocoa beans, cocoa powder and cocoa butter. The standards are set by Standards and Industrial Research Institute of Malaysia ("SIRIM"). The three standards are as follows:-

##### Standards on Cocoa Beans, Cocoa Powder and Cocoa Powder

No.	Standard	Purpose
1.	MS 293:1995	Grading Malaysia cocoa beans
2.	MS 871:1988	Malaysian cocoa powder
3.	MS 1118:1988	Malaysian cocoa butter

Source: MCB

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**4. INFORMATION ON THE GROUP (Cont'd)**

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While the MS 293:1995 is applicable for all beans to be exported from Malaysia, MS871:1988 and MS 1118:1988 are guides to the manufacturers. The standards provide information on basic requirements and specifications.

**4.2.13 R&D**

The R&D department plays an important role in assisting the Group to maintain high standards of quality for its products, to meet customers' expectation and to continuously improve productivity and process efficiency.

The R&D department monitors and keeps track of the quality of cocoa beans from various sources and their respective yields which helps the Group in its bean purchase decision. R&D projects also include experimenting with various cocoa blends and formulations to produce cocoa-derived food ingredients for specific industry applications. As a result of the R&D work, GCB Group has been able to expand its product range of cocoa powder with a variety of colours and flavours.

The R&D department also provides technical support to cocoa-derived food ingredients end-users. For example, the R&D department would produce chocolates and cocoa-based biscuits on a laboratory scale in order to understand the problems faced by its customers and to demonstrate the applications for GCB Group's cocoa-derived food ingredients. With such efforts, GCB Group would be in a better position to assist its customers in their formulation process specifically in terms of blending cocoa-derived food ingredients.

The supports provided by GCB Group to end-users would help to forge and cement long term relationships, and provide a stable and growing market for GCB Group's products.

**(i) Policy on R&D**

The Group's policy on R&D is to:-

- a. maintain high product quality to meet international standards;
- b. continuously improve productivity and process efficiency;
- c. develop additional products to be added into the Group's product range;
- d. provide technical support to customers; and
- e. develop and enhance its understanding of customers' needs in terms of cocoa-derived food ingredients applications.

**(ii) R&D Facilities and Personnel**

The R&D department is headed by Mr. Pow Chun Chung who is also the manager of the QA Department. He graduated with a First Class Honours in Bachelor of Engineering (Chemical) from the University of Malaya. Mr. Pow is assisted by 11 staff, 5 of whom have Diploma in Food Science/Technology.

The R&D department is equipped with various testing and experimentation facilities to enable the department to carry out its activities in accordance with the Group's research and development policy.

**4. INFORMATION ON THE GROUP (Cont'd)**

In 2005, the R&D department will be acquiring a number of laboratory-scale equipment for the production of food products using cocoa-derived food ingredients. The R&D department will be experimenting with the application of cocoa-derived food ingredients in biscuits, drinks, bakery and confectionery products, for the purpose of further understanding the requirements of their customers, and also to demonstrate applications for cocoa-derived food ingredients to their customers.

**(iii) Status of R&D**

Current projects being undertaken by the research and development department are:-

- a. analysis and experimentation with cocoa beans sourced from Cote d'Ivoire, Ghana and Cameroon for the purpose of production of high-premium cocoa powder;
- b. experimentation of alkalisng reactor to improve quality of cocoa powder's colour and flavour ; and
- c. experimentation with deodorisation of cocoa butter.

**(iv) Achievements in R&D**

GCB Group's achievements in R&D are listed below:-

<b>Year</b>	<b>Achievements</b>
1991	Formulated customised cocoa liquor
1996	Improved production efficiency which helped to increase the annual cocoa beans processing capacity from about 11,000 mt in 1994 to about 15,000 mt
1997	Successfully developed new range of cocoa cake products namely:- 1. Dark brown cocoa cake (Product code : G-390-C11) 2. Dark red cocoa cake (Product code : G-690-C11) 3. Black cocoa cake (Product code : G-960-C11)
1998	Commercial production of cocoa powder using ICM technology. As a result, a new range of products were developed:- 1. Dark brown cocoa powder (Product code : G-390-11) 2. Dark red cocoa powder (Product code : G-690-11) 3. Black cocoa powder (Product code : G-960-11)
1999	Successfully carried out research on cocoa cake blending which assisted in the development of a new product i.e light alkalised cocoa powder*( Product code : G-330-11)
2000	Successfully carried out research on cocoa nib alkalisng using roaster which assisted in the development of a new product i.e. light alkalised cocoa cake (Product code : LA Cake)
2001	Successfully carried out research on cocoa nib alkalisng using roaster which assisted in the development of a new product i.e. light alkalised cocoa powder*( Product code : G-350-11)
2004	Successfully carried out research on cocoa nibs alkaliser which assisted in the development of a new range of products, namely 1. Light alkalised cocoa powder* (Product code : GP-250-11) 2. Reddish Brown Cocoa Powder (Product code : GP-360-11) 3. Reddish Brown Cocoa Powder (Product code : GP-660-11) 4. Red Cocoa Powder (Product code : GP-690-11)

*\*From 1999 to 2004, through the R&D efforts, the Group has managed to introduce different variants of light alkalised cocoa powder.*



**4. INFORMATION ON THE GROUP (Cont'd)**

## (v) Ongoing/Future Plans and Timeline for Implementation

Future plans for research and development are the following:-

- (a) to develop a new range of deodorised cocoa butter by end 2005; and
- (b) to carry out research on cocoa powder blending process by 2006.

## (vi) Investments for R&amp;D

GCB has budgeted RM1 million for purchase of laboratory scale equipment for research and development on product applications by third quarter of 2005.

The total R&D expenditure in the past three (3) financial years ended 31 December 2003 and 10-month financial period ended 31 October 2004 is set out below:-

Financial Year ended 31 December	2001 (RM)	2002 (RM)	2003 (RM)	2004* (RM)
R&D expenditure	52,054	57,590	47,514	57,908
Turnover	141,097,327	220,303,680	370,946,870	274,551,837
% of Turnover	0.04	0.03	0.01	0.02

\* 10-month financial period ended 31 October 2004

**4.2.14 Interruptions in Business for the Past Twelve (12) Months**

There has never been any interruption in the form of trade disputes or major operational breakdown occurring within and outside the Group that may significantly impair the Group's business performance during the past twelve (12) months.

**4.2.15 Employees**

As at 1 March 2005, GCB Group has a total of 156 employees, comprising management, skilled and non-skilled employees. The employees of GCB Group are classified into the following categories:-

**Employees of GCB Group by Years of Service as at 1 March 2005**

Categories	< 1 year	1 – 5 years	> 5 years	Total	% of Total Employees
Managerial & Professional	0	4	6	10	6.4
Technical & Supervisory	6	33	10	49	31.4
Clerical, Admin & Accounts	4	8	1	13	8.4
Production Staff – skilled	2	22	8	32	20.5
Production Staff - Unskilled	1	3	1	5	3.2
General Worker	33	14	0	47	30.1
Total	46	84	26	156	100
% of Total Employees	29.5	53.8	16.7	100	

#### 4. INFORMATION ON THE GROUP (Cont'd)

37.8% of GCB Group's employees comprise management, technical and supervisory staff. 70.5% of the total employees had been employed in the Group for more than 1 year. In the critical management and professional category, all the staff had been employed in the Group for more than one year. Half of them had been employed in the Group for more than 5 years.

Among the 156 employees, 46 of them are foreigners from Vietnam, Indonesia and Myanmar.

Vide a letter dated 19 March 2001, the National Food Industry Union ("the Union") claimed recognition from GCC. GCC applied to the Director General for Industrial Relations for a membership check. On or about 10 May 2003, the Minister of Human Resources decided that GCC shall accord recognition to the Union. GCC brought the action in Johor Bahru High Court Application for Judicial Review No. 25-21-2003 (1) against the Minister of Human Resources seeking a court order of Certiorari to quash the Minister's decision. The matter is still pending determination by the court. *(Please refer to Section 14.6 of this Prospectus for more information)*

GCB Group is committed to human resource development. The Company has been investing in external training courses for its production and management staff. Areas of training cover management and technical skills. The training programmes will help in improving productivity as well as upgrading production and management skills which will keep the Group globally competitive.

The management of the Group is of the opinion that its dedicated, efficient and trained employees are instrumental to its success. The management of the Group enjoys a good working relationship with the employees.

As of 1 March 2005, the Group has not been involved with any material industrial disputes with its employees save as disclosed in Section 14.6 of this Prospectus.

##### 4.2.16 Key Achievements/Milestones/Awards

Year	Milestone
1990	Ground breaking ceremony for the building of factory in Pasir Gudang Industrial Park
1991	Commencement of cocoa beans processing with annual processing capacity of approximately 6,000 mt
1994	Expansion of cocoa beans processing capacity to about 11,000 mt per annum
1996	"FAVORICH" trademark was registered by GCC
1996	Expansion of cocoa beans processing capacity to close to 15,000 mt per annum
1998	Commencement of the pulverising process using Impact Classifier Mill
2000	Commencement of the second processing line and achieved over 32,000 mt of cocoa beans annual processing capacity

**4. INFORMATION ON THE GROUP (Cont'd)**

Year	Milestone
2003	Expansion of cocoa beans processing capacity to about 48,000 mt per annum
2004	Commencement of cocoa nibs alkaliser and second cocoa powder pulverisation plant (pin mill).  EM obtained ISO9001:2000 and HACCP certification.  Certified by MCB as the largest cocoa beans processing factory in Malaysia in terms of actual volume in 2003
2004	GCC obtained Halal certification by Islamic Development, Department of Malaysia
2004	GCC obtained ISO9001:2000 and HACCP certification
2004	GCC received Enterprise 50 awards
2004	GCC received Malaysia Canada Business Council Business Awards for the category of Industry Excellence for Manufacturing Award 2004
2004	GCC received The 3 <sup>rd</sup> Asia Pacific International Honesty Enterprise – Keris Award 2004
2005	GCC received Cocoa Industry Award 2004 from the Malaysian Cocoa Board

**4.2.17 Modes of Marketing/Distributions/Sales**

Currently, GCB Group mainly markets its cocoa-derived food ingredients to international trading companies.

International trading companies play an intermediary role between cocoa processors and end-users, namely chocolate and confectionery manufacturers. Trading companies usually have extensive storage facilities to store both cocoa beans and cocoa-derived food ingredients.

Typically, large end-users do not buy directly from processors. They prefer to deal with established trading companies that can guarantee timely delivery and large quantities with minimal default risk. In addition, there are more administrative works involved if end-users were to buy from many different processors.

Cocoa butter is sold in solid form. Whenever required by chocolate or confectionery manufacturers, trading companies would melt the butter and deliver them in liquid form. Unlike cocoa butter, liquor is usually sold directly to end-users. Hence, marketing of cocoa liquor requires a closer working relationship with the customers. GCB Group supplies most of its cocoa liquor to Masterfoods Australia New Zealand.

Most of GCB Group's cocoa cakes are sold to cocoa cake processors who would grind it into cocoa powder. GCB Group currently sells most of its cocoa cake to Unicom (International) B.V. GCB Group also processes cocoa cake into cocoa powder which will be sold to distributors, agents and food ingredients manufacturer. A small percentage is sold directly to the chocolate and confectionery industry. In future, GCB Group expects to process more cocoa cake into cocoa powder.

**4. INFORMATION ON THE GROUP (Cont'd)**

GCB Group promotes its products and visibility via its website, participating in trade missions and export exhibitions organised by MCB and MATRADE. In previous years, GCB Group has attended trade exhibitions in Germany, Russian Federation, France, United Arab Emirates, UK and Brazil. GCB Group has participated in trade missions organised by MCB to many countries such as Argentina, Chile, Cote d'Ivoire, Ghana, Philippines, South Africa and Thailand. MCB also assists by introducing potential customers from Eastern Europe and Middle East. The table below shows the details of these exhibitions and trade missions. GCB Group also appoints agents to handle distribution in Egypt and engages agents in Jordan, Syria, Middle East, Russian Federation, Ukraine and Eastern Europe.

**Trade Exhibitions Participated by GCB Group**

No.	Trade show/ exhibition	Venue	Year
1.	International Sweets & Biscuits Fair 1996 (ISM) 96	Cologne Germany	1996
2.	World Food 1996	Moscow, Russian Federation	1996
3.	FIE '96 (Food Ingredients Europe 1996)	Paris, France	1996
4.	Trade fairs	Sharjah, United Arab Emirates ("UAE")	1996
5.	FIE '97(Food Ingredients Europe 1997)	London, UK	1997
6.	Food Ingredients Brazil 1999	Sao Paulo, Brazil	1999
7.	Food Ingredients Central & Eastern Europe	Central & Eastern Europe	2000
8.	Food Ingredients Asia	Shanghai, China	2000
9.	IFT Food Expo	New Orleans, Louisiana, USA	2001
10.	Food Ingredients Europe	London, UK	2001
11.	Food Ingredients Europe	Messe, Frankfurt, Germany	2003

**Trade Missions Participated by GCB Group**

No.	Trade mission	Country	Year
1.	Trade mission organised by MCB	Cote d'Ivoire	1996
2.	Trade mission organised by MCB	Ghana	1996
3.	Trade mission organised by MCB	Turkey	1996
4.	Trade mission organised by MCB	Egypt	1996
5.	Trade mission organised by MCB	Thailand	1997
6.	Trade mission organised by MCB	Philippines	1997
7.	Trade mission organised by MCB	South Africa	1999
8.	Trade mission organised by MCB	Chile	1999
9.	Trade mission organised by MCB	Argentina	1999
10.	Visits organised by MCB	Hungary, Romania and Bulgaria	2000
11.	Economic and Technical Mission organised by MCB	Russian Federation, Poland & Romania	2003

**4. INFORMATION ON THE GROUP (Cont'd)****4.2.18 Production/Operating Capacities and Output**

As at the 10-month financial period ended 31 October 2004, the total processing capacity of GCB Group was about 52,000 mt of cocoa beans per annum. GCB Group expects that it will increase the processing capacity to between 53,000 mt and 60,000 mt of cocoa beans in FYE2005. The table below depicts the production output of GCB Group's cocoa-derived food ingredients in the past 5 years. From FYE2000 to the 10-month financial period ended 31 October 2004, more than 77% of GCB Group's yearly production has been in cocoa butter and cocoa cake while less than 23% of production was in cocoa liquor and cocoa powder. In future, GCB Group's strategy is to increase the production of cocoa powder and widen its range of products.

**GCB Group's Production of Cocoa-Derived Food Ingredients by Quantity (in mt and %)**

Products	FYE											
	1999		2000		2001		2002		2003		2004*	
	mt	%	mt	%	mt	%	mt	%	mt	%	mt	%
Cocoa Liquor	1,227	9.9	1,027	4	749	2.8	695	2.5	1,078	2.9	1,193	3.4
Cocoa Butter	4,904	39.7	10,830	42.7	11,528	42.4	11,929	42.4	15,126	41.0	14,129	39.8
Cocoa Cake	2,630	21.3	9,692	38.2	11,710	43.1	12,865	45.7	16,243	44.1	13,396	37.7
Cocoa Powder	3,580	29.1	3,827	15.1	3,193	11.7	2,634	9.4	4,405	12.0	6,771	19.1
Total	12,341	100	25,376	100	27,180	100	28,123	100	36,852	100	35,489	100

\* 10-month financial period ended 31 October 2004

**4.2.19 Location of Business**

## (a) Principal Assets

Location of Properties	Owned By	Purpose
PLO 273, Jalan Timah 2, 81700 Pasir Gudang, Johor.	GCC	Main factory, office
Lot 42 PLO 100, Jalan Timah, 81700 Pasir Gudang, Johor	GCC	Warehouse
No.49, Jalan 10/9, Perjiranan 10, 81700 Pasir Gudang, Johor	GCC	Staff Accommodation

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**4. INFORMATION ON THE GROUP (Cont'd)**

## (b) Production Facilities

Registered Owner	Location	Machineries	Units	Description	Total land / Built-up area
GCC	PLO 273, Jalan Timah 2, 81700 Pasir Gudang, Johor	<ul style="list-style-type: none"> <li>• Bean separator</li> <li>• Magnet drums</li> <li>• Destoner</li> <li>• Infra Red preheating machine</li> <li>• Microniser</li> <li>• Winnower</li> <li>• Cocoa nibs reactor</li> <li>• Roaster</li> <li>• Cooler</li> <li>• Grinder - pre-grinding</li> <li>• Grinder - Intermediate grinding</li> <li>• Grinder - fine grinding</li> <li>• Liquor seive</li> <li>• Cocoa butter press</li> <li>• Cocoa butter filter</li> <li>• Cocoa butter cooling machine</li> <li>• Coco butter packing machine</li> <li>• Cocoa liquor tempering machine</li> <li>• Cocoa liquor packing machine</li> <li>• Cocoa cake jumbo packing machine</li> <li>• Meal rejecter</li> <li>• Cocoa Cake processing reactor</li> <li>• Cocoa cake mixer</li> <li>• ICM cocoa cake grinder</li> <li>• Cocoa powder stabiliser</li> <li>• Pin mill</li> <li>• Screw Stabiliser</li> <li>• Cocoa powder packing machine</li> <li>• Cocoa cake packing machine</li> <li>• Cocoa shell crusher</li> <li>• Cocoa shell packing machine</li> <li>• Metal detector</li> </ul>	<ul style="list-style-type: none"> <li>2</li> <li>2</li> <li>2</li> <li>1</li> <li>1</li> <li>2</li> <li>1</li> <li>3</li> <li>3</li> <li>4</li> <li>5</li> <li>7</li> <li>5</li> <li>6</li> <li>1</li> <li>1</li> <li>1</li> <li>1</li> <li>1</li> <li>2</li> <li>3</li> <li>1</li> <li>2</li> <li>1</li> <li>1</li> <li>1</li> <li>2</li> <li>2</li> <li>1</li> <li>2</li> <li>1</li> <li>3</li> </ul>	Factory with annexed double-storey office block	7,976 sq.m/ 7,011 sq.m  (production area 6,509 sq.m)
EM	PTD 119841, Warehouse 3B, Jalan Gudang 2, Johor Port, 81700 Pasir Gudang, Johor	<ul style="list-style-type: none"> <li>• Sugar crusher</li> <li>• Ribbon blender</li> <li>• Polishing crusher</li> <li>• Separator</li> <li>• Dehumidifier</li> <li>• Packing Machine</li> </ul>	<ul style="list-style-type: none"> <li>1</li> <li>2</li> <li>2</li> <li>1</li> <li>3</li> <li>1</li> </ul>	Factory/ Warehouse	2508 sq.m

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**4. INFORMATION ON THE GROUP (Cont'd)**

## (c) Principal Place of Business

The location of principal place of business of the Group is as follows:-

<b>Head Office</b>	:	GCC & GCT PLO 273 Jalan Timah 2 81700 Pasir Gudang Johor
<b>Processing operations</b>	:	GCC PLO 273 Jalan Timah 2 81700 Pasir Gudang Johor
	:	EM PTD 119841, 3B Jalan Gudang 2, Johor Port 81700 Pasir Gudang Johor
<b>Warehouse</b>	:	GCC PTD 119841, 3A & 3B Jalan Gudang 2, Johor Port 81700 Pasir Gudang Johor
		GCC Lot 42, PLO 100 Jalan Timah 81700 Pasir Gudang Johor

## (d) Marketing and Distribution Network

Due to the export-oriented nature of cocoa-derived food ingredients, access to export markets is the major driver to revenue growth. The Group's exports of cocoa-derived food ingredients contributed RM345 million (34.8%) to Malaysia's RM991 million cocoa export earnings in 2003. This size of contribution is made possible by the Group's strong network and access to major importing countries worldwide.

In this respect, the Group has established relationships with major trading companies for more than 5 years. The Group's major customers for cocoa butter and cake, such as Unicom (International) B.V., ED & F Man Asia Pte. Ltd and Atlantic Cocoa Company, are well established and major players in their industries.

**Unicom (International) B.V.** is a Holland-based company with core business in trading cocoa-derived food ingredients. It has established strong relationships with cocoa producers in South America, Africa and the Far East.

*(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)*

**4. INFORMATION ON THE GROUP (Cont'd)**

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**ED & F Man Asia Pte. Ltd.** is part of ED & F Man Holdings Ltd, with the primary business as sourcing, delivery and distribution of sugar, molasses, cocoa, coffee, spices and alcohol around the world. Its cocoa division, ED&F Man Cocoa Ltd, offers a full range of services to cocoa producers and users around the world. It operates its own cocoa bean exporting companies in the Cote d'Ivoire, Nigeria, Cameroon, Indonesia, Malaysia, Mexico, Ecuador and Dominican Republic. In addition, it engages agents throughout the cocoa beans producing countries to represent its interests, gather information, monitor quality and procure semi-processed products.

*(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)*

**Atlantic Cocoa Company** and Ecom Agroindustrial Asia Pte. Ltd are part of ECOM Agroindustrial Corp. Ltd. (ECOM), an international group of companies with operations throughout North, South and Central America, Asia and Africa. Its cocoa division has offices in most of the major cocoa origin countries. In these countries, ECOM sources for cocoa beans for export. ECOM also processes cocoa at its factory in Mexico. ECOM also has trading and service centres in Europe and North America.

The Group's largest cocoa liquor customer is Masterfoods Australia New Zealand, which is part of Mars Incorporated, an American chocolate manufacturing company with operations in over 100 countries. It is the world top chocolate manufacturer with sales value of USD 7.5 billion in 2002. Mars' famous chocolate brands include Milky Way, Mars bar, M&M's and Snickers. Mars also manufactures pet foods (the Whiskas and Pedigree brands) and non-confectionery snack foods.

*(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)*

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#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.3 SUBSIDIARY COMPANIES

###### 4.3.1 GCC

###### (a) Background and History

GCC was incorporated in Malaysia under the Act on 9 January 1985 as a private limited company under the name of Guan Chong Holdings Sdn Bhd. On 6 October 1989, it changed its name to Guan Chong Cocoa Manufacturer Sdn Bhd. GCC commenced its business in January 1991.

The Group's history started in early 1980s, when GCG (formerly known as Guan Chong Food Industries Sdn Bhd) was incorporated on 2 November 1982. It was principally involved in the trading of cocoa beans. In 1983, GCG started processing cocoa beans by setting up a factory in Parit Jawa, Muar, Johor.

In 1990, with the vision to become a market leader in the local cocoa processing industry, the management of GCG sold the plant in Parit Jawa and built a new plant in Pasir Gudang, Johor, under GCC. In 1993, GCC became a subsidiary of Guan Chong Group Sdn Bhd.

###### (b) Principal Activities and Products/Services

GCC is a cocoa processor producing cocoa-derived food ingredients such as cocoa liquor, cocoa butter, cocoa cake and cocoa powder.

###### (c) Substantial Shareholders

The substantial shareholders of GCC are as follows: -

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
GCR	-	-	<sup>(1)</sup> 12,000,000	100.0
GCB	12,000,000	100.0	-	-
Tay Hoe Lian	-	-	<sup>(2)</sup> 12,000,000	100.0

Notes: -

- (1) Deemed interested by virtue of its substantial shareholdings in GCB.  
 (2) Deemed interested by virtue of his substantial shareholdings in GCR.

**4. INFORMATION ON THE GROUP (Cont'd)****(d) Share Capital**

The present authorised share capital of GCC is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of GCC is RM12,000,000 comprising 12,000,000 ordinary shares of RM1.00 each.

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

<b>Date of Allotment</b>	<b>No. Of Ordinary Shares Allotted</b>	<b>Par Value (RM)</b>	<b>Consideration</b>	<b>Total Issued And Paid-up Share Capital (RM)</b>
09.01.1985	7	1.00	Subscribers' shares	7
21.05.1990	750,000	1.00	Capitalisation of debts	750,007
05.03.1992	113,954	1.00	Cash	863,961
	36,046	1.00	Capitalisation of debts	900,007
28.12.1992	600,000	1.00	Capitalisation of debts	1,500,007
24.02.1993	250,000	1.00	Capitalisation of debts	1,750,007
29.05.1993	649,993	1.00	Capitalisation of debts	2,400,000
01.08.1994	300,000	1.00	Cash	2,700,000
	900,000	1.00	Capitalisation of debts	3,600,000
20.03.1995	400,000	1.00	Bonus issue 1:9	4,000,000
22.04.1999	1,000,000	1.00	Cash	5,000,000
02.10.2001	3,000,000	1.00	Cash	8,000,000
31.12.2002	4,000,000	1.00	Bonus issue 1:2	12,000,000

**(e) Subsidiary/Associated Companies**

GCC does not have any subsidiary or associated companies.

**4.3.2 GCT****(a) Background and History**

GCT was incorporated in Malaysia under the Act on 31 July 1984 as a private limited company under the name of Soon Eeh Marketing Sdn Bhd. Back in 1990s, GCT sourced cocoa beans locally, especially from East Malaysia for resale mainly to GCC. However, it ceased cocoa beans trading business operations since July 1997. On 17 February 2003, it changed its name to Guan Chong Trading Sdn Bhd and recommenced its business in June 2003, sourcing cocoa beans mainly from overseas for resale to GCC.

**(b) Principal Activities and Products/Services**

GCT is principally engaged in buying and selling of cocoa beans.

**4. INFORMATION ON THE GROUP (Cont'd)****(c) Substantial Shareholders**

The substantial shareholders of GCT are as follows: -

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
GCR	-	-	<sup>(1)</sup> 250,500	100.0
GCB	250,500	100.0	-	-
Tay Hoe Lian	-	-	<sup>(2)</sup> 250,500	100.0

Notes: -

(1) Deemed interested by virtue of its substantial shareholdings in GCB.

(2) Deemed interested by virtue of his substantial shareholdings in GCR.

**(d) Share Capital**

The authorised share capital of GCT is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM250,500 comprising 250,500 ordinary shares of RM1.00 each.

The changes in GCT's issued and paid-up share capital since incorporation are as follows: -

Date Issued	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
31.07.1984	2	1.00	Subscribers' shares	2
06.04.1987	120,000	1.00	Cash	120,002
19.07.1994	130,000	1.00	Cash	250,002
15.05.2004	498	1.00	Cash	250,500

**(e) Subsidiary/Associated Companies**

GCT does not have any subsidiary or associated companies.

**4.3.3 EM****(a) Background and History**

EM was incorporated in Malaysia under the Act on 25 September 2002 as a private limited company. EM commenced its business in April 2003.

**(b) Principal Activities and Products/Services**

EM is principally engaged in producing blended cocoa-derived food ingredients.

**4. INFORMATION ON THE GROUP (Cont'd)****(c) Substantial Shareholders**

The substantial shareholders of EM are as follows: -

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
GCR	-	-	<sup>(1)</sup> 510,000	51.0
Tay Hoe Lian	-	-	<sup>(2)</sup> 510,000	51.0
SMC Food 21 Pte Ltd	490,000	49.0	-	-
GCB	510,000	51.0	-	-

Notes: -

(1) Deemed interested by virtue of its substantial shareholdings in GCB.

(2) Deemed interested by virtue of his substantial shareholdings in GCR.

**(d) Share Capital**

The authorised share capital of EM is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

The changes in EM's issued and paid-up share capital since incorporation are as follows: -

Date Issued	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
25.09.2002	100	1.00	Subscribers' shares	100
23.05.2003	999,900	1.00	Cash	1,000,000

**(e) Subsidiary/Associated Companies**

EM does not have any subsidiary or associated companies.

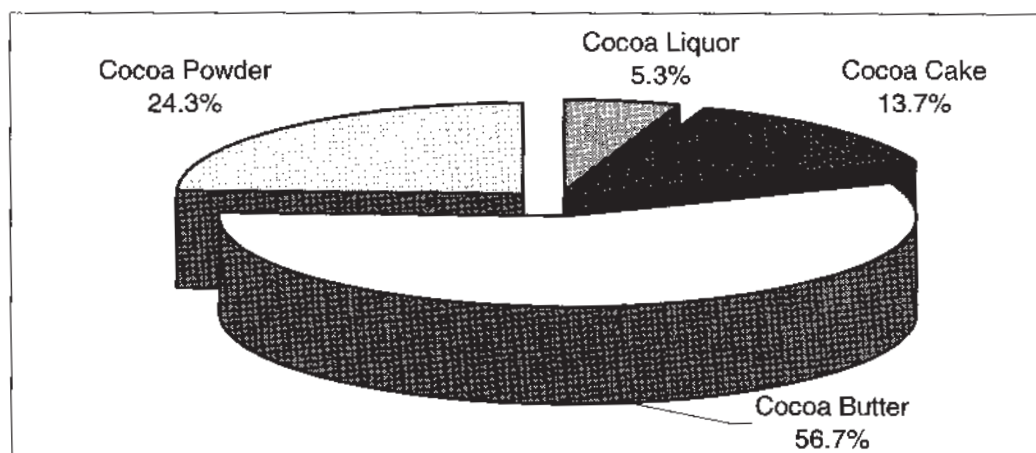
#### 4. INFORMATION ON THE GROUP (Cont'd)

#### 4.4 INDUSTRY OVERVIEW

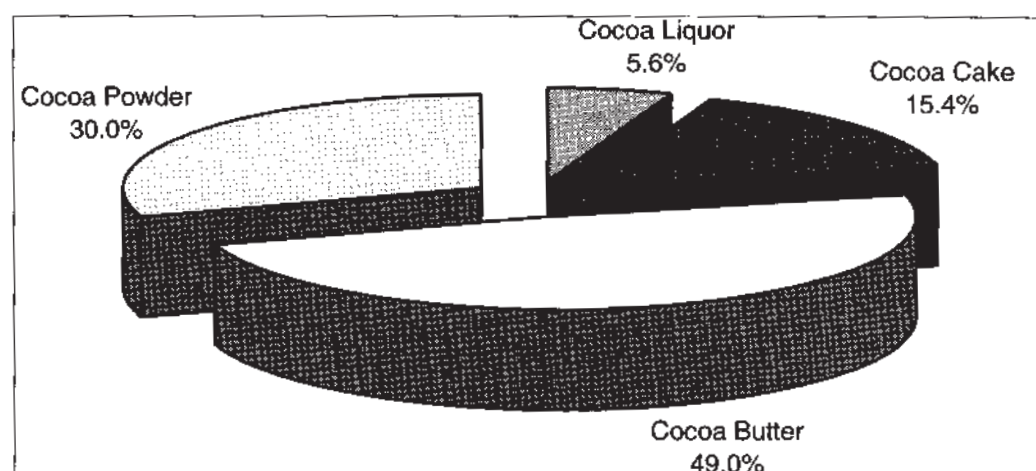
##### 4.4.1 The Cocoa Processing Industry

##### Exports

##### Malaysia's Export Value (in RM) of Cocoa-Derived Food Ingredients in 2003



##### Malaysia's Export Quantity (in mt) of Cocoa-derived Food Ingredients in 2003



##### Malaysia's Export of Cocoa-Derived Food Ingredients (in RM and mt)

Products	Year									
	1999		2000		2001		2002		2003	
	RM'000	mt	RM'000	mt	RM'000	mt	RM'000	mt	RM'000	mt
Cocoa Liquor	32,420	4,379	30,697	5,027	28,949	4,358	43,117	4,547	52,322	5,722
Cocoa Cake	20,581	8,402	35,670	15,117	40,412	14,344	76,287	11,656	135,583	15,629
Cocoa Butter	411,591	38,980	318,640	41,496	319,481	43,031	356,084	36,067	561,665	49,763
Cocoa Powder	87,520	32,116	89,570	30,771	111,438	31,348	189,456	30,991	241,036	30,517
Total	552,112	83,877	474,577	92,411	500,280	93,081	664,944	83,261	990,606	101,631

Source: Department of Statistics

#### 4. INFORMATION ON THE GROUP (Cont'd)

In Malaysia, cocoa processing is an export-oriented industry. Cocoa-derived food ingredients export generated RM991 million in 2003 compared to RM552 million in 1999 which was an increase of 79.5%. Revenue growth for 2003 was 49.0% surpassing the 33.0% growth in 2002.

In 2003, about 56.7% of the total export values were contributed by cocoa butter and 24.3% by cocoa powder. Among the cocoa-derived food ingredients, cocoa cake and cocoa powder recorded consistent annual export growth in value within the five-year period.

Total export volume increased strongly by 22.1% in 2003 after a decline of 10.5% in 2002. Volume growth was recorded in all categories of cocoa-derived food ingredients. Cocoa butter was the largest export item contributing 49.0% of exports in terms of volume. Cocoa powder export volume was 30.0% while cocoa cake and cocoa liquor contributions were 15.4% and 5.6% respectively.

#### Imports

##### Malaysia's Import of Cocoa-Derived Food Ingredients (in RM and mt)

Products	Year									
	1999		2000		2001		2002		2003	
	RM'000	mt	RM'000	mt	RM'000	mt	RM'000	mt	RM'000	mt
Cocoa Liquor	229	46	201	34	1,213	183	2,011	309	2,806	338
Cocoa Cake	-	-	-	-	-	-	388	40	685	105
Cocoa Butter	-	-	18,941	2,118	7,860	967	468	52	6,084	705
Cocoa Powder	1,785	412	2,373	538	7,434	2,474	13,860	2,599	18,470	2,900
Total	2,014	458	21,515	2,690	16,507	3,624	16,727	3,000	28,045	4,048

Source: Department of Statistics

Generally, Malaysia is a net exporter of cocoa-derived food ingredients. In 2003, import of cocoa-derived food ingredients recorded RM28 million compared to export of RM991 million. In terms of volume, about 4,048 mt of cocoa-derived food ingredients were imported in 2003. Cocoa powder contributed 71.6% and the others' contribution was 28.4%.

**4. INFORMATION ON THE GROUP (Cont'd)****4.4.2 The Segments/Sectors of the Industry****(i) Malaysian Export markets by Product****Malaysia's Top Ten Export Market of Cocoa-Derived Food Ingredients in 2003 By Quantity (in mt) and Market Share (in %)**

<b>Cocoa Butter</b>				<b>Cocoa Liquor</b>			
No.	Country	Quantity	Market share	No.	Country	Quantity	Market share
		mt	%			mt	%
1	USA	21,692	43.6	1	Australia	2,039	35.6
2	Holland	10,542	21.2	2	Korea	1,155	20.2
3	Australia	3,471	7	3	Singapore	839	14.7
4	Japan	2,938	5.9	4	China	459	8
5	UK	2,134	4.3	5	New Zealand	249	4.4
6	Belgium	1,020	2.1	6	Japan	200	3.5
7	France	1,005	2	7	Thailand	188	3.3
8	Canada	820	1.6	8	UAE	180	3.1
9	Singapore	707	1.4	9	Iran	75	1.3
10	Estonia	682	1.4	10	Saudi Arabia	68	1.2
	Others	4,752	9.5		Others	270	4.7
	Total	49,763	100.0		Total	5,722	100.0

<b>Cocoa Cake</b>				<b>Cocoa Powder</b>			
No.	Country	Quantity	Market share	No.	Country	Quantity	Market share
		mt	%			mt	%
1	USA	9,000	57.6	1	Australia	3,792	12.4
2	Spain	4,240	27.1	2	Russian Federation	2,495	8.2
3	Bulgaria	543	3.5	3	China	2,082	6.8
4	Thailand	510	3.3	4	Syria	1,646	5.4
5	Indonesia	400	2.6	5	UAE	1,417	4.6
6	France	300	1.9	6	Singapore	1,397	4.6
7	Philippines	260	1.7	7	Thailand	1,246	4.1
8	Greece	159	1	8	Egypt	1,225	4
9	Brazil	120	0.8	9	Indonesia	1,189	3.9
10	Mexico	40	0.3	10	Holland	963	3.2
	Others	57	0.4		Others	13,065	42.8
	Total	15,629	100.0		Total	30,517	100.0

Source: Department of Statistics

**4. INFORMATION ON THE GROUP (Cont'd)****Cocoa Butter**

In 2003, USA and Holland are the top 2 cocoa butter markets for Malaysia. These two markets accounted for about 64.8% of Malaysian cocoa butter exports in terms of quantity. In the same year, Japan and Singapore were the only Asian countries in the Malaysian top ten export markets contributing export volume of 2,938 mt and 707 mt respectively.

**Cocoa Liquor**

In 2003, Malaysian export value of cocoa liquor was RM52 million. In terms of volume, 5,722 mt of cocoa liquor was exported. It was exported mainly to Australia, Korea and Singapore with a combined quantity of 70.5% of the total export. Collectively, 70.5% of the export volume was contributed by these three markets.

**Cocoa Cake**

In 2003, close to 84.7% of the Malaysian cocoa cake export quantity was contributed by USA and Spain. It is noted that these major consuming countries import Malaysian cocoa cake for further processing into cocoa powder. Among Malaysia's top ten markets, Asian countries i.e. Thailand and Indonesia, contributed only about 5.9% to the total export.

**Cocoa Powder**

In 2003, Australia was Malaysia's top export market of cocoa powder with total export of 3,792 mt or 12.4% of the market share. Russian Federation and China imported 2,495 mt and 2,082 mt of cocoa powder from Malaysia respectively. The other leading export markets were Syria, UAE and Egypt.

**(ii) Worldwide exporters**

In the global market, the leading exporters of cocoa-derived food ingredients are Holland, France, Cote d'Ivoire, Malaysia and Indonesia. In 2002, Malaysia ranked 5th largest exporter of cocoa butter and second largest exporter of cocoa cake and cocoa powder with market share of 6.7% and 7.5% respectively. For the export of cocoa liquor, Malaysia contributed only 1.4% of the world export market and was not a major exporter of the product.

**Malaysia's Market Share in World's Export of Cocoa-Derived Food Ingredients in 2002**

Cocoa Product	Malaysia	World	Market Share
	in mt	in mt	in %
Cocoa Cake & Cocoa Powder	42,647	567,326	7.5
Cocoa Butter	36,067	536,095	6.7
Cocoa liquor	4,547	325,567	1.4

Source: Infocredit D&B



**4. INFORMATION ON THE GROUP (Cont'd)****World's Top Ten Exporter of Cocoa Butter, Cocoa Cake and Cocoa Powder in 2002 by Quantity (in mt) and Market Share (%)**

<b>Cocoa Butter</b>				<b>Cocoa Cake and Cocoa Powder</b>			
No.	Country	Quantity	Market Share	No.	Country	Quantity	Market Share
		mt	%			mt	%
1	Holland	175,483	32.7	1	Holland	193,506	34.1
2	France	62,141	11.6	2	Malaysia	42,647	7.5
3	Cote d'Ivoire	54,221	10.1	3	France	35,926	6.3
4	Indonesia	38,768	7.2	4	Spain	34,428	6.1
5	Malaysia	36,067	6.7	5	Indonesia	33,849	6
6	Brazil	27,900	5.2	6	Cote d'Ivoire	30,926	5.5
7	USA	21,753	4.1	7	UK	27,596	4.9
8	Singapore	21,019	3.9	8	USA	27,576	4.9
9	Ghana	17,839	3.3	9	Singapore	22,116	3.9
10	Spain	8,714	1.6	10	Brazil	20,468	3.6
	Others	72,190	13.5		Others	98,288	17.3
	Total	536,095	100.0		Total	567,326	100.0

Source: Infocredit D&B

**Cocoa Butter**

World exports of cocoa butter have grown from 406,067 mt in 1998 to 536,095 mt in 2002. From 1998 to 2002, Holland is the world's leading cocoa butter exporter with average market share of above 30%. In 2002, Malaysia was ranked 5<sup>th</sup> with 6.7% of world's market which was marginally lower than Indonesia. The world's top three cocoa butter exporters i.e. Holland, France and Cote d'Ivoire have a combined market share of about 54.4%.

**Cocoa Cake and Cocoa Powder**

For the cocoa powder and cocoa cake exports, Holland was the world's top exporter in 2002. Malaysia was in the second largest exporter, and has maintained this position from 1998 to 2002 period. However, countries such as France, Spain, Indonesia and Cote d'Ivoire have gained ground in world's market share for the exports of these products. Cote d'Ivoire's market share grew from 1.4% in 1998 to 5.5% in 2002.

(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)

**4. INFORMATION ON THE GROUP (Cont'd)****(iii) Worldwide importers****Worldwide market****World's Top Ten Importer of Cocoa Butter, Cocoa Cake and Cocoa Powder in 2002 by Quantity (in mt) and Market Share (%)**

<b>Cocoa Butter</b>				<b>Cocoa Cake and Cocoa Powder</b>			
No.	Country	Quantity	Market share	No	Country	Quantity	Market share
		mt	%			mt	%
1	Germany	82,313	15.1	1	USA	126,443	19.9
2	France	63,814	11.7	2	Holland	54,422	8.6
3	USA	54,788	10.1	3	Spain	44,418	7.0
4	Belgium	48,992	9.0	4	Germany	39,871	6.3
5	Holland	47,562	8.7	5	France	35,128	5.5
6	UK	46,912	8.6	6	Russian Federation	24,284	3.8
7	Canada	24,397	4.5	7	Italy	19,642	3.1
8	Switzerland	21,545	4.0	8	Canada	19,507	3.1
9	Australia	20,800	3.8	9	Philippines	17,805	2.8
10	Japan	20,212	3.7	10	Mexico	17,243	2.7
	Others	113,440	20.8		Others	237,203	37.3
	<b>Total</b>	<b>544,775</b>	<b>100.0</b>		<b>Total</b>	<b>635,966</b>	<b>100.0</b>

Source: Infocredit D&amp;B

**Cocoa Butter**

In 2002, Germany was the world's top cocoa butter importer with 82,313 mt or 15.1% of the world market share. This was followed by France and USA which imported 63,814 mt and 54,788 mt respectively, with a combined market share of 21.8%. The top five importers represented 54.6% of the total import of cocoa butter in the world. In 2002, European countries dominated the top ten importers of cocoa butter reaffirming itself as a major market for the cocoa-derived food ingredients. Japan was the sole Asian country among the top importers with a market share of 3.7%.

In terms of annual growth rates, total import of cocoa butter in volume grew by 2.1% in 2002. In the same period, Germany and France cocoa butter import grew by 1.8 % and 23.8% respectively. Japan recorded a growth rate of 31.5 % for the same period.

**Cocoa Cake and Cocoa Powder**

For 2002, USA imported 126,443 mt of cocoa powder and cocoa cake which amounted to 19.9% of the combined import of the products in the world. The top five importers for these products have a combined market share of 47.3%. Philippines was the sole Asian country within the top ten importers with 2.8% of the market share. The majority of top importer for cocoa powder and cocoa cake are from European countries.

**4. INFORMATION ON THE GROUP (Cont'd)**

In term of annual growth rates, the world's total import of these two products grew by 5.2% in 2002. In the same year, USA recorded a growth rate of 11.3 % and Holland recorded an increase of 82.2%.

*(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)*

**US market**

In 2003, Malaysian export of cocoa-derived food ingredients to USA generated approximately RM320 million. Malaysia was USA's top import source for cocoa butter and cocoa cake. These products dominated 27.6% and 25.4% of USA imports amounting to 21,692 mt and 9,000 mt respectively. In the cocoa powder category, Malaysia ranked as USA 10<sup>th</sup> source of import which amounted to 957 mt or 1.0% of the market share. In the last two years, Malaysia has not exported cocoa liquor to the US market.

**USA's Top Ten Import Source Cocoa Butter, Cocoa Cake and Cocoa Powder in 2003 by Quantity (in mt) and Market Share (%)**

<b>Cocoa Butter</b>				<b>Cocoa Cake</b>			
No.	Country	Quantity	Market share	No.	Country	Quantity	Market share
		mt	%			mt	%
1	Malaysia	21,692	27.6	1	Malaysia	9,000	25.4
2	Brazil	16,147	20.6	2	Cote d'Ivoire	6,274	17.7
3	Indonesia	14,622	18.6	3	Brazil	5,768	16.3
4	China	3,433	4.4	4	UK	4,874	13.8
5	Mexico	3,050	3.9	5	Indonesia	3,837	10.8
6	Cote d'Ivoire	2,697	3.4	6	Ecuador	2,408	6.8
7	Ecuador	2,598	3.3	7	Ghana	1,260	3.6
8	Singapore	2,260	2.9	8	Nigeria	662	1.9
9	Thailand	2,061	2.6	9	Colombia	113	0.3
10	Colombia	1,567	2	10	Holland	20	0.1
	Others	8,326	10.6		Others	1,221	3.4
	Total	78,453	100.0		Total	35,437	100.0

**4. INFORMATION ON THE GROUP (Cont'd)****Cocoa Powder**

No.	Country	Quantity	Market share
		mt	%
1	Holland	55,223	55.2
2	Cote d'Ivoire	10,025	10
3	Singapore	6,968	7
4	Brazil	6,937	6.9
5	France	6,126	6.1
6	UK	3,850	3.8
7	Spain	3,582	3.6
8	Indonesia	2,379	2.4
9	Germany	1,493	1.5
10	Malaysia	957	1
	Others	2,527	2.5
	Total	100,067	100.0

Source: Infocredit D&B

(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)

**4.4.3 Malaysian Economy**

Malaysia's growth momentum continues into 2004 after recording a strong growth in 2003. Unlike 2003, when the global economy was affected by the war in Iraq and Severe Acute Respiratory Syndrome (SARS) the external environment in 2004 has improved markedly with upswing in the global electronics demand as well as favourable commodity prices. This enabled the Malaysian economy to expand steadily from 7.6% in the first quarter of 2004 to 8% in the second quarter, the highest since the third quarter of 2000.

The manufacturing sector registered a solid growth of 12.3% during the first half of 2004, while the services sector expanded strongly by 6.8% in the same period. With the Leading Index pointing towards further expansion in the second half of the year, both sectors are envisaged to contribute significantly to the economic growth.

Manufactured goods have been a major contributor to Malaysia's total exports since the early 1990s, with its share to total exports sustained at more than 80%. Overall manufactured exports surged by 21.1% during the first seven months of 2004 (January-July 2003: 6.1%), as most of the export-led industries benefited strongly from rising global demand.

Output growth of the agriculture sector is envisaged to moderate to 2.8% (2003: 5.7%), largely on account of slower production of crude palm oil (CPO).

(Source : Economic Report 2004/2005)

**4.4.4 Future Growth of the Industry****World Recognition for Malaysian Cocoa-Derived Food Ingredients**

Malaysian cocoa-derived food ingredients are widely accepted worldwide. In 2003, Malaysia is estimated to be the world's sixth largest cocoa processor accounting for 5.6% of world volume and it is the largest cocoa processing country in Asia.

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**4. INFORMATION ON THE GROUP (Cont'd)**

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Within the premium US market which is the world's 3<sup>rd</sup> largest import country of cocoa butter, Malaysia is the top import source, accounting for 27.6% in of the its total cocoa butter imports. Malaysia is also the top import source for cocoa cake for the US market with 25.4% market share. These facts underlie the worldwide recognition of the quality of Malaysian cocoa-derived food ingredients.

***Cost Advantage for Malaysian Companies***

Compared to cocoa processing players in Europe and USA, Malaysian players have the competitive edge of lower cost of infrastructure, utilities and labour as a whole. The Malaysian government recognises the potential of the cocoa processing industry and has been offering various incentives to stimulate the development of the industry. These include tax incentives as well as duties exemption for cocoa bean and cocoa processing machinery imports. These are the contributing factors that allow Malaysian players to offer competitive pricing in capturing the worldwide market and to further penetrate the emerging markets of Eastern Europe, Russian Federation and Middle East.

***New Products and Market Trends***

In the face of stiff competition, chocolate and confectionery manufacturers are responsive to the fast changing consumer trends and have been innovative in new product offerings. New products may appear in the form of variations in fillings, flavours and recipes. The prospects for premium chocolates are good as consumers demonstrate preference for higher quality products. In addition, repackaging existing products has helped to stimulate demand. Due to increasing consumer preference towards snack-sized packaging of convenient food, many chocolate and confectionery manufacturers offer individually wrapped snack-sized products. Chocolate manufacturers also capitalise on other market trends such as low-carbohydrate content products, dark chocolate, white chocolate and sugar free chocolates. These market trends have helped to drive growth in the chocolate and confectionery market, which in turn stimulate demand for cocoa-derived food ingredients.

***Emerging markets***

The consumption levels for chocolate products in Asia and Eastern Europe are relatively low compared to North America and Western Europe. There are a lot of opportunities in some of these markets, especially for those that have been achieving strong economic growth and a growing middle to upper class population. Multinational chocolate manufacturers have recognised such potentials have positioned themselves to tap the opportunities in these markets. For example, Cadbury Schweppes Plc, Mars Incorporated and Nestle S.A. have established joint-venture operations in China to capitalise on the country's huge population and the growing affluence of its people. Cadbury Schweppes Plc and Nestle S.A. also have sizeable operations in India. In Eastern Europe, most major manufacturers have entered the market in the early 1990s. Nestle S.A., Kraft Foods International, Cadbury Schweppes Plc and Mars Incorporated have factories in a number of countries in the region. The presence of multinational chocolate manufacturers in these markets would help to introduce a wide range of chocolate products into these markets. This creates tremendous opportunities for manufacturers of cocoa-derived food ingredients in these markets.

*(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)*

#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.4.5 Players and Competition

###### Major Local Cocoa-derived Food Ingredients Manufacturers in Malaysia:-

- GCB Group
- Cocoahouse Sdn Bhd
- Delfi Cocoa (M) Sdn Bhd
- JB Cocoa Sdn Bhd
- KL-Kepong Cocoa Products Sdn Bhd
- Koko Budi Sdn Bhd
- Koko Malaysia Sdn Bhd
- Maestro Swiss Cocoa Sdn Bhd
- Majulah Koko Tawau Sdn Bhd
- Malaysia Cocoa Manufacturing Sdn Bhd

There are ten major players in the local manufacturing of cocoa-derived food ingredients industry. Among them, GCB Group was the largest manufacturer in terms of actual cocoa bean processing volume in 2003.

Based on FYE2003 revenue, GCB Group was the top player in Malaysia with revenues of RM371 million, capturing a market share of 35.4% among the major players. The other two big players are KL-Kepong Cocoa Products Sdn. Bhd. ("KLK Cocoa") and Malaysian Cocoa Manufacturing Sdn. Bhd. The top three players recorded more than RM200 million of revenue each in FYE2003 and collectively contributed 75.9% to the total revenue recorded by all the players.

GCB Group has shown a strong revenue growth in the past three financial years. It recorded a growth of 56.1% and 68.4% in FYE2002 and FYE2003 respectively. In FYE2001, it captured 25.8% of market share and was positioned second to KLK Cocoa. Its market share increased to 29.1% in FYE2002 which made it the top player among all players. GCB Group maintained its top position in FYE2003 with a further increase of market share to 35.4%. It has also achieved a stable profit before tax margin of 3.9% to 4.7% in the past three financial years reflecting its prudent management style and expertise in the international cocoa and cocoa-derived food ingredients market.

*(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)*

##### 4.4.6 Laws and Regulations

Apart from manufacturing licence, at present, a company interested in venturing into the cocoa processing industry must also apply for licences for cocoa grinding and buying, selling or exporting cocoa beans from MCB. It also needs to comply with all the rules and regulations prescribed in the 1991 Cocoa (Licensing and Grading) Legislation. The Malaysian Government offers various investment incentives and promotes the cocoa processing industry through MCB.

Some of the major incentives for investments for the cocoa processing industry include:

- Pioneer Status
- Investment Tax Allowance ("ITA")
- Reinvestment Allowance ("RA")
- Incentives for Export
- Incentives for Small-Scale Companies
- Incentives for Promoting Malaysian Brand names

#### 4. INFORMATION ON THE GROUP (Cont'd)

A company granted the Pioneer Status is entitled to enjoy a five year partial exemption from payment of income tax depending on the criteria it had met. In terms of ITA, the government provide allowance for qualifying capital expenditure over a five year period for qualified companies. Under the RA incentives, the qualified manufacturing companies will receive allowance for capital expenditure. This is to promote capital expenditure and diversification of products among the local manufacturers. As exporting is an important part of the economy, the government has offer incentives for export in the form of Export Credit Refinancing ("ECR"), double deduction of export credit insurance premium, double deduction for promotion on exports, tax exemption on the value of increased export, industrial building allowance as well as incentives for research and development. Not forgetting the small-scale companies, the government also provide incentives to them. Furthermore, eligible companies will also be able to enjoy incentives for promoting of Malaysian brand name.

Other incentives provided by the government include exemption of import duty and sales tax on machinery and equipment, drawback of excise duty on parts, ingredients of packaging materials and drawback of import duty.

##### **Environmental Issues & Concerns**

Wastes generated from cocoa processing such as dust and dirt that came with the cocoa beans are disposed of. Cocoa shells which were separated from the nibs after winnowing are either sold for use as feedmeal and fertiliser or disposed of. Waste water generated from the alkalisation process is pure water and is evaporated into the atmosphere. As part of GCC's application to expand the factory, approvals were obtained from the Department of Environment ("DOE"). Amongst the conditions required to be met by the DOE are disclosed in Section 4.2.4 of the Prospectus.

These environmental regulations are general and applicable to most manufacturing industries, and not specific to the cocoa processing industry.

*(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)*

#### **4.4.7 Demand and Supply**

Cocoa processing is an intermediate sector of the general cocoa industry. The upstream industry is cocoa bean plantation while the downstream industry is the manufacturing of chocolate and cocoa-based confectioneries.

On the demand side, MNCs such as Nestle S.A., Barry Callebaut AG, Mars Incorporated (parent company of Masterfoods Australia New Zealand), Hershey Foods Corporation, Kraft Foods International and Cadburys Schweppes Plc, which dominate the production of industrial and consumer chocolate and cocoa products, are the major users of cocoa-derived food ingredients.

In the supply chain, there are some large trading companies that act as intermediaries between the cocoa bean suppliers, processors and confectioneries and chocolate manufacturers. These trading companies buy cocoa beans from planters, sell cocoa beans to processors and users (for in-house processing), and also buy the processed cocoa-derived food ingredients from processors for distribution to confectioneries and chocolate manufacturers. Most of these trading companies have wide global networks of branches and offices to conduct their sourcing, trading and warehousing activities.

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**4. INFORMATION ON THE GROUP (Cont'd)**

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On the supply side, Malaysia is the world's sixth largest processor and it is the largest cocoa processing country in Asia.

***Demand seasonality***

The bulk of cocoa-derived food ingredients are used in chocolate and confectionery manufacturing, hence their demands are closely linked to the demand for these cocoa products. In general, sales dip during the summer months in the Northern Hemisphere and peak during the Christmas season. The seasonal effect is however insulated by the presence of the trading companies which stock up inventories in anticipation for higher demand during festive seasons.

The Group negotiates sales contracts upfront with customers for future delivery and is therefore able to plan ahead its production schedule to ensure timely delivery.

*(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)*

**4.4.8 Substitute Products**

Due to the higher price of cocoa butter, there has been a natural tendency for chocolate manufacturers to look for cocoa butter substitutes to replace pure cocoa butter or to adulterate it.

The common substitute to cocoa butter is called CBE. CBE are made from vegetable oils such as palm oil, illipe, sal, shea, kokum gurgi and mango kernel. .

In developing countries, there is usually no restriction on the use of CBE where CBE could be mixed with cocoa butter or used on its own in the production of chocolates. But in the major developed markets such as the USA and Canada, there has been restriction in using CBE for products marketed as "chocolate". Countries that prohibit the use of CBE in producing chocolate also impose restrictions on the imports of chocolates that use CBE or prohibit the labeling of these products as "chocolate" to be marketed in their markets.

In August 2003, the European Union ("EU") implemented the Directive EC 2000/36, permitting European chocolate manufacturers the use of up to 5% of CBE with specified vegetable fats in products marketed as "chocolate". This could pose a challenge to the industry but the impact is not expected to be significant. This is because some European countries such as Denmark, Finland, Sweden, Ireland, Portugal and UK had previously allowed the 5% limit before the directive. The effect of the directive is more of harmonising the definition of chocolate and hence facilitates the trading of chocolate goods within the EU.

*(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)*



**4. INFORMATION ON THE GROUP (Cont'd)**

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**4.4.9 Prospects and Outlook****(a) Outlook of the Malaysian Economy**

Entrenched domestic economic activities, coupled with a fairly favourable external environment, are expected to drive growth into 2005. Strong output growth is expected to emanate from all sectors, led by manufacturing and services with an increasingly higher contribution from private sector expenditure. Consequently, Malaysia is set to achieve another year of healthy growth of 6% in 2005. With an estimated population of 26.1 million, per capita income in current prices is projected at RM16,693 (2004: RM16,098). In terms of purchasing power parity, it is estimated at USD10,560 (2004: USD10,163).

The manufacturing sector is envisaged to expand strongly, propelled by strengthened domestic demand and sustained performance of the external sector. Overall production is expected to grow more than 10%, while exports at 11.3%.

Growth in the agriculture sector is forecast to be sustained with output increasing by 2.4% (2004: 2.8%).

Cocoa production is set to grow by 10.5 % in 2004 as against a decline of 24.1% last year due to the strengthening of dry cocoa prices and favourable weather conditions. Prices are projected to be between RM4,500 to RM5,500 per metric tonne in 2004. The export ratio of cocoa beans and cocoa products increased to 6.5% and 93.5%, respectively in 2003 compared with 12% and 88% in 2002, reflecting increasing downstream processing activities.

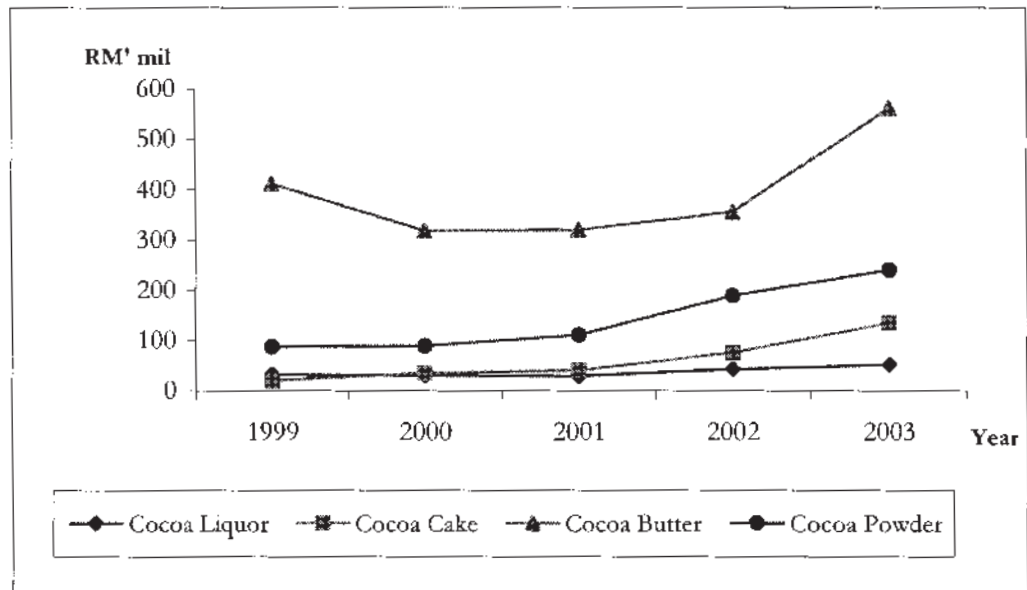
The outlook for 2005 will generally remain favourable although global growth is expected to moderate on account of high oil prices, inflationary pressures, interest rate hikes and a probable slowdown in China's economy. The emergence of these risks, that became apparent in the second half of 2004 and are expected to continue into 2005, will have a larger impact on growth next year.

*(Source : Economic Report 2004/2005)*

**(b) Outlook of the Cocoa-Derived Food Ingredients Industry**

In Malaysia, the cocoa industry had successfully moved up the value chain from cocoa beans plantation to the manufacturing of value added cocoa-derived food ingredients. The industry has over the years grown into an export-oriented industry with export earnings demonstrating a strong growth from RM552 million in 1999 to RM991 million in 2003. Currently, Malaysia is the largest cocoa processing country in Asia and the sixth largest in the global market place.

## 4. INFORMATION ON THE GROUP (Cont'd)

**Malaysia's Exports Value of Cocoa-Derived Food Ingredients**

Source: Department of Statistics

Malaysia has many competitive advantages that drive the growth of the industry. Its proximity to Indonesia, a major source of cocoa beans, reduces costs involved in raw materials sourcing. Infrastructure costs such as land, utilities and transportation are relatively cheap. Besides, the country has well-developed infrastructure and is stable politically. Coupled with the government's pro-business policies, Malaysia has successfully created conducive environment that nurture the growth and development of the industry.

The major export markets for Malaysian cocoa-derived food ingredients are the USA, Holland, Australia and Singapore. In the US market, Malaysia is the top supplier of cocoa butter and cocoa cake, accounting for 27.6% and 25.4% of the USA imports of cocoa butter and cocoa cake respectively in 2003. Malaysian players should look for growth opportunities in the emerging markets such as Russian Federation and Eastern Europe. Presently, these markets are mainly supplied by imports from Western European countries. Malaysia's lower costs of production compared to players in Western Europe would provide local players the edge in offering cocoa-derived food ingredients at competitive prices.

(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)

#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.5 MAJOR CUSTOMERS

The top ten major customers for the Group based on the total turnover for the 10-month financial period ended 31 October 2004 are as follows: -

No.	Name of Customer	Country	Sales %	Length of Relationship
1.	Unicom (International) B.V.	Holland	31.9	11 years
2.	Atlantic Cocoa Company	USA	15.8	11 years
3.	General Cocoa Company	USA	12.2	1 year
4.	Theobroma BV	Holland	5.0	14 years
5.	ED & F Man Asia Pte. Ltd.	Singapore	4.0	13 years
6.	Givaudan Flavors Incorporated	USA	3.8	11 years
7.	Itochu Corporation	Japan	2.7	2 years
8.	ADM Cocoa	USA	2.5	4 years
9.	Trend Corporation Sdn Bhd	Malaysia	2.4	5 years
10.	Masterfoods Australia New Zealand	Australia	1.6	13 years
	Others		18.1	
	Total		100.0	

For the 10-month financial period ended 31 October 2004, the top 5 customers accounted for 68.9% of the Group's sales and all of them are trading companies. They are major buyers of GCB Group's cocoa butter and cocoa cake. The top 10 customers contributed to 81.9% of its revenue in the 10-month financial period ended 31 October 2004. In total, the Group has about 120 customers.

The Group's customer concentration on these trading companies is inevitable in the cocoa processing industry since the industry is dominated by a few multinational traders who act as intermediaries between cocoa processors and chocolate and confectionery manufacturers. Cocoa butter and cocoa cake are products with standard specifications, which can be sold to any trading company. Payment is made against presentation of shipping document. Hence, credit risk is minimised.

As part of the Group's future strategy, the Group shall be changing its product mix to produce more cocoa powder. Thus, management expects that it will be actively seeking end-users for its cocoa powder and hence diversify its customer base.

#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.6 MAJOR SUPPLIERS

The top ten major suppliers for the Group based on the total turnover in the 10-month financial period ended 31 October 2004 are as follows: -

No.	Name of Supplier	Country	Purchase %	Length of Relationship
1.	ED & F Man Asia Pte. Ltd.	Singapore	19.1	8 years
2.	ADM Cocoa Pte. Ltd.	Singapore	14.3	5 years
3.	Olam International Ltd.	Singapore	13.0	6 years
4.	Continaf BV	Holland	12.4	3 years
5.	Touton SA	France	10.3	4 years
6.	Noble Cocoa SA	Switzerland	7.6	2 years
7.	ECOM Agroindustrial Corp. Ltd.	Switzerland	6.6	4 years
8.	ECOM Agroindustrial Asia Pte. Ltd.	Singapore	5.1	3 years
9.	Dapsa Holdings Sdn Bhd	Malaysia	2.6	10 year
10.	Lim Lian Hua (Sarawak) Sdn Bhd	Malaysia	1.9	10 years
	Others		7.1	
	Total		100.0	

The above table reveals that the Group's top ten suppliers account for 92.9% in the 10-month financial period ended 31 October 2004's cocoa bean purchases and the top five suppliers accounted for 69.1% of GCB Group's cocoa beans requirements. Most of the Group's suppliers are trading companies. This level of concentration of supplier base is due to the following three factors.

Firstly, due to the numerous activities and services provided by the trading companies, and the wide geographical coverage of their operations, the cocoa processing industry is dominated by several multi-national trading companies. Many of these trading companies have a wide global network to source raw materials and service cocoa processors and users. In addition, they have the facilities to store their bean inventories as well as logistic capabilities to deliver the raw materials timely to ensure there is continuity of supply to the cocoa processors. Besides supplying raw materials, they also purchase the semi-processed products from cocoa processors for eventual sale to their customers who are typically food and confectionery manufacturers. Hence, a trading company such as ED & F Man Asia Pte. Ltd. may be both a customer and supplier to GCB Group.

Secondly, GCB Group's supplier list reflects the Group's preference for purchasing from established trading companies. The advantages of purchasing from these suppliers include cost savings in transportation from bulk purchases, reduced administrative work in dealing with a few suppliers compared with purchasing in small quantities from multiple suppliers, reliability of supply and consistency in bean quality. GCB Group has been purchasing from ED & F Man Asia Pte. Ltd. and ADM Cocoa Pte. Ltd. (GCB Group's top 2 suppliers) for more than 5 years and from Olam International Limited for the past 6 years.

Thirdly, the trading companies offer the flexibility of longer forward contracts of between one to two years. This enables the Group to maintain consistency in the supply of raw materials and mitigate the risk in the fluctuation of the price of cocoa beans.

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**4. INFORMATION ON THE GROUP (Cont'd)**

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**4.7 FUTURE PLANS, STRATEGIES AND PROSPECTS****(a) Future Plans and Business Directions**

GCB Group's future plans are summarised as follows:

- ***Enhancing Quality and Improving Production Efficiency***

Continuous R&D efforts will be channeled to improve product quality and production efficiency. The Group will provide ongoing training for the production and R&D staff to improve their production skills and awareness of technology trends. The marketing and business development team would be working closely with the technical team members to keep the latter well informed of the latest market development. Similarly, the production team shall be working with the R&D team to enhance process efficiency. It is vital to involve the R&D team in manufacturing to ensure that products developed in the laboratory are successfully manufactured at commercial production scale.

- ***Providing Value-Added Service***

GCB Group plans to acquire laboratory-scale equipment by the third quarter of 2005 with a budget of RM1 million. The equipment will be used to develop sample food products using cocoa-derived food ingredients. This is aimed at providing value-added service to the Group's existing and potential customers.

The technical team shall provide customers with technical advice on the characteristics of GCB Group's cocoa-derived food ingredients and their applications in the food, beverage, bakery and confectionery industries. Management envisages that such efforts will result in close working relationship with the customers and create more business opportunities for the Group.

- ***Changing Product Mix Strategy***

Cocoa butter and cocoa cake have been the main contributors to the Group's revenue in the past. The Group's future business direction is to change its product mix strategy by producing more cocoa powder. To this end, the Group has allocated a total investment in plant and machinery of RM19.5 million for FYE2003 and FYE2004 of which RM8.2 million has been utilised in FYE2003. By investing into various machineries such as cocoa butter press, alkalisng and roasting machine, grinding machines and pulverising machine, GCB Group will be able to increase processing capacity as well as widen its products range. For example, the investment in pulverising plant costing RM4.1 million will increase cocoa powder production capacity from 5,000 mt to 25,000 mt per annum. In addition, the alkalisng and roasting machine, which cost RM6.9 million, will improve the quality of the cocoa powder. In the fourth quarter of 2005, GCB Group plans to acquire a cocoa butter deodoriser plant which will cost an estimated RM5 million to produce deodorised cocoa butter.

Besides, the R&D team shall complete the research on the deodorised cocoa butter manufacturing process by the end of 2005 and carry out research work on cocoa powder blending process for customised applications by 2006.

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**4. INFORMATION ON THE GROUP (Cont'd)**

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- **Geographical Market Expansion**

GCB Group's marketing strategy includes further expansion in the existing markets and developing new markets. GCB Group plans to strengthen its distribution channel by having a marketing office in the USA and appointing agents in other targeted markets such as Russian Federation, Eastern Europe and Middle East.

Its strategy to produce more cocoa powder would also entail continuous marketing efforts to sell directly to confectionery and chocolate manufacturers which would in turn diversify the Group's customer base.

- **Human Resource Development**

The Group will continue to place great emphasis on human resource development to build a pool of skilful and motivated staff. It plans to offer both in-house and external training programs for its staff. These would include technical training, motivational and leadership/management development programs with the objectives of enhancing the staff's knowledge and proficiency in handling their tasks as well as raising the morale of its workforce.

**(b) Prospects of the Company**

The manufacturing of cocoa-derived food ingredients is an export-oriented industry where players are competing in the global market place. Operating in a favourable environment in Malaysia, GCB Group grew from a humble beginning to the top position among all players operating in the country. The factors which have propelled the Group's growth include its management's extensive experience in the industry, the strategic location of its factory and warehouses and its technical competency in providing quality cocoa-derived food ingredients catering to international market.

GCB Group's senior management has extensive industry experience in the aspects of marketing, production and cocoa bean sourcing. Some of them have more than five years of experience in the industry. Their experience and expertise have contributed to the Group establishing itself in the export markets, developing an extensive range of quality products and implementing automation in the production process.

GCB Group has proven itself as being able to penetrate the export markets, including the competitive US and European markets. For the 10-month financial period ended 31 October 2004, 94% of its revenues are derived from export sales. This achievement has set GCB Group apart from many of its local counterparts, and is a strong testimony to its world-class quality of cocoa-derived food ingredients. The export-oriented business model places GCB Group in a position with positive growth potential, especially with its strategy to tap the higher value-added cocoa powder markets worldwide.

The strategic location of GCB Group's warehouses and manufacturing factory, which are close to Pasir Gudang Port, offers the competitive advantages of reducing transportation costs, saving transportation time and increasing overall operational efficiency. GCB Group's growth is also attributed to the Group's network and long-term relationships with major customers.

*(Source: Independent Market Research Report by Infocredit D&B dated 2 August 2004 - extracts were updated as at 4 March 2005)*

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**4. INFORMATION ON THE GROUP (Cont'd)**

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GCB Group aims to continue its missions of delivering quality and value-added service to customers, contributing to Malaysia's economic growth and providing a satisfactory return on investment to shareholders. Moving forward, the Group's business directions are producing more high value cocoa powder, expanding its distribution channels in existing markets and penetrate emerging markets with good potential as well as continuous efforts in R&D, quality management and production process efficiency. These shall contribute to the Group's sustainable growth in the future.

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