

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

## 5.1 PROMOTERS

## 5.1.1 Particulars and Shareholdings

The details of the Promoters of the GCB and their shareholdings in GCB are as follows: -

Name	Place of Incorporation/ Nationality	No. of Ordinary Shares Held in GCB before the IPO		%	No. of Ordinary Shares Held in GCB After the IPO		%
		Direct	Indirect		Direct	Indirect	
GCR	Malaysia	124,350,596	-	57.57	-	123,840,000	51.60
Tay Hoe Lian	Malaysian	17,302,832	(1) 124,350,596	8.01	57.57	5,159,846 <sup>#</sup>	2.15
Tay How Sik @ Tay How Sick	Malaysian	8,651,420	-	4.01	-	2,729,925 <sup>#</sup>	1.14
Hia Cheng	Malaysian	4,553,460	-	2.11	-	1,578,990 <sup>#</sup>	0.66
Tey Chi @ Tay Chin Chuan	Malaysian	6,490,077	-	3.00	-	2,122,865 <sup>#</sup>	0.88
Tay How Yeh	Malaysian	8,651,416	-	4.01	-	2,729,923 <sup>#</sup>	1.14

Notes: -

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

# Including his entitlement for the pink form share allocation pursuant to the IPO.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 5.1.2 Profiles of Promoters

Save for the profiles of Tay Hoe Lian, Tay How Sik @ Tay How Sick, Hia Cheng, Tey Chi @ Tay Chin Chuan and Tay How Yeh (the Directors of GCR) which are set out in Sections 5.3.2 of this Prospectus, the profiles of the other Promoters are as follows: -

#### GCR

##### (i) Background Information

GCR was incorporated in Malaysia under the Act on 17 November 2003 as a private limited company under the name of Megatica Consulting Sdn Bhd. It assumed its present name on 27 January 2004. GCR is principally an investment holding company.

##### (ii) Directors and Substantial Shareholders

The particulars of GCR's directors and their respective shareholdings in GCR as at 1 March 2005 are set out below: -

Name	Designation	No. of Ordinary Shares Held in GCR			
		Direct	(%)	Indirect	(%)
<b>Directors</b>					
Tay Hoe Lian	Director	5,700	19.00	-	-
Tay How Sik @ Tay How Sick	Director	2,850	9.50	-	-
Hia Cheng	Director	1,500	5.00	-	-
Tey Chi @ Tay Chin Chuan	Director	2,138	7.13	-	-
Tay How Yeh	Director	2,850	9.50	-	-
<b>Substantial Shareholders</b>					
Tay Hoe Lian	Director	5,700	19.00	-	-
Tay How Sik @ Tay How Sick	Director	2,850	9.50	-	-
Tey Chi @ Tay Chin Chuan	Director	2,138	7.13	-	-
Tay How Yeh	Director	2,850	9.50	-	-
Hia Cheng	Director	1,500	5.00	-	-
Lim Yock @ Lim Kiak	-	2,850	9.50	-	-
Tay Hoe Chin	-	4,275	14.25	-	-
Tay How Seng	-	2,850	9.50	-	-
Tang Ka Guek @ Tang Bak Keng	-	2,137	7.12	-	-
Tay See @ Tay Cheng Guan	-	2,850	9.50	-	-

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 5.1.3 Directorships and Substantial Shareholdings of Promoters in All Other Public Corporations for the Past Two Years Preceding the Date of this Prospectus

As of 1 March 2005, none of the Promoters have any directorships or major shareholdings in other public corporations for the past two years.

## 5.2 SUBSTANTIAL SHAREHOLDERS

### 5.2.1 Particulars and Shareholdings

The details of the substantial shareholders and their shareholdings in GCB are as follows: -

Name	Place of Incorporation/ Nationality	No. of Ordinary Shares Held in GCB before the IPO		No. of Ordinary Shares Held in GCB After the IPO		%
		Direct	Indirect	Direct	Indirect	
GCR	Malaysia	124,350,596	57.57	123,840,000	51.60	-
Dato Dr. Mohamed Musa Bin Md. Jamil	Malaysian	-	-	50,000#	0.02	(1)25,200,000 10.50
MGSB	Malaysia	-	-	25,200,000	10.50	-
Tay Hoe Lian	Malaysian	17,302,832	8.01	(2) 124,350,596	57.57	(2) 123,840,000 51.60

Notes: -

(1) Deemed interested by virtue of his substantial shareholding in MGSB.

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

# Including his entitlement for the pink form share allocation pursuant to the IPO.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 5.2.2 Profiles of Substantial Shareholders

Save for the profile of GCR which is set out in Section 5.1.2 and the profiles of Tay Hoe Lian and Dato Dr. Mohamad Musa Bin Md. Jamil in Section 5.3.2 of this Prospectus, the profile of the other substantial shareholder is as follows:

#### MGSB

##### (i) Background Information

MGSB was incorporated in Malaysia under the Act on 8 December 2003 as a private limited company. MGSB is principally an investment holding company.

##### (ii) Directors and Substantial Shareholders

The particulars of MGSB's directors and their respective shareholdings in MGSB as at 1 March 2005 are set out below: -

Name	Designation	No. of Ordinary Shares Held in MGSB			
		Direct	(%)	Indirect	(%)
<b>Directors</b>					
Dato Dr. Mohamad Musa Bin Md. Jamil	Director	24,998	99.99	-	-
Majelis Bin Majid	Director	2	0.01	-	-
<b>Substantial Shareholders</b>					
Dato Dr. Mohamad Musa Bin Md. Jamil	Director	24,998	99.99	-	-

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

## 5.3 DIRECTORS

## 5.3.1 Particulars and Shareholdings

The details of the directors and their shareholdings in GCB are as follows: -

Name	Designation	No. of Ordinary Shares Held in GCB before the IPO			No. of Ordinary Shares Held in GCB After the IPO			%
		Direct	%	Indirect	Direct	%	Indirect	
Dato Dr. Mohamad Musa Bin Md. Jamil	Executive Chairman	-	-	-	50,000 <sup>^</sup>	0.02	(1)25,200,000	10.50
Tay Hoe Lian	Managing Director/Chief Executive Officer	17,302,832	8.01	(2) 124,350,596	5,159,846 <sup>#</sup>	2.15	(2) 123,840,000	51.60
Tay How Sik @ Tay How Sick	Executive Director/Chief Operating Officer	8,651,420	4.01	-	2,729,925 <sup>#</sup>	1.14	-	-
Hia Cheng	Executive Director/Chief Financial Officer	4,553,460	2.11	-	1,578,990 <sup>#</sup>	0.66	-	-
Tey Chi @ Tay Chin Chuan	Alternate Director to Tay Hoe Lian	6,490,077	3.00	-	2,122,865 <sup>#</sup>	0.88	-	-
Tay How Yeh	Alternate Director to Tay How Sick @ Tay How Sick	8,651,416	4.01	-	2,729,923 <sup>#</sup>	1.14	-	-
Dato' Dr. Omar @ S Omar Bin Abdul Rahman	Independent Non-Executive Director	-	-	-	30,000 <sup>^</sup>	0.01	-	-
Tay Puay Chuan	Independent Non-Executive Director	-	-	-	20,000 <sup>^</sup>	0.01	-	-

Notes: -

(1) Deemed interested by virtue of his substantial shareholding in MGSSB.

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

<sup>^</sup> Except for Tay Hoe Lian, Tay Chi @ Tay Chin Chuan, Tay How Sick @ Tay How Sick, Tay How Yeh and Hia Cheng, the shareholdings of the other directors of GCB are based entirely on their respective entitlements for the pink form share allocation pursuant to IPO.

<sup>#</sup> Including his entitlement for the pink form share allocation pursuant to the IPO.

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**5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**5.3.2 Profiles of Directors**

**Dato Dr. Mohamad Musa Bin Md. Jamil**, aged 58, was appointed the Executive Chairman of GCB on 8 January 2005. He is responsible for the overall strategic business planning and advises on the R&D activities of the Group. He graduated with a Bachelor of Science in Biology from University of Malaya in 1972. Upon his graduation, he joined Malaysian Agricultural Research & Development Institute (MARDI) (Crop Protection Division), as a research assistant and later promoted to the research officer. In 1979, he obtained a PhD. in Mycology and Plant Pathology from Queen's University, Belfast, Northern Ireland. In 1980, he held the position of research officer of MARDI (Cocoa and Coconut Research Division) and promoted to the position of Deputy Director in 1984. Later, in 1985, he became the Director of the Cocoa and Coconut Research Division. As the Director, he was responsible for planning, managing and overseeing all research programmes under this division. In addition, he was also involved in the implementation and development programmes for cocoa smallholders. In 1990, he joined MCB as the Deputy Director General (Market Development and Regulatory). He was in charge of marketing, promoting, licensing and grading of cocoa beans and cocoa products. He also represented Malaysia in various meetings and trade negotiations held by International Cocoa Organization (ICCO). In 1996, he was promoted to the post of Director General of MCB. As the Director General, he was responsible for planning, developing and managing of all research programmes which involved improvement of cocoa yield and quality as well as development of cocoa products and related downstream activities. In addition, he oversaw the implementation and enforcement of regulations on quality of cocoa beans and cocoa products. He held this position until he retired in 2001. Through the years, he has published more than 30 papers, mostly on cocoa. Currently, he is a member of Malaysian Plant Protection Society and Incorporated Society of Planters (ISP).

**Tay Hoe Lian**, aged 40, was appointed the Managing Director and Chief Executive Officer of GCB on 8 January 2005. He graduated with a degree in Bachelor of Business Administration from the University of Toledo, College of Business Administration, USA, in 1993. Upon his graduation, he was appointed as manager of GCG's Transport Division and overseeing the operation of the division. In 1997, he joined GCC as the Marketing Manager and has successfully marketed cocoa powder to the European, Middle East and South American markets. In 1999, he was appointed as a Director of GCC and promoted to the position of General Manager in 2002 and Managing Director in 2003. He also held the position of Human Resource and Administration Manager of GCC since 2002. With his contribution, GCC has successfully expanded its production capacity to become the top player in the local cocoa processing industry. He has also steered GCC towards the production of premium cocoa powder. He was appointed as a Director of GCT since 2001 and Director of EM since 2002.

**Tay How Sik @ Tay How Sick**, aged 45, was appointed the Executive Director and Chief Operating Officer of GCB on 8 January 2005. He has been a director and Factory Manager of GCC since 1989 and is currently in charge of the factory operations of GCC. As a Director of GCG from 1987 to 2003, he gained vast experience in cocoa processing. He was involved in the initial setting up of the cocoa beans processing plant including the building of factory, setting up the production line and machinery installation. Over the years, he has gained extensive knowledge and experience in the manufacturing of cocoa-derived food ingredients, maintenance and modification of machines to enhance production efficiency and to improve the quality of cocoa derived-food ingredients. He is also a Director of GCT since 2001 and a director and Factory Manager of EM since 2002.

**5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**Hia Cheng**, aged 39, was appointed the Executive Director and Chief Financial Officer of GCB on 8 January 2005. He obtained professional accounting qualification from The Chartered Association of Certified Accountants ("ACCA") in 1991 and became a fellow member of ACCA in 2001. He was with TH Liew & Gan, a local audit firm from 1986 to 1990. He joined GCC in 1991 as the Accounts Supervisor and has been actively involved in the administration, financial management and foreign currency management of GCC. In addition, he also carries out feasibility studies and investment appraisal for all of GCC's expansion projects. In 1996, he was promoted to his current position as Finance and Trading Manager of GCC. Since then, he has been heading the finance and trading department as well as sourcing cocoa beans and marketing of cocoa butter, cocoa liquor and cocoa cake. He has successfully strengthened GCC's relationships with its customers which include international trading companies. He was appointed as director of GCC and GCT since 2003.

**Tey Chi @ Tay Chin Chuan**, aged 65, was appointed as the alternate director to Tay Hoe Lian of GCB on 8 January 2005. He was a co-founder and director of GCG from 1982 to 2003. Upon GCG's restructuring in 2003, he relinquished his position as the Director of GCG and became a Director of GCC and GCT. He was appointed as the General Manager of GCT in 2004 and he is responsible for overseeing its operations. In 1978, he was awarded with Justice of Peace (JP) within and for the state of Johor and Kesatria Mangku Negara (KMN) in 1999.

**Tay How Yeh**, aged 38, was appointed as the alternate director to Tay How Sik @ Tay How Sick of GCB on 8 January 2005. He obtained a degree in Bachelor of Business Administration from the University of Toledo, College of Business Administration, USA, in 1989. From 1990 to 1995, he was the Manager of GCT, where he was assigned with the task of sourcing cocoa beans in Tawau, Sabah. Over the years, he has gained considerable experience in logistics and cocoa beans quality assessment. Since joining GCC in 1995 as the Production Manager, he has been in charge of the production department and has assisted GCC in expanding its production capacity. He is responsible for production planning and quality control. He was appointed as director of GCC and GCT in 2003.

**Dato' Dr. Omar @ S Omar Bin Abdul Rahman**, aged 58, was appointed as the Independent Non-Executive Director of GCB on 8 January 2005. He graduated with a Bachelor in Veterinary Science from University of Queensland, Brisbane, Australia. He also holds a Master Degree in Veterinary Science from University of Saskatchewan, Saskatoon, Canada. In 1977, he became a Member of Royal College of Veterinary Surgeons (MRCVS), London. Upon graduation, he joined Universiti Pertanian Malaysia (presently known as Universiti Putra Malaysia) as a lecturer from 1974 to 1981. In 1981, he was promoted to the position of Associate Professor and later, the position of Professor in 1993. In 2001, he retired as professor and dean of the Faculty Veterinary Medicine, Universiti Putra Malaysia. Presently, he is a lecturing professor and freelance speaker. He is also a director of Al Amoudi Middle East Alliance Sdn Bhd, a company providing education and tourism services. Among his current positions are President Elect of the Malaysian Association of Professional Speakers, Fellow of the Academy Sciences Malaysia and Fellow of Malaysian Scientific Association.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

**Tay Puay Chuan**, aged 40, was appointed as an Independent Non-Executive Director of GCB on 8 January 2005. He started his career with the Polis DiRaja Malaysia, Bukit Aman in 1987 and later left the police force as a Police Inspector in 1992. He joined Fajar Sawmill Sdn. Bhd. as a Factory Manager from 1992 to 1997. In 1997, he obtained a Bachelor of Law (Honours) degree from University of London, UK. He was called to the Bar and admitted as an advocate and solicitor in 1998. He was the partner in Fazilah, Ong Chee Seong & Associates from 1998 to 2003 until he set up his own legal practice, Tay Puay Chuan & Co. in Muar, Johor Darul Takzim in 2003. Currently, he is the Independent Non-Executive Director of Sem Kou Resources Berhad.

### 5.3.3 Directors' Remuneration and Benefits

The aggregate remuneration and benefits paid to the Directors of GCB Group for services rendered in all capacities to the Group for the ten (10) months financial period ended 31 October 2004 and the current financial year ending 31 December 2005 are as follows: -

Remuneration Band*	10-month financial period ended 31 October 2004		Financial Year Ending 31 December 2005	
	Aggregate Remuneration (RM'000)	Number of Directors	Aggregate Remuneration (RM'000)	Number of Directors
Up to 50,000	-	2	124	4
50,001 – 100,000	-	-	-	-
100,001 – 200,000	-	-	182	1
200,001 – 500,000	-	-	1,462	4
Above 500,000	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2</b>	<b>1,768</b>	<b>9</b>

\* Includes benefit-in-kind.

### 5.4 AUDIT COMMITTEE

The main functions of the Audit Committee fall within the ambit of the Listing Requirements, which include the review of audit plans and audit reports with the Group's auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of the financial statements, and nomination of the auditors. The Audit Committee comprises the following individuals: -

Name	Designation	Directorship
Dato' Dr. Omar @ S Omar Bin Abdul Rahman	Chairman of Audit Committee	Independent Non-Executive Director
Hia Cheng	Member of Audit Committee	Executive Director/Chief Financial Officer
Tay Puay Chuan	Member of Audit Committee	Independent Non-Executive Director



## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 5.5 KEY MANAGEMENT

#### 5.5.1 Particulars and Shareholdings of the Key Management Team

The details of the key management of the Group and their shareholdings in GCB are as follows: -

Name	Designation / Functions	No. of Ordinary Shares Held in GCB before the IPO				No. of Ordinary Shares Held in GCB After the IPO			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Dato Dr. Mohamad Musa Bin Md. Jamil	Executive Chairman	-	-	-	-	50,000 <sup>^</sup>	0.02	<sup>(1)</sup> 25,200,000	10.50
Tay Hoe Lian	Managing Director/Chief Executive Officer	17,302,832	8.01	<sup>(2)</sup> 124,350,596	57.57	5,159,846 <sup>#</sup>	2.15	<sup>(2)</sup> 123,840,000	51.60
Tay How Sik @ Tay How Sick	Executive Director/ Chief Operating Officer	8,651,420	4.01	-	-	2,729,925 <sup>#</sup>	1.14	-	-
Hia Cheng	Executive Director/ Chief Financial Officer	4,553,460	2.11	-	-	1,578,990 <sup>#</sup>	0.66	-	-
Tey Chi @ Tay Chin Chuan	Director/ General Manager - GCT	6,490,077	3.00	-	-	2,122,865 <sup>#</sup>	0.88	-	-
Tay How Yeh	Director/ Production Manager - GCC	8,651,416	4.01	-	-	2,729,923 <sup>#</sup>	1.14	-	-
Lau Boon Leong	Technical /Project Manager - GCC	-	-	-	-	100,000 <sup>^</sup>	0.04	-	-
Yau Tee Wan	Maintenance and Purchasing Manager - GCC	-	-	-	-	100,000 <sup>^</sup>	0.04	-	-
Pow Chun Chung	Quality Assurance Manager - GCC	-	-	-	-	100,000 <sup>^</sup>	0.04	-	-
Chan Lee Yin	Assistant Logistic and Warehouse Manager - GCC	-	-	-	-	80,000 <sup>^</sup>	0.03	-	-
Loh Ken Ping	Assistant Factory Manager - EM	-	-	-	-	40,000 <sup>^</sup>	0.02	-	-

Notes: -

(1) Deemed interested by virtue of his substantial shareholdings in MGSB.

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

<sup>^</sup> Based entirely on their respective entitlements for the pink form share allocation pursuant to IPO.

<sup>#</sup> Including his entitlement for the pink form share allocation pursuant to the IPO.

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**5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**5.5.2 Profiles of Key Management**

Save for the profile of Dato Dr. Mohamad Musa Bin Md. Jamil, Tay Hoe Lian, Tay How Sik @ Tay How Sick, Hia Cheng, Tey Chi @ Tay Chin Chuan and Tay How Yeh which are set out in Sections 5.3.2 of this Prospectus, the profiles of the other key management are as follows: -

**Lau Boon Leong**, aged 34, is the Technical / Project Manager of GCC. He obtained a certificate in Electrical Power Engineering from Sultan Haji Ahmad Shah Polytechnic, Kuantan, Malaysia in 1991 and certification as a chageman (AO grade) from Jabatan Bekalan Elektrik in 1995. He joined GCC in 1992 as an Electrical Technician. Over the years, he has gained vast experience in electrical and mechanical engineering in cocoa processing plants. He was promoted to the position of Technical/Project Manager in 2000. Currently, he is in charge of the electrical and machinery installation for GCC.

**Yau Tee Wan**, aged 31, is the Maintenance and Purchasing Manager of GCC. He graduated with a First Class Honours degree in Bachelor of Science (Physics) from University of Malaya. He was with Dunham-Bush Malaysia Berhad, a local chiller manufacturing company from 1997 to 1998 as a research and development engineer. He joined Mewaholeo Industries Sdn. Bhd., a local oil refinery company from 1998 to 2002 prior to joining GCC in 2002 as the Maintenance and Purchasing Manager. Since then, he has been actively involved in machinery improvement, maintenance, breakdown prevention, plant upgrading and other plant-related matters. He has profound knowledge in production and production control, machinery maintenance and improvements as well as inventory control systems.

**Pow Chun Chung**, aged 31, is the Quality Assurance Manager of GCC. He graduated with a First Class Honours degree in Bachelor of Engineering (Chemical) from University of Malaya. He was with Medical Latex (DUA) Sdn Bhd, a Germany-based medical company from 2000 to 2002 prior to joining GCC in mid-2002. He has in-depth knowledge and experience in quality control, quality assurance, ISO 9000, HACCP and regulatory affairs concerning quality and safety of food and medical products. Currently, he is the QA Manager of GCC, in charge of the quality assurance and quality control. He is the management representative of the quality management system. As the head of R&D department, he is responsible for products development and widening the products range.

**Chan Lee Yin**, aged 37, is the Assistant Logistic And Warehouse Manager of GCC. She graduated with a Bachelor of Business Administration from University of Toledo, College of Business Administration, USA, in 1989. In 1991, she joined GCT as Assistant Manager and gained vast experience in cocoa beans sourcing and quality assessing as well as logistic management. In addition, she also involved in administration and human resource of GCT. In 1995, she joined GCC in her current position and has been involved in warehousing and overseeing the shipments of imported raw materials.

**5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**Loh Ken Ping**, aged 29, is the Assistant Factory Manager of EM. He completed a Diploma in Food Technology from Sultan Haji Ahmad Shah Polytechnic, Kuantan, Malaysia in 1998. After completing his diploma, he joined Allied Chemist Laboratory as a Senior Lab Technician between 1998 and 1999. He also graduated with Bachelor of Science in Food Technology (Honours) from University Putra Malaysia in 2001. Upon his graduation, he joined Mewaholeo Industries Sdn Bhd as a chemist. He assisted the quality assurance manager in overseeing the QA operation for the production of palm oil products. In 2002, he joined GCC as a Store and Purchasing Executive and was responsible for managing inventory and procurement in the Engineering Department. He was transferred from GCC to EM in 2003 to assist the Factory Manager to oversee the overall factory operation. Currently, he is the Assistant Factory Manager for EM. He is responsible for assisting the Factory manager in overseeing the production operation.

**5.6 INVOLVEMENT OF EXECUTIVE DIRECTORS / KEY MANAGEMENT IN OTHER BUSINESSES / CORPORATIONS**

Save and except for Tay Hoe Lian, Tay How Sik @ Tay How Sick, Hia Cheng, Tey Chi @ Tay Chin Chuan and Tay How Yeh as shown below, none of the Executive Directors / key management is involved in other businesses or corporations.

Name of Directors/Key Management	Name of Company	% Equity Holding as at 1 March 2005		Position Held	Principal Activities
		Direct	Indirect		
Tay Hoe Lian (Managing Director/Chief Executive Officer)	EM	-	*51	Director	Producing blended cocoa-derived food ingredients
	GCC	-	*100	Managing Director	Producing cocoa-derived food ingredients
	Guan Chong Properties Sdn Bhd	-	*100	Director	Property investment holding
	GCR	19.0	-	Director	Investment holding
	GCT	-	*100	Director	Buying and selling of cocoa beans
	ian Cin Sdn Bhd	-	*100	Director	Haulage of petroleum products and insurance agency services
	MJ Plantation Sdn Bhd	9.99	-	-	Realty investment

**5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Name of Directors/Key Management	Name of Company	% Equity Holding as at 1 March 2005		Position Held	Principal Activities
		Direct	Indirect		
Tay How Sik @ Tay How Sick (Executive Director/Chief Operating Officer)	EM	-	-	Director	Producing blended cocoa-derived food ingredients
	GCC	-	-	Director	Producing cocoa-derived food ingredients
	Guan Chong Properties Sdn Bhd	-	-	Director	Property investment holding
	GCT	-	-	Director	Buying and selling of cocoa beans
	GCR	9.5	-	Director	Investment holding
	Ian Cin Sdn Bhd	-	-	Director	Haulage of petroleum products and insurance agency services
Hia Cheng (Executive Director/Chief Financial Officer)	GCC	-	-	Director	Producing cocoa-derived food ingredients
	Guan Chong Properties Sdn Bhd	-	-	Director	Property investment holding
	GCR	5.0	-	Director	Investment holding
	GCT	-	-	Director	Buying and selling of cocoa beans
	Ian Cin Sdn Bhd	-	-	Director	Haulage of petroleum products and insurance agency services

**5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Name of Directors/Key Management	Name of Company	% Equity Holding as at 1 March 2005		Position Held	Principal Activities
		Direct	Indirect		
Tey Chi @ Tay Chin Chuan (Alternate Director to Tay Hoe Lian)	Avenue Eagle Sdn Bhd	-	100.0	Director	Property owner
	Billion Sea Aquaculture (M) Sdn Bhd	-	60.0	Director	Dealing of aquaculture products
	Chuen Shin Feeds (M) Sdn Bhd	-	100.0	Director	Letting of workshop
	Gap-Age Marketing Sdn Bhd	50.0	-	Director	Investment company
	GCC	-	-	Director	Producing cocoa-derived food ingredients
	Grobest Corporation (Malaysia) Sdn Bhd	20.0	-	Director	Investment holding and shrimp feed dealing
	Grobest Manufacture (M) Sdn Bhd	**	99.99	Director	Letting factory
	Grobest Frozen (M) Sdn Bhd	**	100	Director	Processing of aquaculture products
	Guan Chong Properties Sdn Bhd	-	-	Director	Property investment holding
	GCR	7.13	-	Director	Investment holding
GCT	-	-	Director	Buying and selling of cocoa beans	
Tey Chi @ Tay Chin Chuan (Alternate Director to Tay Hoe Lian) (cont'd)	Ian Cin Sdn Bhd	-	-	Director	Haulage of petroleum products and insurance agency services
	M-Best Marketing (M) Sdn Bhd	**	99.99	Director	Dealing in frozen seafood
	MJ Plantation Sdn Bhd	**	-	Director	Realty investment
	Soon Long Aquaculture Sdn Bhd	-	-	Director	Prawn farming
	Sungai Burung Aquaculture Sdn Bhd	-	**	Director	Seafood farming
	Sykt. Percetakan Lik Teck Sdn Bhd	41.0	-	Director	Printing

**5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Name of Directors/Key Management	Name of Company	% Equity Holding as at 1 March 2005		Position Held	Principal Activities
		Direct	Indirect		
Tay How Yeh (Alternate Director to Tay How Sik @ Tay How Sick)	GCC	-	-	Director	Producing cocoa-derived food ingredients
	Guan Chong Properties Sdn Bhd	-	-	Director	Property investment holding
	GCR	9.5	-	Director	Investment holding
	GCT	-	-	Director	Buying and selling of cocoa beans
	Ian Cin Sdn Bhd	-	-	Director	Haulage of petroleum products and insurance agency services

Notes: -

\* Deemed interested by virtue of his substantial shareholdings in GCR.

\*\* Less than 0.01%.

Tay Hoe Lian, Tay How Sik @ Tay How Sick and Hia Cheng principally spend their time and effort on activities relating to the Group. They are not involved in the day-to-day operations in their personal businesses.

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**5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**5.7 DECLARATION OF DIRECTORS AND KEY MANAGEMENT TEAM**

Save as disclosed below, no director, key personnel or person nominated to become a director or key personnel is or has been involved in any of the following events: -

- (a) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel except that Cheng Liang Chye and Cheng Liang Kheng, two of the directors of EM, were directors of Problend Pte Ltd, a company incorporated in Singapore, which was wound up on 13 October 2000;
- (b) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (c) the subject of any order, judgement or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

**5.8 FAMILY RELATIONSHIPS**

Save as disclosed below, there is no family relationship (as defined in Section 122A of the Act) or association between the substantial shareholders, promoters, Directors, key management or key technical personnel:-

- (i) Tay How Seng, Tay How Sik @ Tay How Sick and Tay How Yeh are brothers and the sons of Tay See @ Tay Cheng Guan and Lim Yock @ Lim Kiak;
- (ii) Chan Lee Yin is the wife of Tay How Yeh;
- (iii) Tay Hoe Lian and Tay Hoe Chin are cousins of Tay How Seng, Tay How Sik @ Tay How Sick and Tay How Yeh;
- (iv) Tay Hoe Lian and Tay Hoe Chin are brothers and the sons of Tey Chi @ Tay Chin Chuan and Tan Bak Keng @ Tang Ka Guek; and
- (v) Tay See @ Tay Cheng Guan and Tey Chi @ Tay Chin Chuan are brothers.

**5.9 EXISTING OR PROPOSED SERVICE AGREEMENTS**

As at 1 March 2005, being the last practicable date prior to the printing of this Prospectus, there is no existing or proposed service agreements between the Group and its Directors and key management.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

## 5.10 CHANGES IN SHAREHOLDINGS IN THE COMPANY FOR THE PAST THREE (3) YEARS

The significant changes of the Promoters' and substantial shareholders' shareholdings in the Company for the past three (3) years preceding the date hereof are as follows: -

Shareholders	As at 22 March 2004*				As at 17 February 2005				Accumulated Number of Shares Held Before IPO				Accumulated Number of Shares Held After IPO				
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect		
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	
Siti Huzaimah Binti Abas**	4	50.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Shafie @ Mukhriz Bin Mohamad**	4	50.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GCR	-	-	124,350,596	57.57	124,350,596	57.57	124,350,596	(1)	57.57	124,350,596	(1)	57.57	123,840,000	51.60	123,840,000	(1)	51.60
Tay Hoe Lian	-	-	17,302,832	8.01	17,302,832	8.01	17,302,832	8.01	8.01	17,302,832	8.01	8.01	5,159,846#	2.15	5,159,846#	2.15	2.15
Tay How Sik @ Tay How Sick	-	-	8,651,420	4.01	8,651,420	4.01	8,651,420	4.01	4.01	8,651,420	4.01	4.01	2,729,925#	1.14	2,729,925#	1.14	1.14
Hia Cheng	-	-	4,553,460	2.11	4,553,460	2.11	4,553,460	2.11	2.11	4,553,460	2.11	2.11	1,578,990#	0.66	1,578,990#	0.66	0.66
Tey Chi @ Tay Chim Chuan	-	-	6,490,077	3.00	6,490,077	3.00	6,490,077	3.00	3.00	6,490,077	3.00	3.00	2,122,865#	0.88	2,122,865#	0.88	0.88
Tay How Yeh Dato Dr. Mohamad	-	-	8,651,416	4.01	8,651,416	4.01	8,651,416	4.01	4.01	8,651,416	4.01	4.01	2,729,923#	1.14	2,729,923#	1.14	1.14
Musa Bin Md. Jamil MGSB	-	-	-	-	-	-	-	-	-	-	-	-	50,000^	0.02	50,000^	0.02	0.02
	-	-	-	-	-	-	-	-	-	-	-	-	25,200,000	10.50	25,200,000	10.50	10.50

Notes: -

\* Date of incorporation.

\*\* Subscribers.

# Including their respective entitlements for the pink form share allocation pursuant to the IPO.

^ Being their pink form allocation only.

(1) Deemed interested by virtue of his substantial shareholding in GCR.

(2) Deemed interested by virtue of his substantial shareholding in MGSB.



**5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**5.11 DIRECTORSHIPS AND SUBSTANTIAL SHAREHOLDINGS IN ALL OTHER PUBLIC CORPORATIONS FOR THE PAST TWO YEARS**

Save and except as disclosed below, none of the substantial shareholders and Directors is a director of or holds any shares in other public corporations for the past two years preceding 1 March 2005: -

Name	Name of Corporation Involved	Year of Appointment to the Board	Substantial Shareholdings (No. of Shares) (%)	Principal Activities
<i>Director</i> Tay Puay Chuan	Sem Kou Resources Berhad	2003	-	Manufacturing of furniture

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**6. APPROVALS AND CONDITIONS****6.1 APPROVALS AND CONDITIONS**

The MITI, SC and SC on behalf of FIC approved the IPO on 27 October 2004 and 1 December 2004 respectively. The conditions imposed by the authorities and status of compliance is as follows: -

Conditions Imposed By SC and SC on behalf of FIC	Status of Compliance														
i. With regard to the utilization of the listing proceeds-															
a. GCB to disclose the time frame for the utilization in the listing prospectus. Any extension of time for the completion of the utilization of the proceeds from that determined earlier to be approved by a clear resolution by the board of directors of GCB and fully disclosed to Bursa Securities; and	Complied. The time frame for the utilization of proceeds are disclosed in Section 1.9 and 2.7 of this Prospectus														
b. GCB to disclose the status of the utilization of the listing proceeds in its quarterly and annual reports until the proceeds are fully utilised	To be complied														
ii The proposed/existing directors and substantial shareholders who are involved in full-time capacity in the Group should not be involved in full-time capacity in their personal businesses;	The Directors and substantial shareholders of GCB have taken note of this condition and will ensure compliance														
iii The promoters, proposed/existing directors and substantial shareholders of GCB should not, in the future, carry out any businesses which will compete directly or indirectly and be in conflict with the business of GCB Group;	The Directors and substantial shareholders of GCB have taken note of this condition. Please refer to Section 7.1 of this Prospectus for further details of related party transactions														
iv AmMerchant/GCB to fully comply with all relevant requirements particularly with the requirements of Chapter 6, of the Issues Guidelines;	To be complied														
v 72,000,000 new GCB shares of RM0.25 each to be allocated to Bumiputera investors approved by MITI to comply with National Development Policy ("NDP") requirement; and.	MITI had vide its letter dated 7 February 2005 approved the following allocations to the bumiputera investors:-														
	<table border="1"> <thead> <tr> <th>Name</th> <th>No. of shares ( '000)</th> </tr> </thead> <tbody> <tr> <td>Permodalan Nasional Berhad</td> <td>10,000</td> </tr> <tr> <td>Lembaga Tabung Haji</td> <td>10,000</td> </tr> <tr> <td>Lembaga Tabung Angkatan Tentera</td> <td>20,000</td> </tr> <tr> <td>Misi Galakan Sdn Bhd</td> <td>25,200</td> </tr> <tr> <td>Perbadanan Usahawan Johor Sdn Bhd</td> <td>6,800</td> </tr> <tr> <td>Total</td> <td><u>72,000</u></td> </tr> </tbody> </table>	Name	No. of shares ( '000)	Permodalan Nasional Berhad	10,000	Lembaga Tabung Haji	10,000	Lembaga Tabung Angkatan Tentera	20,000	Misi Galakan Sdn Bhd	25,200	Perbadanan Usahawan Johor Sdn Bhd	6,800	Total	<u>72,000</u>
Name	No. of shares ( '000)														
Permodalan Nasional Berhad	10,000														
Lembaga Tabung Haji	10,000														
Lembaga Tabung Angkatan Tentera	20,000														
Misi Galakan Sdn Bhd	25,200														
Perbadanan Usahawan Johor Sdn Bhd	6,800														
Total	<u>72,000</u>														
vi AmMerchant/GCB to inform the SC of the status of compliance with the NDP requirement upon completion of the listing exercise.	To be complied														

**6. APPROVALS AND CONDITIONS (Cont'd)**

The SC and on behalf of FIC noted the effect of the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in GCB would change arising from the implementation of the proposed floatation, as follows:-

	Before Proposal (%)	After Proposal* (%)
Bumiputera	100.0	30.0
Non-Bumiputera	-	70.0
Foreign	-	-
Total	100.0	100.0

\* After Acquisition, Rights Issue, Public Issue and Offer for Sale

Conditions Imposed By MITI	Status of Compliance														
The allocation of 72,000,000 Shares reserved for Bumiputera investors are subject to the MITI approval and the allocation will be done subsequent to the SC and FIC approval on the application on the listing of GCB on the Main Board of Bursa Securities	<p>MITI had vide its letter dated 7 February 2005 approved the following allocations to the bumiputera investors:-</p> <table border="1"> <thead> <tr> <th>Name</th> <th>No. of shares (('000))</th> </tr> </thead> <tbody> <tr> <td>Permodalan Nasional Berhad</td> <td>10,000</td> </tr> <tr> <td>Lembaga Tabung Haji</td> <td>10,000</td> </tr> <tr> <td>Lembaga Tabung Angkatan Tentera</td> <td>20,000</td> </tr> <tr> <td>Misi Galakan Sdn Bhd</td> <td>25,200</td> </tr> <tr> <td>Perbadanan Usahawan Johor Sdn Bhd</td> <td>6,800</td> </tr> <tr> <td>Total</td> <td>72,000</td> </tr> </tbody> </table> <p>subject to the condition that 30% of their total shareholdings are allowed to be disposed of within 3 months after the listing of the Company and the balance 70% in stages subject to the MITI's prior approval, save for Tier 1 Institution Fund.</p>	Name	No. of shares (('000))	Permodalan Nasional Berhad	10,000	Lembaga Tabung Haji	10,000	Lembaga Tabung Angkatan Tentera	20,000	Misi Galakan Sdn Bhd	25,200	Perbadanan Usahawan Johor Sdn Bhd	6,800	Total	72,000
Name	No. of shares (('000))														
Permodalan Nasional Berhad	10,000														
Lembaga Tabung Haji	10,000														
Lembaga Tabung Angkatan Tentera	20,000														
Misi Galakan Sdn Bhd	25,200														
Perbadanan Usahawan Johor Sdn Bhd	6,800														
Total	72,000														

**7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST****7.1 EXISTING AND PROPOSED RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST**

Save as disclosed below, there are no existing and/or potential related parties transactions or other subsisting contracts of arrangements, entered into by GCB Group which involves the interest, direct or indirect, of the Directors, Substantial Shareholders, key management and/or persons connected to them.

- (a) GCC sells goods to SMC Food 21 Pte Ltd, a 49% shareholder of EM, which in turn is a 51% owned subsidiary of GCB.

Interested promoter/director/substantial shareholder/ key management	Nature of transaction/Conflict of interest	Interest in GCB Group	Interest in SMC	Year	Transaction Value (RM'000)
Cheng Liang Chye and Cheng Liang Kheng	Sale of Cocoa Powder, Cocoa Liquor and Cocoa Butter	Directors of EM	Directors and substantial shareholders of SMC	FYE2002	1,765
				FYE2003	4,411
				FYE2004	4,462
				Up to 1 March for FYE2005	1,965

- (b) EM purchases sugar from Cheng Yew Heng Candy Factory Pte Ltd.

Interested promoter/director/substantial shareholder/ key management	Nature of transaction/Conflict of interest	Interest in GCB Group	Interest in Cheng Yew Heng Candy Factory Pte Ltd	Year	Transaction Value (RM'000)
Cheng Liang Chye and Cheng Liang Kheng	Purchase of sugar	Directors of EM	Directors and substantial shareholders of Cheng Yew Heng Candy Factory Pte Ltd	FYE2003	1,034
				FYE2004	646

## 7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)

- (c) Tay Hoe Lian and Tay How Yeh have on 1 October 2002 and 6 October 2003 created joint and several guarantees in favour of Malayan Banking Berhad ("MBB") ("the Guarantees") as further security to secure banking facilities of RM41 million and RM49 million respectively granted by MBB to JB Cocoa Sdn. Bhd., a company incorporated in Malaysia ("JB Cocoa") formerly related to the abovenamed Tay Hoe Lian and Tay How Yeh.

Interested promoter/director/substantial shareholder/key management	Nature of transaction/Conflict of interest	Interest in GCB Group	Interest in JB Cocoa	Year	Transaction Value (RM'000)
Tay How Yeh and Tay Hoe Lian	Joint and several guarantees in favour of Malayan Banking Berhad ("MBB") ("the Guarantees") as further security to secure banking facilities of RM41 million and RM49 million respectively	Directors	*	FYE2003	RM41,000 and RM49,000

*Note:*

\* Prior to the Guan Chong Group Sdn. Bhd.'s restructuring in 2003, the abovenamed Tay Hoe Lian and Tay How Yeh were directors and shareholders of JB Cocoa. Upon completion of the internal restructuring, JB Cocoa and the said directors have applied to MBB and MBB has vide it's letter of approval dated 7 July 2004 agreed to discharge the abovenamed Tay Hoe Lian and Tay How Yeh from the Guarantees. A deed of release of guarantors dated 27 July 2004 was executed between Tay Hoe Lian and Tay How Yeh and MBB.

- (d) GCC sold goods to JB Cocoa, a former related company.

Interested promoter/director/substantial shareholder/key management	Nature of transaction/Conflict of interest	Interest in GCB Group	Interest in JB Cocoa	Year	Transaction Value (RM'000)
Tey Chi @ Tay Chin Chuan, Tay How Sik @ Tay How Sick, Tay Hoe Lian, Hia Cheng and Tay How Yeh	Sale of Cocoa Powder, Cocoa Cake and Freight charges	Directors of GCC	**	FYE2002	1,957
	Sale of Cocoa Butter, disposal of plant and equipment			FYE2003	231

GCC received rental from JB Cocoa, a former related company.

Interested promoter/director/substantial shareholder/key management	Nature of transaction/Conflict of interest	Interest in GCB Group	Interest in JB Cocoa	Year	Transaction Value (RM'000)
Tey Chi @ Tay Chin Chuan, Tay How Sik @ Tay How Sick, Tay Hoe Lian, Hia Cheng and Tay How Yeh	Property rental	Directors of GCC	**	FYE2003	41

## 7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)

(e) GCC purchased goods from JB Cocoa, a former related company.

Interested promoter/director/substantial shareholder/ key management	Nature of transaction/Conflict of interest	Interest in GCB Group	Interest in JB Cocoa	Year	Transaction Value (RM'000)
Tey Chi @ Tay Chin Chuan, Tay How Sik @ Tay How Sick, Tay Hoe Lian, Hia Cheng and Tay How Yeh	Purchase of Cocoa Beans and Cocoa Powder	Directors of GCC	**	FYE2003	1,811

(f) GCC engaged services of Guan Chong Brothers Sdn Bhd, a former related company.

Interested promoter/director/substantial shareholder/ key management	Nature of transaction/Conflict of interest	Interest in GCB Group	Interest in Guan Chong Brothers Sdn Bhd	Year	Transaction Value (RM'000)
Tey Chi @ Tay Chin Chuan, Tay How Sik @ Tay How Sick, Tay Hoe Lian, Hia Cheng and Tay How Yeh	Transportation service	Directors of GCC	**	FYE2002	110
				FYE2003	44

(g) GCC engaged services of Keluarga Tay Sdn Bhd, a former related company.

Interested promoter/director/substantial shareholder/ key management	Nature of transaction/Conflict of interest	Interest in GCB Group	Interest in Keluarga Tay Sdn Bhd	Year	Transaction Value (RM'000)
Tey Chi @ Tay Chin Chuan, Tay How Sik @ Tay How Sick, Tay Hoe Lian, Hia Cheng and Tay How Yeh	Transportation service	Directors of GCC	**	FYE2002	28
				FYE2003	30

Note:

\*\* Prior to the GCG's restructuring in 2003, GCG owns 80% of the shares in JB Cocoa Sdn Bhd, 100% in Guan Chong Brothers Sdn Bhd and 100% in Keluarga Tay Sdn Bhd and Tey Chi @ Tay Chin Chuan, Tay How Sik @ Tay How Sick, Tay Hoe Lian and Tay How Yeh were shareholders in GCG. Upon completion of the internal restructuring on 29 December 2003, Tey Chi @ Tay Chin Chuan, Tay How Sik @ Tay How Sick, Tay Hoe Lian and Tay How Yeh sold all their shares in GCG to the other shareholders of GCG. JB Cocoa Sdn Bhd, Guan Chong Brothers Sdn Bhd and Keluarga Tay Sdn Bhd therefore ceased to be related companies during FYE 2003. The directors confirm that the transactions are conducted at arm's length basis and in the ordinary course of business.

**7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)****7.2 TRANSACTIONS UNUSUAL IN THEIR NATURE OR CONDITIONS**

GCB Group does not have any transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which the corporation or any of its parent or subsidiaries was a party in respect of the past one (1) financial year and the subsequent financial period thereof, if any, immediately preceding the date of the Prospectus.

**7.3 OUTSTANDING LOANS (INCLUDING GUARANTEES OF ANY KIND) MADE BY GCB OR ANY OF ITS PARENT OR SUBSIDIARIES TO/FOR THE BENEFIT OF RELATED PARTIES**

GCB Group does not have any outstanding loans (including guarantees of any kind) made to/for the benefit of related parties in respect of the past one (1) financial year and the subsequent financial period thereof, if any, immediately preceding the date of the Prospectus.

**7.4 INTEREST IN SIMILAR BUSINESS**

Save as disclosed below and in Section 5.6 and to the best of knowledge and belief of the Directors and substantial shareholders of GCB, none of the Directors or substantial shareholders and/or Key Management of GCB Group are interested, directly or indirectly in any business carrying on a similar trade as the Company and its subsidiary companies:-

Name of Company	Nature of Business	Name of common Directors, Promoters and Substantial Shareholders/ Key Management	Nature of Interest	No. of Shares held as at 1 March 2005			
				Direct	%	Indirect	%
SMC Food 21 Pte Ltd ("SMC")	Producing blended food ingredients	Cheng Liang Chye	Managing Director and Substantial Shareholder	300,000	30	-	-
		Cheng Liang Kheng	Director and Substantial Shareholder	300,000	30	-	-

GCC entered into a Memorandum of Understanding dated 2 October 2002 with SMC to set up EM for the purpose of conducting business of blending food ingredients. GCC owns 51% while SMC owns 49% of the shareholding in EM.

There appears to be a potential conflict of interest between EM and SMC arising from Cheng Liang Chye and Cheng Liang Kheng being the shareholders in SMC and the directors in EM and SMC. However, the Directors of GCB Group are of the opinion that such conflict of interest does not arise because both parties view the relationship as a strategic alliance.

**7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)**

The benefits to GCB Group are as follows:

- EM has benefited from the extensive network established by SMC in Japan. It is the primary intention of the Group to penetrate the Japan market.
- EM can tap on SMC's knowledge and expertise in blending cocoa-derived food ingredients. The Group is able to quickly set up the blending activity with minimal learning curve and R&D costs.
- Increase in sales of cocoa-derived food ingredients via EM and SMC.

The benefits to SMC are as follows:

- SMC can tap on lower production costs in Malaysia to service their customers more competitively.
- Association with a leading producer of cocoa-derived food ingredients.
- EM provides another channel for SMC to expand their market share in Japan.

Based on the 10-month financial period ended 31 October 2004 accounts, EM contributes 3.5% of GCB Group's turnover.

**7.5 PROMOTIONS OF ANY MATERIAL ASSETS ACQUIRED/TO BE ACQUIRED WITHIN TWO YEARS PRECEDING THE DATE OF THIS PROSPECTUS**

Save as disclosed below, none of the Directors and substantial shareholders in GCB Group has any interest, direct or indirect, in the promotion of or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to the Company or any of its subsidiary and associated companies within the two (2) years preceding the date of this Prospectus:-

- On 22 July 2004, GCB entered into a conditional Sale & Purchase Agreement with GCR for the acquisition of 100% of the issued and paid-up share capital of GCC comprising 12,000,000 shares of RM1.00 each for total purchase consideration of RM30,909,962 to be satisfied by the issuance of 123,639,848 new GCB Shares at an issue price of approximately RM0.25 per GCB Share.
- On 22 July 2004, GCB entered into a conditional Sale & Purchase Agreement with GCR and other minority shareholders for the acquisition of 100% of the issued and paid-up share capital of GCT, a subsidiary of GCR comprising 250,500 shares of RM1.00 each for a total consideration of RM178,041 to be satisfied by the issuance of 712,164 new GCB Shares in at an issue price of approximately RM0.25 per GCB Share.
- On 4 January 2005, GCB entered into a conditional Sale & Purchase Agreement with GCC for the acquisition of 51% of the issued and paid-up share capital of EM, a subsidiary of GCC comprising 510,000 shares of RM1.00 each for a total cash consideration of RM556,662.

**7.6 CONTRACTS OR ARRANGEMENTS IN WHICH THE DIRECTORS OR SUBSTANTIAL SHAREHOLDERS ARE INTERESTED AND SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP**

Save as disclosed in Section 7.1 hereof, none of the Directors and/or substantial shareholders of GCB Group has interest in any contract or arrangement, which is significant in relation to the business of the Group.



**7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)**

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To mitigate any potential conflict of interest, the Promoter, Director and/or substantial shareholder have provided written undertakings not to be involved in any new business in the future, which will give rise to competition/conflict with the current business of the Group.

**7.7 RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE**

Pursuant to Paragraph 10.09 of the Listing requirements, a listed issuer may seek the shareholders' mandate in respect of related party transactions involving recurrent transactions of revenue or trading in nature subject to the following: -

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year; and
- (c) in a meeting to obtain shareholders' mandate, the interested director, interested substantial shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or substantial shareholder, must not vote on the resolution approving the transactions. An interested director or interested substantial shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

The Company would, in the ordinary course of its business, enter into transactions, including but not limited to the transactions described in Related Party Transactions set out in Section 7 of this Prospectus, with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Under Chapter 10 of the Listing Requirements, a listed company may seek a shareholders' mandate for recurrent transactions of a revenue or trading nature or those necessary for its day to day operations such as supplies and materials, which may be carried out with the listed company's interested persons, but not for the purchase or sale of assets, undertakings or businesses.

Due to the time-sensitive nature of commercial transactions, the shareholders mandate will enable the Company, in its normal course of business, to enter into the categories of Related Party Transactions, provided such interested person transactions are made at arm's length and on normal commercial terms.

Transactions, which do not fall within the ambit of the shareholders' mandate, shall be subject to the relevant provisions of the Listing Requirements.

**7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)**

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**7.8 DECLARATION BY THE ADVISERS**

AmMerchant Bank hereby confirms that, as at the date of Prospectus, there are no existing or potential conflicts of interest in its capacity as the Adviser to the Group for the IPO.

Messrs. Chee Siah Le Kee & Partners hereby confirm that there are no existing or potential conflicts of interest with respect to their capacity as Solicitors to the Group for the IPO and due diligence respectively.

Messrs. S C Lim & Co., Chartered Accountants hereby confirm that there are no existing or potential conflicts of interest with respect to their capacity as Auditors and Reporting Accountants to the Group for the IPO.

Infocredit D&B (Malaysia) Sdn Bhd hereby confirm that there are no existing or potential conflicts of interest with respect to their capacity as the Independent Market Research Consultant to the Group for the IPO.

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## 8. OTHER INFORMATION CONCERNING THE GROUP

## 8.1 INFORMATION ON LAND AND BUILDINGS

A summary of the land and buildings owned by the Group is as follows: -

No.	Name of Registered Owner / Postal Address / Title Identification	Tenure / Date of Expiry of Lease	Approximate Age of Building	Description and existing Use	Land area / Built up area	Date of Issuance of Certificate of Fitness	Express Conditions/ Restriction in Interest	Encumbrances	Prices Paid / Date of Transaction (RM)	Audited Net Book Value @ 31 October 2004 (RM)
1.	GCC PLO273 Jalan Timah 2, 81700 Pasir Gudang, Johor/ Pajakan Negeri 6709, Lot No. 51687 (formerly H.S. (D) 69789, PTD 64911) Mukim of Pientong, District of Johor Bahru (Pasir Gudang Industrial Area)	60 years expiring on 8 May 2043	13 years (main factory and office) 7 years (second factory) 2 months (extension to second factory)	Industrial premises/ Factory consists of GCC main office, production area for GCC and temporary warehouse	7976 sq m/ 7011 sq m	26 August 1991 30 July 1997 20 July 2004	Conditions: CP1 Restrictions: Nil	E1	786,046/ 7 December 1989	5,651,288
2.	No. 49 Jalan 10/9, Pejiranan 10, Pasir Gudang, Johor/ H.S. (D) 69701, PTD 64806, Mukim of Pientong, District of Johor Bahru	99 years expiring on 6 May 2082	20 years	Building/ Double-storey intermediate terrace house- hostel for workers	143,066 sq m/ 153,29 sq m	6 February 1985	Conditions: CP2 Restrictions: SP1	E2	92,000/ 28 July 1994	84,475
3.	Lot 42, PLO100, Jalan Timah, 81700 Pasir Gudang, Johor/ Pajakan Negeri No. 6692, Lot No. 51662, Mukim of Pientong, District of Johor Bahru	60 years expiring on 16 May 2043	24 years	Industrial/ Warehouse	3616 sq m/ 1,784 sq m	1 June 1981	Conditions: CP3 Restrictions: SP2	E3	500,000/ 14 July 1999	856,922

Notes:

## CP1

- a) This land shall be used as Medium Industry area for the purpose of Palm Kernel Oil Industry and other uses related thereto, built according to the plan approved by the relevant Local Authority.  
b) All waste and pollution caused by this activity must be channeled/disposed of to the places designated by the relevant Authorities.  
c) All policies and conditions that have been set and enforced from time to time by the relevant Authorities must be adhered to.

**8. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)**

Remark: The current usage of the factory building erected by GCB on PLO273 Jalan Timah 2, 81700 Pasir Gudang, Johor, is not consistent with the express condition as contained in the Document of Title which states "This land shall be used as Medium Industry area for the purpose of Palm Kernel Oil Industry and other uses related thereto, built according to the plan approved by the relevant Local Authority".

GCC has on 25 June 2004 applied to the State Authority for the change of express condition from "Perusahaan Palm Kernel Oil" to "Perusahaan Koko" ("Application"). The Application was approved on 29 January 2005 subject to payment of RM60 and subject to the following express conditions and restriction in interest:-

Express condition:-

- a) This land shall be used as ... Industry area for the purpose of Cocoa Industry and other uses related thereto, built according to the plan approved by the relevant Local Authority.
- b) All waste and pollution caused by this activity must be channelled/disposed of to the places designated by the relevant Authorities.
- c) All policies and conditions that have been set and enforced from time to time by the relevant Authorities must be adhered to.

Restriction in interest:-

This land cannot be sold or transferred in whatsoever way unless the factory building as in the express condition has started construction according to the plan approved by the State Authority.

The sum of RM60 has to be paid within 3 months from the date of notice dated 22 Feb 2005 from the Johor Bahru Land Office.

GCC is in the process of getting the Document of Title from its chargee bank and paying the sum of RM60. GCC will be submitting the Document of Title to Johor Bahru Land Office for enforcement of express conditions and restriction in interest.

**CP2**

- a) This Land shall be used as a Permanent Residential House, built according to the plan approved by the relevant Local Authority.
- b) All waste and pollution caused by this activity must be channelled/disposed of to the places designated by the relevant Authorities.
- c) All policies and conditions that have been set and enforced from time to time by the relevant Authorities must be adhered to.

**CP3**

- a) This land shall be used for Factory for the purpose of Light Industry and other uses related thereto, built according to the plans approved by the relevant Local Authority.
- b) All waste and pollution caused by this activity must be channelled/disposed of to the places designated by the relevant Authorities.
- c) All policies and conditions that have been set and enforced from time to time by the relevant Authorities must be adhered to.

**8. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)**

**SP1**

- a) Once the land that is included in this title is transferred to a Bumiputra, then it cannot subsequently be sold, leased or transferred in whatsoever way to a non-Bumiputra without the consent of the State Authority.
- b) The proprietor (subsequent to Developer) is only permitted to mortgage/charge his land once to the government or Statutory Bodies or any Banks registered in Malaysia or other financial sources that have combined (bergabung) with the said banks and also to Malaysian Building Society Berhad (MBSB). When the proprietor wishes to mortgage or charge his land for the second time and thereafter, he must first obtain the consent of the State Authority.

**SP2**

This alienated land cannot be sold, charged, mortgaged, leased or transferred in whatsoever way, including through the use of any agreement with the intention to dispose/sell this land, without the consent of the State Authorities

**E1**

Lease

A portion of land measuring 270 sq. ft. was leased to Tenaga Nasional Berhad and registered under Daftar Pajakan No. 31469/91 Jilid 11 Folio 99. The lease is for 30 years and will expire on 14 December 2020.

Charges

1. Legal charge registered on 14 September 2004 vide Presentation No. 66517/2004 in favour of MBB;
2. Second legal charge registered on 14 September 2004 vide Presentation No. 66518/2004 in favour of MBB; and
3. Third legal charge registered on 14 September 2004 vide Presentation No. 66519/2004 in favour of Maybank International (L) Ltd (MILL).

**E2**

1. First Legal Charge registered on 10 November 1994 vide Presentation No. 58245/94 Jilid 3133 Folio 31 in favour of MBB;
2. Second legal charge registered on 14 September 2004 vide Presentation No. 66520/2004 in favour of MBB;
3. Third legal charge registered on 14 September 2004 vide Presentation No. 66521/2004 in favour of MBB; and
4. Fourth legal charge registered on 14 September 2004 vide Presentation No. 66522/2004 in favour of MILL.

**E3**

1. Legal charge registered on 14 September 2004 vide Presentation No. No. 66517/2004 in favour of MBB;
2. Second legal charge registered on 14 September 2004 vide Presentation No. 66518/2004 in favour of MBB; and
3. Third legal charge registered on 14 September 2004 vide Presentation No. 66519/2004 in favour of MILL.

## 9. FINANCIAL INFORMATION

### 9.1 HISTORICAL FINANCIAL INFORMATION

This proforma consolidated results has been extracted from the Accountants' Report set out in Section 10 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

The following table sets out a summary of the proforma consolidated results of the Group for the past five (5) financial years ended 31 December 1999 to 2003 and 10-month financial period ended 31 October 2004, presented for illustrative purposes only and on the assumption that the Group has been in existence throughout the period under review.

Financial year ended 31 December	1999 (RM'000)	2000 (RM'000)	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	10-month financial period ended 31.10.2004 (RM'000)
Revenue	75,287	120,610	141,097	220,304	370,947	274,552
EBIDTA	5,660	11,136	10,986	13,465	22,937	20,737
Interest expense	(462)	(1,080)	(1,228)	(1,419)	(1,861)	(2,515)
Interest income	-	9	-	-	34	131
Depreciation	(1,689)	(2,997)	(3,173)	(3,444)	(3,578)	(3,791)
Amortisation	-	-	-	-	-	-
PBT	3,509	7,068	6,585	8,602	17,532	14,562
Taxation	(2)	(1,724)	(1,345)	(1,156)	(2,647)	(2,468)
PAT before MI	3,507	5,344	5,240	7,446	14,885	12,094
MI	-	-	-	*	(45)	(284)
PAT after MI	3,507	5,344	5,240	7,446	14,840	11,810
No. of ordinary shares assumed in issue ('000) <sup>Note f</sup>	124,352	124,352	124,352	124,352	124,352	124,352
Gross EPS (sen) <sup>Note e</sup>	2.82	5.68	5.30	6.92	14.06	11.48
Net EPS (sen) <sup>Note e</sup>	2.82	4.30	4.21	5.99	11.93	9.50
Dividend rate (%) <sup>Note g</sup>	-	12.87	19.30	22.52	28.27	33.78

Notes: -

\* Amount less than RM1,000

- (a) The proforma consolidated results have been prepared based on the audited financial statements of GCB and its subsidiary companies, and on the assumption that the Acquisitions had been in effect throughout the periods under review.
- (b) The proforma consolidated results were arrived at after making necessary adjustments for restatements to the financial statements.
- (c) There was no tax charge in respect of business income for FY 1999 as it was waived in accordance with the Income Tax (Amendment) Act, 1999. The effective tax rate for FY 2000 to 2003 was lower than the statutory tax rate because attributed to the availability of tax incentive in GCC.

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

**9. FINANCIAL INFORMATION (Cont'd)**

- (d) There were no exceptional or extraordinary items during the financial period/years under review.*
- (e) The gross and net EPS of the GCB Group are computed based on the PBT after MI and PAT and MI respectively.*
- (f) Representing the number of GCB Shares in issue after the Acquisitions but before the completion of the Rights Issue and Public Issue.*
- (g) Representing gross dividend rate. The dividends declared and paid in respect of FYE2000 to FYE 2003 are tax-exempt. For the 10-month financial period ended 31 October 2004, a special tax-exempt dividend of RM9.5 million and a dividend of RM1.0 million less tax at 28% were declared and paid in December 2004*

The financial statements of GCB Group for the years under review were not subjected to any audit qualification.

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## 9. FINANCIAL INFORMATION (Cont'd)

## 9.2 ANALYSIS OF HISTORICAL FINANCIAL INFORMATION

## 9.2.1 Segmental Analysis of Revenue and Operating Profit

## Analysis of Revenue by Companies: -

Financial Year Ended 31 December	1999	2000	2001	2002	2003	10-month financial period ended 31.10.2004
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
GCC	75,287	120,610	141,097	220,304	366,226	265,626
GCT	-	-	-	-	143,598	252,305
EM	-	-	-	-	5,009	9,578
Consolidated adjustments	-	-	-	-	(143,886)	(252,957)
Proforma Consolidated Revenue	75,287	120,610	141,097	220,304	370,947	274,552

## Analysis of Revenue by Products: -

Financial Year Ended 31 December	1999	2000	2001	2002	2003	10-month financial period ended 31.10.2004
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cocoa butter	51,049	82,189	93,651	116,159	187,192	157,398
Cocoa cake	6,765	22,095	32,766	78,338	131,609	67,354
Cocoa liquor	7,987	5,160	3,947	4,041	8,022	9,670
Cocoa powder	9,246	10,649	9,990	19,646	36,326	30,646
Cocoa shell	240	517	743	2,120	3,077	558
Cocoa beans	-	-	-	-	143,598	252,305
Sugar cocoa	-	-	-	-	5,009	9,578
Consolidated adjustments	-	-	-	-	(143,886)	(252,957)
Proforma Consolidated Revenue	75,287	120,610	141,097	220,304	370,947	274,552

## Analysis of Revenue by Markets / Geographical Location: -

Financial Year Ended 31 December	1999	2000	2001	2002	2003	10-month financial period ended 31.10.2004
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Domestic	2,598	4,457	3,118	10,413	19,138	17,281
Export	72,689	116,153	137,979	209,891	351,809	257,271
Proforma Consolidated Revenue	75,287	120,610	141,097	220,304	370,947	274,552



## 9. FINANCIAL INFORMATION (Cont'd)

## Analysis of PBT by Companies: -

Financial Year Ended 31 December	1999 (RM'000)	2000 (RM'000)	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	10-month financial period ended 31.10.2004 (RM'000)
GCB	-	-	-	-	-	(5)
GCC	3,492	7,070	6,591	8,606	17,254	13,740
GCT	17	(2)	(6)	*	152	182
EM	-	-	-	(4)	130	681
Consolidated adjustments	-	-	-	-	(4)	(36)
Proforma Consolidated PBT	3,509	7,068	6,585	8,602	17,532	14,562
MI	-	-	-	*	(45)	(284)
Proforma Consolidated PBT after MI	3,509	7,068	6,585	8,602	17,487	14,278

\* Amount is less than RM1,000

## 9.2.2 Overview of revenue and operating profit

The financial analysis and commentary in respect of GCB Group are compiled on the assumption that the Group had been in existence throughout the financial years under review, i.e. FYE 1999 to 2003 and 10-month financial period ended 31 October 2004.

GCB was only incorporated on 22 March 2004. As such, neither is there any income statement and balance sheet being drawn up, nor is there any commentary on past performance at the company level for the financial years under review, i.e. FYE 1999 to 2003. Its principal activity is that of investment holding.

GCC is principally engaged in producing cocoa-derived food ingredients ("cocoa ingredients") whilst EM is principally engaged in producing blended cocoa-derived food ingredients, namely sugar cocoa.

GCT is principally engaged in buying and selling of cocoa beans. It sourced cocoa beans mainly from overseas for resale to GCC.

The turnover of GCB Group represents invoiced sales of cocoa products (i.e. cocoa ingredients and cocoa shell) and sugar cocoa. Cocoa ingredients comprise cocoa butter, cocoa cake, cocoa liquor and cocoa powder, where as sugar cocoa is a blended mixture of sugar and cocoa liquor/powder. Cocoa shells are considered as scrap, which have low realisable value, or even have no value at times. They are either sold for use as feedmeals and fertilisers or disposed of.

As the contribution from GCT and EM are relatively much lesser, the GP margin of GCB Group fluctuated in tandem with the bean-to-product ("BTP") margin of GCC during the financial years under review. BTP margin is the percentage of price difference between cocoa beans and cocoa products over the average selling price of cocoa products. Hence, the specific factors that had affected the BTP margin were the average unit selling price of cocoa products and average unit cost of cocoa beans during the financial years under review.

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**9. FINANCIAL INFORMATION (Cont'd)**

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For FYE 1999 to 2002, the turnover and PBT of GCB Group were essentially those of GCC because EM had not commenced business operations yet, whilst GCT temporarily ceased business operations during those financial years.

***Financial Year ended 31 December 1999***

The turnover dropped 16.9% to RM75.3 million during FYE 1999 primarily due to lower unit selling prices of cocoa products. In fact, the sales volume had actually increased, though insignificantly, from FYE 1998 to 1999.

Despite a lower turnover, PBT increased substantially to RM3.5 million primarily attributed to higher BTP margin.

***Financial Year ended 31 December 2000***

GCC invested in a second production line and started its trial run in December 1999. Coupled with the investment of RM6.3 million in plant & machinery during FYE 2000, the production capacity and output increased substantially. As a result, the sales volume doubled for FYE 2000. However, the amount of turnover increased by 60.2% only due to lower unit selling prices of cocoa products.

PBT doubled to RM7.1 million for FYE 2000 as a result of higher turnover, higher BTP margin and better economies of scale. During the financial year, the production capacity and output increased significantly, hence resulting in a lower unit production overhead.

***Financial Year ended 31 December 2001***

During FYE 2001, the turnover grew by 17.0% to RM141.1 million as a result of higher unit selling prices of cocoa products and higher sales volume. GCC managed to achieve higher production capacity and output principally attributed to the investment in plant & machinery between FYE 2000 and 2001.

However, PBT decreased by approximately RM0.5 million for FYE 2001 principally due to lower BTP margin and the loss of cocoa beans in fire during transit amounting to RM1.7 million, only RM0.8 million of which had since been recovered from the ship owner.

***Financial Year ended 31 December 2002***

The turnover registered a 56.1% growth to RM220.3 million during FYE 2002 primarily attributed to higher unit selling prices of cocoa products. In fact, the sales volume remained at about the same level as preceding year.

GCC shut down production plant for about one month in mid of FYE 2002 to overhaul its plant & machinery as well as to implement certain process re-engineering project. These initiatives, apart from slightly lower BTP margin, had also resulted in a dip in GP margin during FYE 2002. Hence, PBT increased by 30.6%, which is at a slower rate than the turnover to RM8.6 million.

**9. FINANCIAL INFORMATION (Cont'd)**

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***Financial Year ended 31 December 2003***

During FYE 2003, the turnover recorded a growth of 68.4% to RM370.9 million as a result of higher unit selling prices of cocoa products and higher production output of GCC, as well as RM 5.0 million sales contributed by EM which started its first year of operations. GCC shut down production plant for about one month in mid of FYE 2002 to overhaul plant & machinery as well as to implement certain process re-engineering project. These initiatives, coupled with the addition of grinding machines to the second production line in August 2002 had removed the bottleneck in GCC's production flow. As a result, the production output had increased significantly since the final quarter of FYE 2002. The full impact of expanded production capacity was felt in FYE 2003.

With a 68.4% sales growth, the Group's PBT more than doubled during FYE 2003 principally attributed to higher BTP margin, better economies of scale and lower production downtime achieved by GCC. Meanwhile, EM and GCT also started to contribute operating profits to the Group, though insignificant.

***10-Month Financial Period Ended 31 October 2004***

For the 10-month financial period ended 31 October 2004, the Group registered a turnover of RM274.6 million. On an annualized basis, the turnover is 11.2% lower than preceding year as a result of lower sales volume of cocoa products and weighted average selling price of cocoa products.

For the 10-month financial period ended 31 October 2004, the Group registered a PBT of RM14.6 million. On an annualized basis, the PBT is 0.3% lower than preceding year principally due to higher borrowing costs.

**9.2.3 IMPACT OF FOREIGN EXCHANGE / INTEREST RATES / COMMODITY PRICES ON OPERATING PROFITS**

GCB Group exports approximately 94% of its sales, denominated in USD and Pound Sterling. This exposes the Group to foreign exchange risk. To a large extent, foreign exchange risk is mitigated by the fairly even matching of sales with purchases as approximately 97% of its raw materials (cocoa beans) are imported, which are denominated in USD and Pound Sterling. Any fluctuations in these currencies against the RM due to timing difference of these settlements (between import and export) could have material effect on the Group's financial results. This is mitigated by the availability of a foreign currency working capital facility (USD or Pound Sterling) equivalent to approximately RM57 million. The potential foreign exchange risk is not likely to be significant given that the Group constantly hedges its foreign exchange exposure.

Whilst the Group is exposed to foreign exchange fluctuations risk, the imposition of currency controls in 1998 and the setting of the RM peg at RM3.80:USD1.00 has, to a certain extent, stabilized the risks to the fluctuations of foreign exchange. The Group has not been adversely affected by foreign exchange fluctuations for the past five (5) financial years under review.

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**9. FINANCIAL INFORMATION (Cont'd)**

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However, there can be no assurance that the currency controls will remain and that the potential resulting foreign exchange fluctuations if the currency controls are lifted or the adjustment of the RM peg will not adversely impact the Group. In view of this, the management constantly monitors the foreign exchange exposure and will hedge foreign exchange risk of the Group, whenever deemed appropriate.

**9.2.4 TAXATION**

There was no tax charge in respect of business income for FYE 1999 as it was waived in accordance with the Income Tax (Amendment) Act, 1999.

The effective tax rate throughout FYE 2000 to 2003 is lower than the statutory tax rate because one of the subsidiary companies, GCC enjoyed partial tax exemption in the form of reinvestment allowance.

For the financial period ended 31 October 2004, the effective tax rate is lower than the statutory rate because two of the subsidiary companies, GCC and EM enjoyed partial tax exemption in the form of pioneer status.

Throughout the financial period/years under review, there is no dispute with or any investigation carried out by the Inland Revenue Board ("IRB") or any overseas tax authority; and no tax penalty imposed or additional tax assessed by the IRB or any overseas tax authority.

As at the end of financial period ended 31 October 2004, GCB Group has an unutilized reinvestment allowance estimated at RM3.46 million available for offsetting against future taxable profits, and the submission of tax return and settlement of any tax liabilities, if any, are up-to-date. The management believes that the provisions for taxation are adequate.

EM and GCC have been granted the pioneer certificates and are therefore entitled to partial exemption of income tax for 5 consecutive years since June 2003 and December 2003 respectively.

**9.2.5 EXCEPTIONAL AND EXTRAORDINARY ITEMS**

There were no exceptional or extraordinary items during the past five (5) financial years under review.

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**9. FINANCIAL INFORMATION (Cont'd)**

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**9.3 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE**

Save as disclosed in Sections 9 of this Prospectus, the Directors are of the view that the financial performance, position and operations of the Group are not affected by any of the followings: -

- (i) Any known trends, demands, commitments, events or uncertainties that have had, or that the corporation reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the corporation/group;
- (ii) Any material capital expenditure commitments, the purpose of such commitments and the anticipated source of funds;
- (iii) Any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the corporation/group; and the extent to which the financial performance, position and operations of the corporation/group was so affected;
- (iv) Any known trends, demand, commitment, events or uncertainties that have resulted in a substantial increase in revenue which is attributable to prices, volume of goods/services being sold, the introduction of new products/services or any other factors; and
- (v) Any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

**9.4 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENT AND MATERIAL LITIGATION**

**(i) Working Capital**

The Directors of GCB are of the opinion that, after taking into account the cashflow estimate and forecast, the banking facilities available and the net proceeds from the IPO, the working capital of the Group is sufficient for a period of twelve (12) months from the date of the issue of this Prospectus.

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**9. FINANCIAL INFORMATION (Cont'd)**


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**(ii) Borrowings**

As at 1 March 2005, being the last practicable date prior to the printing of this Prospectus, the hire purchase and total bank borrowings in the form of term loans, bank overdraft, trade loans and banker's acceptance amounted to approximately RM112.82 million. The borrowings can be analysed further as follows: -

Borrowings	Amount (RM '000)	Amount (RM '000)
Long Term borrowings		
• Interest bearing	17,490	
• Non-interest bearing	-	17,490
Short Term borrowings		
• Interest bearing	95,335*	
• Non-interest bearing	-	95,335
<b>Total Borrowings</b>		<b>112,825</b>

\* Inclusive of a foreign currency borrowings of USD10,349,321 (RM39,327,420) to finance the import of cocoa beans by GCT. The Group has not defaulted in payment of either principal or interest or both for the past one financial year.

**(iii) Contingent Liabilities**

As at 1 March 2005, being the latest practicable date prior to the printing of this Prospectus, there are no contingent liabilities incurred by the Group.

**(iv) Material Commitment**

As at 1 March 2005, being the latest practicable date prior to the printing of this Prospectus, the Group has the following material capital and lease commitments: -

Material Capital Commitments	Amount (RM'000)
Approved and contracted for	6,186
Approved but not contracted for	-
<b>Total</b>	<b>6,186</b>
<b>Material Lease Commitments</b>	
Approved and contracted for	3,126
Approved but not contracted for	-
<b>Total</b>	<b>3,126</b>

## 9. FINANCIAL INFORMATION (Cont'd)

## (v) Material Litigation

Save as disclosed in Section 14.6, as at 1 March 2005, being the latest practicable date to the printing of the Prospectus, neither the Company nor its subsidiary corporations are engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of GCB or its subsidiary corporations and the Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of GCB or its subsidiary corporations.

## 9.5 CONSOLIDATED PROFIT ESTIMATE AND FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004 AND ENDING 31 DECEMBER 2005

The Directors of GCB estimate and forecast that the financial performance of the Group for the financial year ended 31 December 2004 and ending 31 December 2005 will be as follows:

Financial Year Ended/Ending 31 December	Estimate 2004 (RM'000)	Forecast 2005 (RM'000)
Revenue	335,131	394,685
Consolidated PBT	16,466	20,436
Taxation	(2,701)	(1,735)
Consolidated PAT	13,765	18,701
MI	(349)	(452)
Consolidated PAT after MI	13,416	18,249
Number of shares assumed in issue ('000) <sup>(Note 1)</sup>	124,352	-
Enlarged number of shares in issue ('000) <sup>(Note 2)</sup>	240,000	240,000
Gross EPS (sen) <sup>(Note 1)</sup>	12.96	-
Gross EPS (sen) <sup>(Note 2)</sup>	6.72	8.33
Net EPS (sen) <sup>(Note 1)</sup>	10.79	-
Net EPS (sen) <sup>(Note 2)</sup>	5.59	7.60
Gross PE Multiple (times) <sup>(Notes 1 and 3)</sup>	5.02	-
Gross PE Multiple (times) <sup>(Notes 2 and 3)</sup>	9.67	7.80
Net PE Multiple (times) <sup>(Notes 1 and 3)</sup>	6.02	-
Net PE Multiple (times) <sup>(Notes 2 and 3)</sup>	11.63	8.55

Notes: -

- (1) Based on the number of GCB Shares in issue after the Acquisitions but before the completion of the Rights Issue and Public Issue.
- (2) Based on the number of GCB Shares in issue after the Acquisitions, Rights Issue and Public Issue.
- (3) Based on the IPO price of RM0.65 per ordinary share.

Gross and Net EPS are computed based on PBT after MI and PAT after MI respectively.

**9. FINANCIAL INFORMATION (Cont'd)**

The principal bases and assumptions upon which the profit estimate and forecast have been made are set out as follows:

- (a) There will be no significant changes in the principal activities, management structure, accounting and business operating policies adopted by the Group.
- (b) There will be no material changes in operating expenses including salary, cost of supplies, administration and overhead expenses and other costs that would adversely affect the activities and operations of the Group, save as those estimated and forecasted by the Group.
- (c) There will be no material changes in the existing key management personnel which will adversely affect the marketing capabilities and level of activities of the Group.
- (d) The Group will not be engaged in any material litigation and there will be no legal proceedings which will adversely affect its activities or performance, or give rise to any contingent liabilities which will materially affect its position or results.
- (e) There will be no significant changes in the customer demand, product selling prices, product sales mix and market growth estimated and forecasted by the Group.
- (f) There will be no significant changes to the prevailing economic and political conditions in Malaysia and elsewhere which will directly or indirectly adversely affect the activities or performance of the Group.
- (g) There will be no material fluctuation in inflation rates from the present levels.
- (h) There will be no major disruption in the supply of raw materials and manpower, industrial disputes or any abnormal circumstances which will adversely affect the Group's activities and operations.
- (i) There will be no significant changes in the present legislation or government regulations and guidelines or regulatory authorities that will adversely affect the operations the Group or the markets in which it operates.
- (j) Existing credit facilities will remain available at present terms and conditions with no significant changes in their interest rates. Additional credit facilities will be available at similar terms and conditions to meet the Group's requirements.
- (k) The foreign currency exchange rates will not change materially from the present levels. Specifically, the Malaysian Ringgit will continue to be pegged to the US currency at the rate of RM3.80 to USD1.00 throughout the estimate and forecast years.
- (l) The assumed breakdown of export and local sales for the estimate and forecast year are as follows:-

TURNOVER	FYE 2004		FYE 2005	
	RM'000	%	RM '000	%
Local	24,297	7.25	28,615	7.25
Export	310,834	92.75	366,070	92.75
<b>TOTAL</b>	<b>335,131</b>	<b>100.00</b>	<b>394,685</b>	<b>100.00</b>



**9. FINANCIAL INFORMATION (Cont'd)**

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- (m) There will be no significant changes in the present structure of direct and indirect taxation affecting the Group's activities or the market in which it operates and that the Group will continue to enjoy the tax incentives primarily pioneer status during the estimate and forecast year.
- (n) The Group's capital expenditure programme will be implemented as planned and there will be no material changes to the costs of capital expenditure from the present level. There will be no material acquisition or disposal of property, plant and equipment other than those planned.
- (o) There will be no significant changes in the cocoa processing industry with regard to the prices of cocoa beans and cocoa products. The estimated and forecasted sales and related costs are based on the directors' estimate after taking into consideration of the present market conditions of selling prices and related costs of the Group.
- (p) There will be no sale or purchase of investment except as provided in the estimate and forecast.
- (q) The financial effects of the material litigations in relation to the union claim, namely the potential increment in workers' salary arising therefrom have been incorporated in the estimate and forecast as a prudent measure.
- (r) The financial effects of the material litigations in relation to the insurance claim for damages suffered on a cocoa bean shipment, namely the potential compensation from insurers arising therefrom have not been incorporated in the estimate and forecast as a prudent measure.
- (s) The gross proceeds arising from the Rights Issue of RM 22.9 million and Public Issue of RM15.6 million is expected to be received in February 2005 and April 2005 respectively and be utilised as planned. The estimated listing expenses of RM1.5 million will be set off against share premium account upon Public Issue.

**9. FINANCIAL INFORMATION (Cont'd)****9.6 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST OF THE GCB GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004 AND ENDING 31 DECEMBER 2005  
(Prepared for inclusion in the Prospectus)**Date: **1 6 MAR 2005**

The Board of Directors  
Guan Chong Berhad  
PLO 273, Jalan Timah 2,  
81700 Pasir Gudang,  
Johor Darul Takzim.

Dear Sirs,

**GUAN CHONG BERHAD ('GCB')  
CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004 AND ENDING 31 DECEMBER 2005**

We have reviewed the consolidated profit estimate and forecast of Guan Chong Berhad and its subsidiary companies ("GCB Group") for the financial years ended 31 December 2004 and ending 31 December 2005 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the Approved Standards on Auditing in Malaysia applicable to the review of estimate and forecast, International Standard on Auditing ISA 810 – The Examination of Prospective Financial Information. The consolidated profit estimate and forecast have been prepared for inclusion in the Prospectus to be dated 22/03/2005 in connection with the following and should not be relied on for any other purposes.

- (i) Public Issue of 24,000,000 new ordinary shares of RM 0.25 each at an issue price of RM 0.65 per ordinary share.
- (ii) Offer for Sale of 66,000,000 new ordinary shares of RM 0.25 each at an offer price of RM 0.65 per ordinary share.
- (iii) Listing and quotation for the entire issued and paid-up share capital of GCB comprising 240,000,000 ordinary shares of RM 0.25 each on the Main Board of Bursa Malaysia Securities Berhad.

Our review has been undertaken to enable us to form an opinion as to whether the estimate and forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by GCB Group in the audited financial statements for the ten (10) months financial period ended 31 October 2004. The Directors of GCB are solely responsible for the preparation and presentation of the estimate and forecast and the assumptions on which the estimate and forecast are based.

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

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

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59200 Kuala Lumpur, Malaysia.  
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E-mail: mail@sclim.com.my

9. FINANCIAL INFORMATION (Cont'd)



Subject to the matters stated in the preceding paragraphs: -

- i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit estimate and forecast; and
- ii) in our opinion, the profit estimate and forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by GCB Group in the audited financial statements for the ten (10) months financial period ended 31 October 2004.

Yours faithfully

.....  
SC LIM & CO.  
AF 0681  
Chartered Accountants

.....  
NG KIM KIAT  
2074/10/06(J)  
Partner

**9. FINANCIAL INFORMATION (Cont'd)**

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**9.7 DIRECTORS' COMMENTS ON THE PROFIT ESTIMATE AND FORECAST**

After incorporating 10-month audited results, the Group estimates to register a profit after taxation and minority interest of approximately RM13.42 million on a proforma basis for the year ended 31 December 2004. Despite a lower turnover compared to preceding year, the Group manages to attain a similar level of gross profit. However, it is expected to register a pre-tax profit which is 6.1% lower than preceding year, hence a lower profit after taxation and minority interest primarily due to higher borrowing costs.

For FYE 2005, the Group forecasts to register group turnover of RM394.69 million with a higher sales volume and higher unit selling price. Coupled with lower borrowing costs, such sales growth is expected to increase the pre-tax profit to RM20.44 million. As a result, the Group forecasts a profit after taxation and minority interest of RM18.25 million with the availability of tax incentive.

The Board confirms that the consolidated profit estimate and forecast of GCB and the underlying bases and assumptions stated herein have been reviewed by the Directors after due and careful inquiries, and that the Directors, having taken into account the future prospects of the industry, the future direction of the Group and its level of gearing, liquidity and working capital requirements, are of the opinion that the profit estimate and forecast of the Group are achievable and the assumptions made are reasonable.

Nevertheless, in the light of the current economic environment in Malaysia, regionally and globally, certain assumptions, including interest and exchange rates, may differ significantly from the date of this Prospectus and this may have a material impact on the Group's profit estimate and forecast.

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**9. FINANCIAL INFORMATION (Cont'd)****9.8 DIVIDEND FORECAST**

It will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Group.

For the year ending 31 December 2005, the Group is estimating to achieve a profit after taxation and minority interest of approximately RM18.25 million. In view of this, the Directors of GCB anticipate that they will be in a position to propose, based on the enlarged issued and paid up share capital of 240,000,000 Shares, a dividend of 8.33% for the financial year ending 31 December 2005.

The intended appropriation of the forecast consolidated PAT after MI for the financial year ending 31 December 2005 would be as follows: -

Financial Year Ending 31 December	Forecast 2005 (RM'000)
Consolidated PBT	20,436
Less : Taxation	(1,735)
Consolidated PAT	18,701
Less : MI	(452)
Consolidated PAT after MI	18,249
Less : Tax-Exempt Dividend	(5,000)
Retained Profits	13,249
Tax-Exempt dividend per share (sen) <sup>(Note 1)</sup>	2.08
Tax-Exempt dividend yield (%) <sup>(Note 2)</sup>	3.20
Net dividend cover (times)	3.65

Notes: -

- (1) Based on the enlarged share capital.
- (2) Based on the IPO price of RM0.65 per ordinary share.

Investors should note that future dividends might be waived if:-

- (1) The Group records a loss instead of the forecast profits; or
- (2) The payment of the dividends would adversely affect the Group's cashflows and operations.

**9. FINANCIAL INFORMATION (Cont'd)****9.9 SENSITIVITY ANALYSIS**

The following sensitivity analysis is prepared by the management of the Group and has not been independently verified by the Reporting Accountants. It is based on the forecast assumptions set out in Section 9.5 above and assuming all factors remaining unchanged except for the 5% and 10% upward or downward variations in the sales volume, cost of materials (assuming selling price of cocoa ingredients moves in accordance with cocoa bean price) and selling & distribution and administration expenses. Notwithstanding the impacts of the variations in the sales volume, cost of materials and selling & distribution and administration expenses as outlined here, there may exist other factors which have not been taken into account, while variations may have a significant effect, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows: -

**9.9.1 Variations in Sales Volume**

Forecast for the financial year ending 31 December 2005

	PAT & After MI (RM'000)	Change %
As Forecast	18,249	
Up to 5%	19,842	8.73
Up to 10%	21,444	17.51
Down 10%	15,092	(17.30)
Down 5%	16,669	(8.66)

**9.9.2 Variations in Cost of Materials**

Forecast for the financial year ending 31 December 2005

	PAT & After MI (RM'000)	Change %
As Forecast	18,249	
Up to 5%	20,098	10.13
Up to 10%	21,914	20.09
Down 10%	14,098	(22.74)
Down 5%	16,182	(11.32)

**9.9.3 Variations in Selling & Distribution and Administration Expenses**

Forecast for the financial year ending 31 December 2005

	PAT & After MI (RM'000)	Change %
As Forecast	18,249	
Up to 5%	17,996	(1.39)
Up to 10%	17,742	(2.78)
Down 10%	18,756	2.78
Down 5%	18,503	1.39

## 9. FINANCIAL INFORMATION (Cont'd)

## 9.10 PROFORMA CONSOLIDATED BALANCE SHEETS OF GCB GROUP AS AT 31 OCTOBER 2004

The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only to show the effects of the Acquisitions, Rights Issue, Public Issue and ESOS as set out in the note hereto based on the assumption that these transactions had been effected as at 31 October 2004 :

	Audited as at 31 Oct 2004 RM'000	Proforma I After the Acquisitions RM'000	Proforma II After Proforma I and Rights Issue RM'000	Proforma III After Proforma II and IPO <sup>^</sup> RM'000	Proforma IV After Proforma III and ESOS RM'000
Property, plant and equipment	-	54,236	54,236	61,236	61,236
Lease rental paid in advance	-	1,292	1,292	1,292	1,292
Investment	-	5	5	5	5
Deferred expenditure	495	495	495	-	-
	495	56,028	56,028	62,533	62,533
<b>Current Assets</b>					
Inventories	-	86,549	86,549	86,549	86,549
Trade debtors	-	29,527	29,527	29,527	29,527
Other debtors, deposits and prepayments	-	845	845	845	845
Deposits, bank and cash balances	*	8,986	31,898	9,481	32,881
	-	125,907	148,819	126,402	149,802
<b>Current Liabilities</b>					
Trade creditors	-	36,164	36,164	36,164	36,164
Other creditors	500	3,773	3,773	3,773	3,773
Bank borrowings	-	88,345	88,345	59,200	59,200
Dividend payable	-	10,220	10,220	10,220	10,220
Tax payable	-	269	269	269	269
	500	138,771	138,771	109,626	109,626
<b>Net Current (Liabilities)/ Assets</b>	(500)	(12,864)	10,048	16,776	40,176
	(5)	43,164	66,076	79,309	102,709
<b>Financed By :</b>					
<b>Capital And Reserves</b>					
Share capital	*	31,088	54,000	60,000	69,000
Share premium	-	-	-	8,100	22,500
Reserve on consolidation	-	1,596	1,596	1,596	1,596
(Accumulated loss)	(5)	(5)	(5)	(5)	(5)
<b>Shareholders' (deficits)/funds</b>	(5)	32,679	55,591	69,691	93,091
Minority Interest	-	819	819	819	819
<b>Long-term And Deferred Liabilities</b>					
Bank borrowings	-	3,623	3,623	2,756	2,756
Deferred tax liabilities	-	6,043	6,043	6,043	6,043
	(5)	43,164	66,076	79,309	102,709
<b>Net tangible assets per share (sen)</b>	**	26.28	25.74	29.04	33.73

Note :

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

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

<sup>^</sup> The offer for sale of 66,000,000 ordinary shares of RM0.25 each to bumiputera investors approved by the MITI will have no impact on the proforma consolidated balance sheet.

**9. FINANCIAL INFORMATION (Cont'd)**

**9.11 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED  
BALANCE SHEETS AS AT 31 OCTOBER 2004  
(Prepared for inclusion in the Prospectus)**



Date: 16 MAR 2005

The Board of Directors  
Guan Chong Berhad  
PLO 273, Jalan Timah 2,  
81700 Pasir Gudang,  
Johor Darul Takzim.

Dear Sirs,

**GUAN CHONG BERHAD ('GCB')  
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Guan Chong Berhad and its subsidiary companies ("GCB Group") as at 31 October 2004 together with the notes and assumptions thereto as set out in the accompanying statement (which we have stamped for the purpose of identification only) for the purposes of inclusion in the Prospectus to be dated 22/03/2005 in connection with the following and should not be relied on for any other purposes:

- (i) Public Issue of 24,000,000 new ordinary shares of RM 0.25 each at an issue price of RM 0.65 per ordinary share.
- (ii) Offer for Sale of 66,000,000 new ordinary shares of RM 0.25 each at an offer price of RM 0.65 per ordinary share.
- (iii) Listing and quotation for the entire issued and paid-up share capital of GCB comprising 240,000,000 ordinary shares of RM 0.25 each on the Main Board of Bursa Malaysia Securities Berhad.

It is the responsibility solely of the directors of GCB to prepare the Proforma Consolidated Balance Sheets in accordance with the requirements of the Securities Commission's Prospectus Guidelines in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion, as required by the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the Proforma Consolidated Balance Sheets with responsible officers of GCB Group. Our work involved no independent examination of any of the underlying financial information other than our audit of the financial statements of GCB Group for the ten (10) months financial period ended 31 October 2004 that included the audited balance sheets as at 31 October 2004, on which we reported to the members of GCB as of the date of our report.

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

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Tel: 603-22841788, 22846788 Fax: 603-22842688  
E-mail: mail@sclim.com.my



**9. FINANCIAL INFORMATION (Cont'd)**



In our opinion:

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

Yours faithfully

.....  
SC LIM & CO.  
AF 0681  
Chartered Accountants

.....  
NG KIM KIAT  
2074/10/06(J)  
Partner

**9. FINANCIAL INFORMATION (Cont'd)**

**GUAN CHONG BERHAD  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 OCTOBER 2004**

**1. BASIS OF PREPARATION**

- (i) The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only based on the audited balance sheets of GCB Group as at 31 October 2004.
- (ii) The Proforma Consolidated Balance Sheets have been prepared on the accounting principles and bases consistent with those normally adopted in the preparation of audited financial statements.

**2. BASIS OF CONSOLIDATION**

The financial statements of the subsidiary companies acquired have been consolidated using the acquisition method of accounting.

**3. PROFORMA CONSOLIDATED BALANCE SHEETS**

The Proforma Consolidated Balance Sheets incorporate on a proforma basis adjustments for the following transactions as though they were effected as at 31 October 2004.

(i) **Proforma I**

Proforma I incorporates the effects of the acquisitions of the entire issued and paid-up share capital of Guan Chong Cocoa Manufacturer Sdn. Bhd. ("GCC") and Guan Chong Trading Sdn. Bhd. ("GCT") comprising 12,000,000 ordinary shares of RM 1.00 each and 250,500 ordinary shares of RM 1.00 each respectively for a total purchase consideration of RM 31,088,003 to be satisfied by the issuance of 124,352,012 new ordinary shares of RM 0.25 each in GCB at par. After the aforesaid acquisitions, GCB shall also acquire from GCC 51% of the issued and paid-up share capital of Enrich Mix Sdn. Bhd. ("EM") comprising 510,000 ordinary shares of RM 1.00 each for a total cash consideration of RM 556,662 (collectively referred to as the Acquisitions).

(ii) **Proforma II**

Proforma II incorporates the effects of Proforma I and the renounceable rights issue of 91,647,980 new ordinary shares of RM 0.25 each in GCB at par to all existing shareholders of GCB after the Acquisitions ("Rights Issue"). The Rights Issue is undertaken on the basis of approximately seventy four (74) new ordinary shares for every existing one hundred (100) ordinary shares held in GCB.



**9. FINANCIAL INFORMATION (Cont'd)****(iii) Proforma III**

Proforma III incorporates the effects of Proforma II, the Public Issue of 24,000,000 new ordinary shares of RM 0.25 each in GCB at an issue price of RM 0.65 per ordinary share, and the utilisation of the total gross proceeds arising from the Rights Issue and Public Issue amounting to RM 38,511,995 ("Listing Proceeds") as follows:

<b>Purpose</b>	<b>Note</b>	<b>RM ' 000</b>	<b>RM ' 000</b>
Part finance of expansion programme			
- Capital expenditure in 2004	(a)	14,814	
- Capital expenditure in 2005		<u>6,000</u>	20,814
Acquisition of equipment for research & development			1,000
Repayment of bank borrowings			1,428
Estimated listing expenses	(b)		1,500
Working capital	(c)		13,770
			<u>38,512</u>

(a) This amount has been incurred for the expansion programme financed by working capital and bank borrowings. It is therefore used to reduce bank borrowings for the purpose of the Proforma Consolidated Balance Sheets.

(b) The estimated listing expenses of RM 1.5 million will be set-off against the share premium account.

(c) This amount will be used to reduce the short-term bank borrowings i.e. trade financing facilities.

**(iv) Proforma IV**

Proforma IV incorporates the effects of Proforma III and the full conversion of 36,000,000 share options under the Employee Share Option Scheme ("ESOS") at an assumed exercise price of RM 0.65 per ordinary share.

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>RM ' 000</b>
As at 31 October 2004	-
Property, plant and equipment arising from acquisitions	<u>54,236</u>
<b>As per Proforma I and II</b>	54,236
Capital expenditure in 2005	6,000
Acquisition of equipment for research & development	<u>1,000</u>
<b>As per Proforma III and IV</b>	<u>61,236</u>



**9. FINANCIAL INFORMATION (Cont'd)****5. DEPOSITS, BANK AND CASH BALANCES**

	<b>RM ' 000</b>
As at 31 October 2004	*
Deposits, bank and cash balances arising from acquisitions	8,986
<b>As per Proforma I</b>	8,986
Proceeds from Rights Issue	22,912
<b>As per Proforma II</b>	31,898
Proceeds from Public Issue	15,600
Proceeds allocated for capital expenditure in 2004 (Note 3(iii)(a))	(14,814)
Capital expenditure in 2005	(6,000)
Acquisition of equipment for research & development	(1,000)
Repayment of bank borrowings	(1,428)
Payment of listing expenses	(1,005) **
Working capital (Note 3(iii)(c))	(13,770)
<b>As per Proforma III</b>	9,481
Proceeds from full conversion of ESOS options	23,400
<b>As per Proforma IV</b>	32,881

\* Amount less than RM 1,000.

\*\* Net of the payment for deferred expenditure made up to 31 October 2004.

**6. BANK BORROWINGS**

	<b>Current RM ' 000</b>	<b>Non-current RM ' 000</b>	<b>Total RM ' 000</b>
As at 31 October 2004	-	-	-
Bank borrowings arising from acquisitions	88,345	3,623	91,968
<b>As per Proforma I and II</b>	88,345	3,623	91,968
Proceeds allocated for capital expenditure in 2004 (Note 3(iii)(a))	(14,814)	-	(14,814)
Repayment of bank borrowings	(561)	(867)	(1,428)
Working capital (Note 3(iii)(c))	(13,770)	-	(13,770)
<b>As per Proforma III and IV</b>	59,200	2,756	61,956



**9. FINANCIAL INFORMATION (Cont'd)****7. SHARE CAPITAL AND SHARE PREMIUM**

The changes in the share capital and share premium account of GCB after the Acquisitions, Rights Issue, Public Issue and ESOS, and utilisation of Listing Proceeds are as follows:

	<u>Share capital</u> RM '000	<u>Share premium</u> RM '000
As at 31 October 2004	*	-
Acquisitions	31,088	-
<b>As per Proforma I</b>	<u>31,088</u>	<u>-</u>
Rights Issue	22,912	-
<b>As per Proforma II</b>	<u>54,000</u>	<u>-</u>
Public Issue	6,000	9,600
Less : Estimated listing expenses	-	(1,500)
<b>As per Proforma III</b>	<u>60,000</u>	<u>8,100</u>
ESOS	9,000	14,400
<b>As per Proforma IV</b>	<u>69,000</u>	<u>22,500</u>

Note :

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

