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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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GUAN CHONG BERHAD

(Company No.: 626226-K)

(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE**

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY
TRANSACTIONS OF A REVENUE OR TRADING NATURE;**

AND

**STATEMENT TO SHAREHOLDERS
IN RELATION TO THE**

**PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN
ORDINARY SHARES OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL**

The Notice of the Twelfth AGM of the Company to be convened and held at Sri Ledang, 1st Hall, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, K.B. No. 779, 80990 Johor Bahru, Johor on Monday, 30 May 2016 at 11.00 a.m. or at adjournment thereof, together with the Proxy Form, are enclosed in the Annual Report 2015 of the Company.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. In such event, the Proxy Form should be lodged at the registered office of the Company at No. 7 (1st Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000, Muar, Johor Darul Takzim not later than 48 hours before the time set for the AGM or any adjournment thereof as indicated below. The lodging of the Proxy Form will preclude you from attending and voting in person at the AGM should you wish to do so.

Last date and time for lodging the Proxy Form : Saturday, 28 May 2016 at 11.00 a.m.

Date and time of the AGM : Monday, 30 May 2016 at 11.00 a.m.

This Circular is dated 29 April 2016

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this application:

“ACI”	:	PT. Asia Cocoa Indonesia (33.10.1.10.08488)
“Act”	:	The Companies Act, 1965 (as amended from time to time)
“AGM”	:	Annual general meeting to be convened
“Articles”	:	Articles of Association of GCB
“Board”	:	Board of Directors of GCB
“Bonus Share(s)”	:	New GCB Share(s) to be issued pursuant to the Proposed Bonus Issue
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Carlyle”	:	Carlyle Cocoa Co, LLC
“Cocoarich”	:	Cocoarich Sdn Bhd (787968-H)
“Director(s)”	:	Director(s) of GCB
“EM”	:	Enrich Mix Sdn Bhd (593768-K)
“FYE”	:	Financial year ended 31 December
“GCB” or the “Company”	:	Guan Chong Berhad
“GCB Group”	:	GCB and its subsidiaries, collectively
“GCB Share(s)” or “Share(s)”	:	Ordinary share(s) of RM0.25 each in GCB
“GCBA”	:	GCB America, Inc. (98-0462084)
“GCB Cacao”	:	GCB Cacao GmbH
“GCB Cocoa Singapore”	:	GCB Cocoa Singapore Pte Ltd (201009152K)
“GCBF”	:	GCB Foods Sdn Bhd (746441-K)
“GCBG”	:	GCB Gourmet Sdn Bhd (746441-K)
“GCBM”	:	GCB Marketing Sdn Bhd (776543-V)
“GCBSC”	:	GCB Specialty Chocolate Sdn Bhd (797889-U)
“GCB OHC”	:	GCB Oversea Holdings Corporation (LL06562)
“GCC”	:	Guan Chong Cocoa Manufacturer Sdn Bhd (133057-U)
“GCT”	:	Guan Chong Trading Sdn Bhd (124042-P)

DEFINITIONS (Cont'd)

“Listing Requirements” : Main Market Listing Requirements of Bursa Securities (as amended from time to time)

“LPD” : 20 April 2016, being the latest practicable date prior to the printing of this Circular

“Major Shareholder(s)” : Includes any person who is or was, within the preceding 6 months of the date on which the terms of the Recurrent Related Party Transactions were agreed upon, a major shareholder of GCB or any other company which is our subsidiary or holding company.

A major shareholder means a person who has an interest or interests in one or more voting shares in GCB and the nominal amount of those Shares, or the aggregate of the nominal amount of those Shares, is:

- (i) equal to or more than 10% of the aggregate of the nominal amounts of all voting shares in GCB; or
- (ii) equal to or more than 5% of the aggregate of the nominal amounts of all voting shares GCB where such person is the largest shareholder of GCB.

For the purpose of this definition, “interest in shares” shall have the meaning given in Section 6A of the Act.

“NA” Net assets

“Person(s) Connected” : In relation to a Director or a Major Shareholder, means such person who falls under any one of the following categories:-

- : (a) a family member of the Director’s or Major Shareholder’s which includes spouse, parent, child (including adopted child and stepchild), brother, sister and spouse of his child, brother or sister;
- (b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the Director, Major Shareholder or a member of the Director’s or Major Shareholder’s family is the sole beneficiary;
- (c) a partner of the Director, Major Shareholder or a partner of a Person Connected with that Director or Major Shareholder;
- (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
- (e) a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
- (g) a body corporate or its directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;
- (h) a body corporate in which the Director, Major Shareholder and/or Persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
- (i) a body corporate which is a related corporation.

DEFINITIONS (Cont'd)

“Proposed Shareholders’ Mandate”	: The proposed renewal of existing shareholders’ mandate for the Recurrent Related Party Transactions to be entered into by the GCB Group from the date of the forthcoming AGM up to the next AGM of the Company
“Proposed Renewal of Authority”	: The proposed renewal of authority for GCB to purchase its own ordinary shares of up to ten percent (10%) of the issued and paid-up share capital of the Company
“PT. GCB Indonesia”	: PT. GCB Cocoa Indonesia (30.06.1.46.08154)
“Purchased Shares”	: Shares purchased pursuant to the Proposed Renewal of Authority
“Recurrent Related Party Transactions”	: Recurrent related party transactions of a revenue or trading nature which are necessary for the day to day operations of GCB Group
“Registered Office”	: No. 7 (1 st Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor
“Related Party(ies)”	: Director(s), Major Shareholder(s) or person(s) connected with such Director(s) or Major Shareholder(s)
“Related Party Transactions”	: Transaction(s) entered into by GCB or its subsidiaries which involves the interest, direct or indirect, of a Related Party
“RM and sen”	: Ringgit Malaysia and sen respectively
“Warrants”	: Outstanding warrants of GCB which are convertible into new GCB Shares

Words importing the singular only shall include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

All references to the time of day in this Circular are references to Malaysian time.

All references to “our Company” in this Circular are to GCB, reference to “our Group” are to our Company and subsidiaries and references to “we”, “us”, “our” and “ourselves” are to our Company, and save where the context requires, shall include our subsidiaries.

All references to “you” in this Circular are to the shareholders of our Company.

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GUAN CHONG BERHAD

GUAN CHONG BERHAD

(Company No.: 626226-K)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered office:

No. 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr. Ismail 1,
Jalan Bakri, 84000, Muar
Johor Darul Takzim

29 April 2016

Directors:

YBhg Dato. Dr. Mohamad Musa bin Md. Jamil	<i>(Non-Independent Non-Executive Chairman)</i>
Tay Hoe Lian	<i>(Managing Director/ Chief Executive Officer)</i>
Tay How Sik @ Tay How Sick	<i>(Executive Director/ Chief Operating Officer)</i>
Hia Cheng	<i>(Executive Director/ Chief Financial Officer)</i>
Datuk Tay Puay Chuan	<i>(Independent Non-Executive Director)</i>
Tan Ah Lai	<i>(Independent Non-Executive Director)</i>

To Our Shareholders

Dear Sir / Madam,

PROPOSED SHAREHOLDERS' MANDATE

1. INTRODUCTION

During the last AGM on 16 June 2015, the Company renewed its shareholders' mandate for the GCB Group to enter into Recurrent Related Party Transactions which were necessary for the GCB Group's day-to-day operations and in the ordinary course of business. The said shareholders' mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM of the Company unless approval for its renewal is obtained from the shareholders of the Company at the AGM.

The Board of Directors had on 5 April 2016 announced to Bursa Securities its intention to seek your approval for the renewal of the shareholders' mandate for the Recurrent Related Party Transactions in accordance with the Paragraph 10.09 of the Listing Requirements as set out in Section 4 of this Circular.

The purpose of this Circular is to provide you with the relevant information on the Proposed Shareholders' Mandate, to set out the Board's recommendation and to seek your approval for the ordinary resolution to be tabled at the forthcoming AGM of the Company. The Notice of the AGM and the Proxy Form have been incorporated into the Company's Annual Report 2015, which are being circulated to you together with this Circular.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED SHAREHOLDERS' MANDATE TO BE TABLED AT OUR FORTHCOMING AGM.

2. PROVISIONS UNDER THE LISTING REQUIREMENTS

Pursuant to Paragraph 10.09 of the Listing Requirements, listed issuers may seek its shareholders' mandate in respect of Recurrent Related Party Transactions subject to the following:

- (i) 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;
- (ii) 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 where:-
 - (a) the consideration, value of assets, capital outlay or costs of the aggregated Recurrent Related Party Transactions is equal to or exceeds RM1 million; or
 - (b) any one of the percentage ratios of such aggregated Recurrent Related Party Transactions is equal to or exceeds 1%;whichever is lower;
- (iii) the issue of a circular to shareholders for the shareholders' mandate containing information as specified in the Listing Requirements;
- (iv) in a meeting to obtain shareholders' mandate, the interested director, interested major 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 major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him are abstained from voting on the resolution approving the transactions; and
- (v) the Company will make immediate announcement to Bursa Securities when the actual value of a Recurrent Related Party Transaction entered into by the Company, exceeds the estimated value of the Recurrent Related Party Transactions disclosed in the Circular by 10% or more and must include information as may be prescribed by the Bursa Securities in the announcement.

3. VALIDITY PERIOD

Pursuant to Practice Note 12 of the Listing Requirements, the shareholders' mandate is subject to annual renewal and any authority conferred by the mandate shall only continue to be in force until:

- a) the conclusion of the next annual general meeting of the listed issuer following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the said annual general meeting, the authority renewed;
- b) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
- c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

Where the Company has procured the shareholders' mandate pursuant to the above, the provisions of Paragraph 10.08 of the Listing Requirements shall not apply during the period of validity of the shareholders' mandate.

3. VALIDITY PERIOD (Cont'd)

In order to comply with Paragraph 10.09 of the Listing Requirements, the Board of Directors hereby seeks its shareholders' approval for the Proposed Shareholders' Mandate (as set out in Section 4 of this Circular). These Recurrent Related Party Transactions are in the ordinary course of business with the Related Parties and are on terms which are not more favourable to the Related Parties involved than generally available to the public and are not detrimental to the minority shareholders of GCB.

4. THE RECURRENT RELATED PARTY TRANSACTIONS

4.1 Background information of the GCB Group

GCB is principally an investment holding company whilst the principal activities of its subsidiaries, all of which were incorporated in Malaysia (save for GCBA, Carlyle, GCB Cacao, GCB Cocoa Singapore, ACI and PT. GCB Indonesia which were incorporated in the United States of America, Germany, Singapore and Indonesia, respectively), are as follows:-

Subsidiary	Effective Equity Interest (%)	Principal Activities
GCC	100.0	Producing cocoa-derived food ingredients
GCT	100.0	Ceased business operations
GCBA	100.0	Purchasing and distribution of cocoa-derived food ingredients and investment holding
GCBF	100.0	Manufacturing, marketing and promotion of cocoa related products
GCBM	100.0	Sales of beverages and chocolates
GCBOHC	100.0	Investment holding
GCBSC	92.5	Manufacturing, marketing and promotion of cocoa related products
Cocoarich	100.0	Investment holding
Subsidiary of GCBA		
Carlyle	100.0	Production of cocoa powder
Subsidiaries of GCBOHC		
GCB Cacao	100.0	Dormant

4.1 Background information of the GCB Group (Cont'd)

Subsidiaries of GCBOHC (Cont'd)

GCB Cocoa Singapore	100.0	Trading of cocoa beans, cocoa derived foods ingredient, cocoa products
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Subsidiaries of GCB Cocoa Singapore

ACI	90.0 [^]	Establishment and management of chocolate liquid and powder industry including among others cocoa mass (cocoa liquor), cocoa butter, cocoa cake and cocoa powder
PT. GCB Indonesia	90.0 [^]	Trading of cocoa beans, cocoa-derived food ingredients and cocoa products

[^] Both GCB Cocoa Singapore and Cocomil hold 90% and 10% equity stakes in ACI and PT. GCB Indonesia respectively.

Subsidiary of GCBSC

GCBG	100.0	Trading of chocolates and cocoa-derived food ingredients
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Associate of GCB

SMC Food21 (Malaysia) Sdn. Bhd (“SMC Malaysia”)	20.0	Manufacturing of semi-finished food preparation, food ingredients beverages, ice cream, chocolate, bakery mixes etc. and dealing in ingredients such as sugar, milk, powder, cocoa products and flavour ingredients
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The core business of GCB is in the manufacturing of high quality cocoa-derived food ingredients, namely cocoa liquor, cocoa butter, cocoa cake and cocoa powder and cocoa related products as well as cocoa confectionary products, and supported by trading activities of such products.

It is anticipated that the Group would, in the normal course of business, enter into transactions, with classes or related parties as set out in Section 4.2 below. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

4.2 Nature and Estimated Aggregate value of the Recurrent Related Party Transactions

The Recurrent Related Party Transactions are principally in respect of the following:-

4.2 Nature and Estimated Aggregate value of the Recurrent Related Party Transactions (Cont'd)

(a) Sales to the Related Parties

(i) SMC Food 21 Pte Ltd ("SMC")

Following the completion of exercise encompassing the disposal and merger of the 51%-owned subsidiary, Enrich Mix Sdn Bhd ("EM") undertaken by the Company ("Corporate Proposal") on 9 October 2015, EM was ceased as subsidiary and has become an indirect associate of GCB by virtue of its 20% direct interest in SMC Malaysia, the existing holding company of EM. Consequential thereto, SMC was ceased as a Related Party.

Prior thereto, SMC was deemed a Related Party by virtue of SMC being a major shareholder of EM and having common directors and major shareholders, namely Cheng Liang Chye and Cheng Liang Kheng with EM. Cheng Liang Chye and Cheng Liang Kheng are brothers. They were the Directors of EM and had deemed interests in EM by virtue of their 30% direct interests in SMC respectively.

SMC is a private limited company incorporated in Singapore with the core business as producer of blended food ingredients. It continues to act as the indirect distribution channel of the GCB Group in Japan (i.e. GCB Group will sell its products to SMC who will then sell these products to sub-distributors or end users in Japan). Products sold by GCB Group include cocoa related products, sugar cocoa preparation products and milk preparation products constitute only part of the range of products sold by SMC.

(ii) EM

Following the completion of the Corporate Proposal on 9 October 2015, EM was ceased as subsidiary of GCB and has become an indirect associate of GCB by virtue of its 20% direct interest in SMC Malaysia, the existing holding company of EM. EM is deemed a Related Party by virtue of the major shareholder, Tay Hoe Lian's direct and indirect interests in the shares of GCB.

Prior thereto, EM was deemed a Related Party by virtue of EM having common directors and major shareholders with SMC, the details of which are set out above.

The sales to EM are mainly cocoa related products, raw materials, i.e. sugar and powder, which are used for the manufacturing activities of EM as noted in Section 4.1 of this Circular.

(iii) GCBSC

GCBSC is deemed a Related Party by having common directors, namely Tay Hoe Lian, Tay How Sik @ Tay How Sick and Hia Cheng respectively.

By virtue of his direct and indirect interests in the shares of GCB, Tay Hoe Lian is also deemed to be the major shareholder by having an interest in the shares of GCBSC to the extent that GCB has an interest.

The sales to GCBSC are mainly cocoa related products and raw materials, i.e. sugar and dairy ingredients, which are used for the manufacturing activities of GCBSC as noted in Section 4.1 of this Circular.

4.2 Nature and Estimated Aggregate value of the Recurrent Related Party Transactions (Cont'd)

(a) Sales to the Related Parties (Cont'd)

(iv) GCBG

Following the acquisition of shares held by Lim Weng Seng and Chang Yi-Chung in GCBG by GCBSC on 26 May 2015, GCBG has become the wholly-owned subsidiary of GCBSC which in turn, a sub-subsidiary of GCB. Consequential thereto, GCBG was ceased as a Related Party.

Prior thereto, GCBG was a Related Party by virtue of the major shareholder, Tay Hoe Lian's direct and indirect interests in the shares of GCB. Tay Hoe Lian is deemed to be the major shareholder by having an interest in the shares of GCBG to the extent that GCB has an interest.

The sales to GCBG are mainly cocoa related products, which are used for the trading activities of GCBG as noted in Section 4.1 of this Circular.

(v) Sanae Foods Sdn Bhd ("SF")

Following the disposal of shares held by Lim Weng Seng and Chang Yi-Chung in GCBG to GCBSC on 26 May 2015 and their resignation as directors of GCBG on 31 December 2015, SF was ceased as a Related Party and GCBG has become a wholly-owned subsidiary of GCBSC which in turn, a sub-subsidiary of GCB.

Prior thereto, SF was deemed a Related Party by virtue of SF having common directors, namely Lim Weng Seng and Chang Yi-Chung with GCBG of which they held 15% and 10% direct interests in GCBG respectively.

The core business of SF is trading and dealing in food ingredient products. It acted as the indirect distributor of GCB Group to bakery outlets or end users in Malaysia.

(b) Purchases from the Related Parties

(i) SMC

Following the completion of the Corporate Proposal on 9 October 2015, SMC was ceased as a Related Party.

Prior thereto, the purchases from SMC were mainly raw materials, i.e. sugar, powder and cocoa related products which were used for the manufacturing activities of GCB Group as noted in Section 4.1 of this Circular.

(ii) SMC Food Thailand Co. Ltd ("SMC Thailand")

Following the completion of the Corporate Proposal on 9 October 2015, SMC Thailand was ceased as a Related Party.

4.2 Nature and Estimated Aggregate value of the Recurrent Related Party Transactions (Cont'd)

(b) Purchases from the Related Parties (Cont'd)

(ii) SMC Thailand (Cont'd)

Prior thereto, SMC Thailand was deemed a Related Party by virtue of having common directors and major shareholders, namely Cheng Liang Chye and Cheng Liang Kheng with EM. Cheng Liang Chye and Cheng Liang Kheng are brothers. They were the Directors of EM and had deemed interests in EM by virtue of their total direct interests of 92% in SMC Thailand.

SMC Thailand is a private limited company incorporated in Thailand with the core business as producer of sugar premix. The purchases from SMC Thailand were mainly raw materials, i.e. sugar, powder and cocoa related products which are used for the manufacturing activities of GCB Group as noted in Section 4.1 of this Circular.

(iii) GCBSC

The purchases from GCBSC are mainly cocoa related products and raw materials, i.e. sugar and dairy ingredients which are used for the trading and manufacturing activities of GCB Group as noted in Section 4.1 of this Circular.

(iv) EM

The purchases from EM are mainly sugar cocoa preparation products and milk preparation products which are used for the trading and manufacturing activities of GCB Group as noted in Section 4.1 of this Circular.

(c) Rental of properties to the Related Parties

(i) EM

The rental of warehouse owned by GCC which is located at Johor Port Warehouse 3B, Jalan Gudang 2, 81707 Pasir Gudang, Johor measuring 2,508 square meters is at a monthly rent rate of RM12.92 per square meter.

(ii) GCBSC

The rental of warehouse owned by GCBSC which is located at Plot D32-PTP, Blok A, Jalan DPB/6, Pelabuhan Tanjung Pelepas, TST, 81560 Gelang Patah, Johor measuring 19,000 square feet is at a monthly rent rate of RM1.50 per square feet.

(d) Commission payable to the Related Parties

(i) SMC

Following the completion of the Corporate Proposal on 9 October 2015, SMC was ceased as a Related Party.

The sales commission payable to SMC for promoting products of GCB Group was at an agreed rate.

4.2 Nature and Estimated Aggregate value of the Recurrent Related Party Transactions (Cont'd)

(d) Commission payable to the Related Parties (Cont'd)

(ii) GCBG

Following the acquisition of shares held by Lim Weng Seng and Chang Yi-Chung in GCBG by GCBSC on 26 May 2015, GCBG has become the wholly-owned subsidiary of GCBSC which in turn, a sub-subsidiary of GCB. Consequential thereto, GCBG was ceased as a Related Party.

Prior thereto, the sales commission payable to GCBG for promoting products of GCB Group was at an agreed rate.

(e) Repackaging fees and production costs charged by/to the Related Parties

(i) EM

The repackaging and production fees comprise the cost of raw materials, packing materials, stuffing, labour costs and overhead for the cocoa related products charged by EM to GCB Group.

(ii) GCBSC

The repackaging fee comprise the following:

- a) cost of packing material and overhead expenses for the cocoa related products charged by GCB Group to GCBSC; and
- b) cost of raw materials, packing materials, stuffing, labour costs and overhead expenses for the cocoa related products charged by GCBSC to GCB Group.

(f) Management fees charged by/to the Related Parties

(i) EM

The management fees charged by GCB for the provision of technical support services are at a fixed monthly rate.

(ii) GCBSC

The management fees charged by/to GCC and GCBF for the provision of technical support services are at a fixed monthly rate.

(g) Storage and handling fee charged to the Related Parties

(i) GCBSC

Storage and handling fees charged by GCC comprise the cost of stuffing, labour costs for fixed rate per pallet and gas for cost of gas for the purpose of storage and handling stocks at PLO 725, Jalan Keluli 9, 81700 Pasir Gudang, Johor.

4.3 Proposed Shareholders' Mandate

a) Sales to the Related Parties

No	Related Party	Company in the GCB Group	Nature of transaction	Estimated value as disclosed in the preceding year's circular (RM'000)	Actual value transacted as at February 2016 (RM'000)	Estimated value for the validity of the Proposed Shareholders' Mandate (RM'000)	Interested Director(s)/ Shareholder(s) and/or Person(s) Connected	Shareholding of Interested Director(s)/ Major Shareholder(s) and/or Person(s) Connected in the Related Parties
1.	SMC	GCC	Sale of cocoa related products by GCC to SMC#	16,000	4,565	-	Cheng Liang Chye ⁽²⁾ Cheng Liang Kheng ⁽²⁾	Direct - 30% Direct - 30%
2.	SMC	EM	Sale of sugar, cocoa preparation products and milk preparation products by EM to SMC#	8,000	4,279	-	Tay Hoe Lian ^(D) Hia Cheng ^(D)	Direct – Nil Indirect - 20% ⁽¹⁾
3.	GCBSC	GCC	Sale of cocoa related products by GCC to GCBSC	20,000	6,554	20,000	Tay Hoe Lian ^(D) Tay How Sik Tay How Sick ^(D) Hia Cheng ^(D)	Direct – Nil Indirect - 90% ⁽¹⁾
4.	EM	GCC	Sale of cocoa related products by GCC to EM	5,000	745	5,000	Tay Hoe Lian ^(D) Hia Cheng ^(D)	Direct – Nil Indirect - 20% ⁽¹⁾
5.	GCBG	GCBSC	Sales of cocoa related products by GCBSC to GCBG [^]	500	-	-	Tay Hoe Lian ^(D)	Direct – Nil Indirect - 100% ⁽¹⁾
			BALANCE C/F	49,500	16,143	25,000		

4.3 Proposed Shareholders' Mandate (Cont'd)

a) Sales to the Related Parties (Cont'd)

No	Related Party	Company in the GCB Group	Nature of transaction	Estimated value as disclosed in the preceding year's circular (RM'000)	Actual value transacted as at February 2016 (RM'000)	Estimated value for the validity of the Proposed Mandate (RM'000)	Interested Director(s)/ Major Shareholder(s) and/or Connected	Shareholding of Interested Director(s)/ Major Shareholder(s) and/or Person(s) Connected in the Related Party
			BALANCE B/F	49,500	16,143	25,000		
6.	GCBG	GCBF	Sales of cocoa related products by GCBF to GCBG [^]	200	-	-	Tay Hoe Lian ^(D)	Direct – Nil Indirect – 100% ⁽¹⁾
7.	SF	GCBG	Sales of cocoa related products by GCBG to SF#	600	-	-	Lim Weng Seng ⁽²⁾ Chang Yi-Chung ⁽²⁾	Direct - Nil Direct - Nil
8.	GCBSC	GCBM	Sales of cocoa related products by GCBM to GCBSC	100	2	100	Tay Hoe Lian ^(D) Tay How Sik Tay How Sick ^(D) Hia Cheng ^(D)	Direct – Nil Indirect – 92.5% ⁽¹⁾
9.	GCBSC	GCBF	Sales of cocoa related products and raw materials by GCBF to GCBSC	200	80	200	Tay Hoe Lian ^(D) Tay How Sik Tay How Sick ^(D) Hia Cheng ^(D)	Direct – Nil Indirect – 92.5% ⁽¹⁾
10.	SF	GCBF	Sales of cocoa related products by GCBF to SF#	1,000	-	-	Lim Weng Seng ⁽²⁾ Chang Yi-Chung ⁽²⁾	Direct - Nil Direct - Nil
			BALANCE C/F	51,600	16,225	25,300		

4.3 Proposed Shareholders' Mandate (Cont'd)

a) Sales to the Related Parties (Cont'd)

No	Related Party	Company in the GCB Group	Nature of transaction	Estimated value as disclosed in the preceding year's circular (RM'000)	Actual value transacted as at February 29 2016 (RM'000)	Estimated value for the validity of the Proposed Mandate (RM'000)	Interested Major and/or Connected Director(s)/ Shareholder(s) and/or Person(s)	Shareholding of Interested Director(s)/ Major Shareholder(s) and/or Person(s) Connected in the Related Party
			BALANCE B/F	51,600	16,225	25,300		
11.	SF	GCBSC	Sales of cocoa related products by GCBSC to SF#	5,000	993	-	Lim Weng Seng ⁽²⁾ Chang Yi-Chung ⁽²⁾	Direct - Nil Direct - Nil
12.	EM	GCBSC	Sales of raw materials and cocoa related products by GCBSC to EM	3,000	-	3,000	Tay Hoe Lian ^(D) Hia Cheng ^(D)	Direct – Nil Indirect - 20% ⁽¹⁾
			TOTAL	59,600	17,218	28,300		

4.3 Proposed Shareholders' Mandate (Cont'd)

b) Sales commission charged to the Related Parties

No	Related Party	Company in the GCB Group	Nature of transaction	Estimated value as disclosed in the preceding year's circular (RM'000)	Actual value transacted as at 29 February 2016 (RM'000)	Estimated value for the validity of the Proposed Mandate (RM'000)	Interested Director(s)/ Major Shareholder(s) and/or Connected	Shareholding of Interested Director(s)/ Major Shareholder(s) and/or Person(s) Connected in the Related Party
1.	GCBG	GCBF	Sales commission charged by GCBG to GCBF [^]	200	-	-	Tay Hoe Lian ^(D)	Direct – Nil Indirect - 100% ⁽¹⁾
2.	SMC	GCC	Sales commission charged by SMC to GCC#	300	3	-	Cheng Liang Chye ⁽²⁾ Cheng Liang Kheng ⁽²⁾	Direct - 30% Direct - 30%
3.	SMC	EM	Sales commission charged by SMC to EM#	1,000	28	-	Cheng Liang Chye ⁽²⁾ Cheng Liang Kheng ⁽²⁾	Direct - 30% Direct - 30%
4.	GCBG	GCBSC	Sales commission charged by GCBG to GCBSC [^]	300	-	-	Tay Hoe Lian ^(D)	Direct – Nil Indirect - 100% ⁽¹⁾
			TOTAL	1,800	31	-		

4.3 Proposed Shareholders' Mandate (Cont'd)

c) Purchases from the Related Parties

No	Related Party	Company in the GCB Group	Nature of transaction	Estimated value as disclosed in the preceding year's circular (RM'000)	Actual value transacted as at 29 February 2016 (RM'000)	Estimated value for the validity of the Proposed Mandate (RM'000)	Interested Major and/or Connected Director(s)/ Shareholder(s) Person(s)	Shareholding of Interested Director(s)/ Major Shareholder(s) and/or Person(s) Connected in the Related Party
1.	SMC	EM	Purchase of raw materials by EM from SMC#	30,000	5,867	-	Cheng Liang Chye ⁽²⁾ Cheng Liang Kheng ⁽²⁾	Direct - 30% Direct - 30%
2.	GCBSC	GCC	Purchase of cocoa related products by GCC from GCBSC	2,000	-	2,000	Tay Hoe Lian ^(D) Tay How Sik Tay How Sick ^(D) Hia Cheng ^(D)	Direct - Nil Indirect - 92.5% ⁽¹⁾
3.	SMC Thailand	EM	Purchase of raw materials by EM from Thailand#	2,000	-	-	Cheng Liang Chye ⁽²⁾ Cheng Liang Kheng ⁽²⁾	Direct - 30% Direct - 30%
4.	EM	GCB Cocoa Singapore	Purchase of sugar cocoa preparation products and milk preparation products by GCB Cocoa Singapore from EM	3,000	-	3,000	Tay Hoe Lian ^(D) Hia Cheng ^(D)	Direct - Nil Indirect - 20% ⁽¹⁾
			BALANCE C/F	37,000	5,867	5,000		

4.3 Proposed Shareholders' Mandate (Cont'd)

c) Purchases from the Related Parties (Cont'd)

No	Related Party	Company in the GCB Group	Nature of transaction	Estimated value as disclosed in the preceding year's circular (RM'000)	Actual value transacted as at 29 February 2016 (RM'000)	Estimated value for the validity of the Proposed Mandate (RM'000)	Interested Major and/or Connected	Director(s)/ Shareholder(s) Person(s)	Shareholding of Interested Director(s)/ Major Shareholder(s) and/or Person(s) Connected in the Related Party
			BALANCE B/F	37,000	5,867	5,000			
5.	GCBSC	GCBM	Purchase of cocoa related products by GCBM from GCBSC	500	5	500		Tay Hoe Lian ^(D) Tay How Sik ^(D) Tay How Sick ^(D) Hia Cheng ^(D)	Direct – Nil Indirect – 92.5% ⁽¹⁾
6.	GCBSC	GCBF	Purchase of cocoa related products and raw materials by GCBF from GCBSC	6,000	10	6,000		Tay Hoe Lian ^(D) Tay How Sik ^(D) Tay How Sick ^(D) Hia Cheng ^(D)	Direct – Nil Indirect – 92.5% ⁽¹⁾
			TOTAL	43,500	5,882	11,500			

4.3 Proposed Shareholders' Mandate (Cont'd)

d) Other transactions with the Related Parties

No	Related Party	Company in the GCB Group	Nature of transaction	Estimated value as disclosed in the preceding year's circular (RM'000)	Actual value transacted as at 29 February 2016 (RM'000)	Estimated value for the validity of the Proposed Mandate (RM'000)	Interested Director(s)/ Shareholder(s) and/or Person(s) Connected	Shareholding of Interested Director(s)/ Major Shareholder(s) and/or Person(s) Connected in the Related Party
1.	GCBSC	GCC	Management fees charged by GCC to GCBSC	100	45	100	Tay Hoe Lian ^(D) Tay How Sik Tay How Sick ^(D) Hia Cheng ^(D)	Direct – Nil Indirect – 92.5% ⁽¹⁾
2.	EM	GCB	Management fees charged by GCB to EM	100	6	100	Tay Hoe Lian ^(D) Hia Cheng ^(D)	Direct – Nil Indirect - 20% ⁽¹⁾
3.	EM	GCC	Rental of property by GCC to EM	800	162	800	Tay Hoe Lian ^(D) Hia Cheng ^(D)	Direct – Nil Indirect - 20% ⁽¹⁾
4.	EM	GCC	Repacking fees charged by EM to GCC	100	-	100	Tay Hoe Lian ^(D) Hia Cheng ^(D)	Direct – Nil Indirect - 20% ⁽¹⁾
5.	GCBSC	GCBF	Management fees charged by GCBSC to GCBF	100	-	100	Tay Hoe Lian ^(D) Tay How Sik Tay How Sick ^(D) Hia Cheng ^(D)	Direct – Nil Indirect – 92.5% ⁽¹⁾
6.	GCBSC	GCBF	Repacking fees charged by GCBF to GCBSC	300	-	300	Tay Hoe Lian ^(D) Tay How Sik Tay How Sick ^(D) Hia Cheng ^(D)	Direct – Nil Indirect – 92.5% ⁽¹⁾
			BALANCE C/F	1,500	213	1,500		

4.3 Proposed Shareholders' Mandate (Cont'd)

d) Other transactions with the Related Parties (Cont'd)

No	Related Party	Company in the GCB Group	Nature of transaction	Estimated value as disclosed in the preceding year's circular (RM'000)	Actual value transacted as at 29 February 2016 (RM'000)	Estimated value for the validity of the Proposed Mandate (RM'000)	Interested Major and/or Connected	Director(s)/ Shareholder(s) Person(s)	Shareholding of Interested Director(s)/ Major Shareholder(s) and/or Person(s) Connected in the Related Party
			BALANCE B/F	1,500	213	1,500			
7.	GCBSC	GCC	Repacking fees charged by GCBSC to GCC	300	-	300		Tay Hoe Lian ^(b) Tay How Sik Tay How Sick ^(b) Hia Cheng ^(b)	Direct – Nil Indirect – 92.5% ⁽¹⁾
8.	GCBSC	GCB Cocoa Singapore	Rental & storage charges charged by GCBSC to GCB Cocoa Singapore	500	86	500		Tay Hoe Lian ^(b) Tay How Sik Tay How Sick ^(b) Hia Cheng ^(b)	Direct – Nil Indirect – 92.5% ⁽¹⁾
9.	GCBSC	GCC	Storage & handling charges charged by GCC to GCBSC	240	-	240		Tay Hoe Lian ^(b) Tay How Sik Tay How Sick ^(b) Hia Cheng ^(b)	Direct – Nil Indirect – 92.5% ⁽¹⁾
			TOTAL	2,540	299	2,540			
			GRAND TOTAL	107,440	23,430	42,340			

4.3 Proposed Shareholders' Mandate (Cont'd)

Abbreviation

- # No renewal of mandate is being sought at the AGM for these Recurrent Related Party Transactions as the Related Parties were ceased as directors and withdrew as shareholders in GCB Group of companies prior to the conclusion of the AGM.
- ^ No renewal of mandate is being sought at the AGM for these Recurrent Related Party Transactions as the Related Parties became the wholly-owned subsidiary and/or sub-sub-sidiary of GCB prior to the conclusion of the AGM.

Notes:-

- (D) Holds a directorship in GCB, which is a Related Party.
- (1) Deemed interest by virtue of his direct and/or indirect interests in GCB.
- (2) None of the Interested Related Parties has any shareholdings, direct or indirect in GCB.

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4.4 Amount due and owing under the Recurrent Related Party Transactions

The breakdown of the principal sum (without interest) for the total outstanding amount due from and owing to the Related Parties under the Recurrent Related Party Transactions as per Section 4.3 of this Circular are as below:-

Name of Related Parties	Outstanding amount due from/(owing to) the Related Parties under the Proposed Shareholders' Mandate which has exceeded the credit term for the following periods as at 29 February 2016			
	1 year or less	More than 1 year but equal to or less than 3 years	More than 3 years but equal to or less than 5 years	More than 5 years
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
EM	4	Nil	Nil	Nil
GCBSC	9,280	5,684	Nil	Nil

There are no late payment charges imposed on the above overdue trade receivables as the overdue amounts were trade in nature and as a matter of goodwill gesture in view of the active and on-going transactions between the Group and the Related Parties. Our Board is of the view that there will be no recoverability issue on the overdue amounts as the Related Parties have long standing business relationship with the Group and has proven creditworthy debtors based on the historical receipt. In addition, the performance of GCBSC has started picking up recently and will have excess fund to pay back overdue amounts in near future. Management will continue to take initiatives to necessitate recovery of such overdue amounts.

4.5 Deviation from Mandate

The actual value of the Recurrent Related Party Transactions did not exceed the estimated value as approved under the previous mandate granted to GCB at the last AGM.

4.6 Rationale for the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate will enable GCB Group to continue to carry out recurrent transactions necessary for the Group's day-to-day operations and enhance the Group's ability to pursue business opportunities which are time-sensitive in nature in a more expeditious manner. They will eliminate the need to announce and convene separate general meetings from time to time to seek shareholders' approval as and when potential recurrent transactions with a Related Party arise. This will substantially reduce expenses associated with the convening of such meetings on an ad hoc basis, improve administrative efficiency and allow human resources and time to be channelled towards attaining other corporate objectives and opportunities.

Further, the Proposed Shareholders' Mandate is intended to facilitate transactions entered and to be entered into in the ordinary course of business of GCB Group which are transacted from time to time with the Related Parties which are carried out at arm's length on the Group's normal commercial terms and are not prejudicial to the interest of the shareholders of GCB and on terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of GCB.

4.7 Benefits of the Recurrent Related Party Transactions

The benefits of the Recurrent Related Party Transactions to GCB Group are as follows:-

- (i) The Recurrent Related Party Transactions to be entered into by GCB Group are all in the ordinary course of business and intended to meet the business needs of GCB Group at the best possible terms so as to achieve synergistic benefits within GCB Group. As such, it is anticipated that the Recurrent Related Party Transactions would occur on a frequent and recurrent basis;
- (ii) The Related Parties, who have established the extensive network in Japan, are the distributors of the products of GCB Group. GCB Group would be able to reduce its marketing costs as well as capitalize on the extensive network of the Related Parties as its direct and indirect distribution channels to market the Group's products; and
- (iii) Where the Recurrent Related Party Transactions involve the supply of goods from the Related Parties, GCB Group is expected to benefit in terms of costs effectiveness and administrative efficiency in its procurement process. For instance, GCB Group does not keep a high level of inventories and when there is an urgent need for certain raw materials from the Related Parties on an ad hoc basis, it can procure these raw materials promptly which will reduce the stock holding cost and eventually improve the profitability of GCB Group.

4.8 Financial Effects of the Proposed Shareholders' Mandate

The Proposed Mandate will neither have any effects on the issued and paid-up share capital and the shareholding of the major shareholders of GCB nor any material effect on the consolidated net tangible asset, net asset and the earning per share of GCB Group.

4.9 Basis of estimates

The abovementioned estimated value in respect of each transaction referred to above are based on prevailing prices obtained from the Related Parties which are reasonably market-competitive prices and are derived from the sums incurred or received during the past year, based on the normal level of transactions entered into by GCB Group. The estimated amounts are further based on the assumptions that current level of operations will continue and all external conditions remain constant.

4.10 Review Procedures and Disclosure of the Recurrent Related Party Transactions

The Directors of GCB propose the following measures to ensure the Recurrent Related Party Transactions are undertaken on an arm's length basis and on normal commercial terms consistent with the Group's usual business practices and policies, which are not more favourable to the Related Parties than those extended to third parties or public and are not prejudicial to the minority shareholders:

- (i) The interested Directors and Major Shareholders will be informed and briefed by GCB Group of the procedures put in place by the management of the GCB Group in relation to transactions to be entered into by GCB Group. The interested Directors and Major Shareholders are required to declare and disclose to the Board in a timely manner on transactions in which they are deemed interested;

4.10 Review Procedures and Disclosure of the Recurrent Related Party Transactions (Cont'd)

- (ii) Records pertaining to Recurrent Related Party Transactions will be analysed and monitored by the management of GCB Group. The status of these Recurrent Related Party Transactions will be reported by the management of GCB Group to the Audit Committee on a quarterly basis;
- (iii) The management of GCB Group will ensure that transactions are made based on terms that not more favourable to the Related Parties than those generally available to the public by considering the prevailing market prices, commercial terms of transactions with third parties, business practices and policies and on terms which are generally in line with the industry norms. At least 2 other contemporaneous quotes with unrelated third parties for similar products and/or services will be used as comparison, whenever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products and/or services.

Where quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined by GCB based on those offered to/by other related parties for the same or substantial similar type of transaction to ensure that the Recurrent Related Party Transactions are not detrimental to GCB and the reasons for the inability to obtain such quotation or comparative pricing in the first place shall be recorded by the management;

- (iv) The internal auditors shall review and report to the Board and the Audit Committee at least on a yearly basis on the effectiveness of the control procedures established by the management to monitor the Recurrent Related Parties Transactions and provide assurance that these transactions are undertaken in accordance with the management control procedures put in for GCB Group;
- (v) The Directors having interests in any Recurrent Related Party Transactions shall abstain from Board deliberations and shall ensure that the Major Shareholders and persons connected with them are also abstained from voting on the resolution approving the transactions;
- (vi) Where any member of the Audit Committee is interested in any Recurrent Related Party Transactions, that member shall abstain from all deliberations and also voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions;
- (vii) Disclosure will be made in the Annual Report of GCB or in GCB Group's audited financial statements breakdown of the aggregate value, type of transactions and the names of the Related Parties involved in each type of the Recurrent Related Party Transactions made and their relationship with GCB pursuant to the Proposed Shareholders' Mandate during the financial year; and
- (viii) Pursuant to Paragraph 2.5 of the Practice Note 12 of the Listing Requirements, if the actual value of the Recurrent Related Party Transactions entered into by the Company exceeds the estimated value of the Recurrent Related Party Transactions disclosed in this Circular by 10% or more, GCB would make an immediate announcement to Bursa Securities.

4.11 Thresholds for Approval

The nature of business of GCB Group is that of manufacturer and the products are manufactured based on specifications determined and dictated by customers. Some materials are sourced from the Related Parties who are contracted to manufacture the materials based on specific specifications and/or sell materials to GCB Group for further processing. All purchases require the prior approval of the Head of Finance for international trade and Head of Purchasing for local trade.

Other than above mentioned, the threshold for approval of other Recurrent Related Party Transactions is consistent with those transactions entered into with unrelated parties. All these Recurrent Related Party Transactions are to be reviewed and approved by the Audit Committee annually.

4.12 Statement by the Audit Committee

The Audit Committee of GCB has seen and reviewed the procedures mentioned in Section 4.10 of this Circular and is satisfied that the abovementioned review procedures, are appropriate to ensure that these Recurrent Related Party Transactions will be made at arm's length and is in accordance with GCB Group's commercial terms with third parties, business practices and policies and on terms generally in line with the industry norms and on terms which are not more favorable to the related party than those generally available to the public, and hence, are not prejudicial to the interests of the shareholders or disadvantageous to GCB Group.

The Audit Committee is also of the view that GCB Group has in place adequate procedures and processes to monitor, track and identify Recurrent Related Party Transactions in a timely and orderly manner and such procedures and processes are reviewed by the Audit Committee and/or the management staff annually.

5. APPROVAL REQUIRED

The Proposed Shareholders' Mandate is conditional upon approval being obtained from shareholders of GCB at the forthcoming AGM.

6. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

The direct and indirect shareholdings of the interested Directors, Major Shareholders of GCB and persons connected to them as at LPD are set out as follows:

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6. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM (Cont'd)

Name	Direct		Indirect	
	No. of GCB shares held '000	%*	No. of GCB shares held '000	%*
<u>Interested Directors</u>				
Tay Hoe Lian#	12,866	2.69	251,480 ⁽¹⁾	52.62
Tay How Sik @ Tay How Sick	6,240	1.31	60 ⁽²⁾	0.01
Hia Cheng	8,748	1.83	9,631 ⁽³⁾	2.01

Name	Direct		Indirect	
	No. of GCB shares held '000	%*	No. of GCB shares held '000	%*
<u>Interested Major Shareholder</u>				
Guan Chong Resources Sdn Bhd	249,680	52.56	-	-
<u>Persons Connected to Director</u>				
Yap Kim Hong	300	0.06	264,046 ⁽⁴⁾	55.25
Tay Jing Ye	60	0.01	6,240 ⁽⁵⁾	1.31
Wong Saow Lai	9,631	2.01	8,748 ⁽⁶⁾	1.83

Notes:

* Excluding 2,240,700 GCB Shares held as treasury shares.

Also an interested Major Shareholder.

(1) Deemed interested by virtue of his shareholding in Guan Chong Resources Sdn Bhd pursuant to Section 6A of the Act and his wife's, Yap Kim Hong's shareholding in our Company pursuant to Section 134(12)(c) of the Act.

(2) Deemed interested by virtue of his daughter, Tay Jing Ye's shareholding in our Company pursuant to Section 134(12)(c) of the Act.

(3) Deemed interested by virtue of his wife, Wong Saow Lai's shareholding in our Company pursuant to Section 134(12)(c) of the Act.

(4) Deemed interested by virtue of her husband, Tay Hoe Lian's shareholdings in the Company and Guan Chong Resources Sdn Bhd pursuant to Section 134(12)(c) of the Act.

(5) Deemed interested by virtue of her father, Tay How Sik @ Tay How Sick's shareholding in our Company pursuant to Section 134(12)(c) of the Act.

(6) Deemed interested by virtue of her husband, Hia Cheng's shareholding in our Company pursuant to Section 134(12)(c) of the Act.

Save as disclosed in Sections 4.3 of this Circular and above, none of the Directors and/or Major Shareholders and persons connected to them (as defined in the Listing Requirements) has any interests, direct or indirect in the Proposed Shareholders' Mandate.

The Directors namely, Tay Hoe Lian, Tay How Sik @ Tay How Sick and Hia Cheng who are deemed to have interests in the Recurrent Related Party Transactions, have each abstained and will continue to abstain from all deliberations and voting on the Proposed Shareholders' Mandate at all Board meetings.

The interested Directors and Major Shareholder (as disclosed above), will abstain from voting in respect of their direct and indirect shareholdings on the ordinary resolution approving the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

6. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM (Cont'd)

The interested Directors and Major Shareholders will also undertake to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in GCB on the ordinary resolution, deliberating or approving the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

7. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after taking into consideration all aspects of the Proposed Shareholders' Mandate, are of the view that the Proposed Shareholders' Mandate is in the best interest of our Company and accordingly, our Board recommends that the shareholders vote in favour of the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at a general meeting to be convened.

In view of the Directors' interest as set out in Section 6 of this Circular, Tay Hoe Lian, the Managing Director, Tay How Sik @ Tay How Sick and Hia Cheng, the Executive Directors are deemed interested in respect of the Proposed Shareholders' Mandate. As such, they have abstained from expressing an opinion and giving any recommendation in respect of the Proposed Shareholders' Mandate.

8. AGM

An AGM, the notice of which is enclosed in this Circular, will be held at Sri Ledang, 1st Hall, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, KB No. 779, 80990 Johor Bahru, Johor on Monday, 30 May 2016 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions pertaining to the Proposed Shareholders' Mandate.

If you are unable to attend and vote in person at the AGM, you are requested to complete and return the enclosed Form of Proxy, which is set out in the Annual Report 2015 of the Company, in accordance with the instructions contained herein as soon as possible and in any event, so as to arrive at the registered office of our Company at the registered office of our Company at No. 7 (1st Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000, Muar, Johor Darul Takzim not later than 48 hours before the time fixed for holding the AGM or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

9. FURTHER INFORMATION

You are requested to refer to the attached Appendix I for further information.

Yours faithfully
For and on behalf of the Board of
GUAN CHONG BERHAD

YBhg Dato' Dr. Mohamad Musa Bin Md. Jamil
(Non-Independent Non-Executive Chairman)

GUAN CHONG^{BERHAD}
GUAN CHONG BERHAD

(Company No.: 626226-K)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered office:

No. 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr. Ismail 1,
Jalan Bakri, 84000, Muar
Johor Darul Takzim

29 April 2016

STATEMENT TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY

1. INTRODUCTION

At the Company's AGM held on 16 June 2015, the shareholders' approval was obtained for the renewal of authority for GCB to purchase its own ordinary shares of up to 10% of the issued and paid-up share capital of the Company. The said approval shall, in accordance with the Listing Requirements, expire at the conclusion of the Company's forthcoming AGM.

The Board had on 5 April 2016, announced the Company's intention to seek shareholders' approval for the Proposed Renewal of Authority at the forthcoming AGM.

The purpose of this Statement is to provide you with the details of the Proposed Renewal of Authority and to seek your approval on the ordinary resolution to be tabled at the forthcoming AGM in relation to the Proposed Renewal of Authority. The Notice of AGM and the Proxy Form are set out in the Company's Annual Report 2015.

2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY

The Company proposes to seek approval from our shareholders, a renewal of the authority to purchase up to 10% of our issued and paid-up ordinary shares on Bursa Securities via stockbroker(s) to be appointed by the Board, at any time during the authorised period. The authority from our shareholders for the Proposed Renewal of Authority will be effective upon the passing of the ordinary resolution for the Proposed Renewal of Authority at the forthcoming AGM until:

- (i) the conclusion of the next AGM of the Company at which time the said authority would lapse unless renewed by ordinary resolution passed at that meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever occurs first.

2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY (CONT'D)

Pursuant to Paragraph 12.10 of the Listing Requirements, the Proposed Renewal of Authority must be made wholly out of the retained profits and/or share premium account of the Company. The retained profits account and share premium account of the Company for the last 3 financial years and as at the latest practical date were as follows:

	Retained profits (RM)	Share premium (RM)
As at 31 December 2013 as per audited accounts	23,765,732	NIL
As at 31 December 2014 as per audited accounts	16,492,125	NIL
As at 31 December 2015 as per audited accounts	38,848,449	NIL

Pursuant to the Listing Requirements, the purchase price of GCB Shares cannot be more than 15% above the weighted average market price of our Shares for 5 market days immediately preceding the date of the purchase. In the case of a resale of the treasury shares on Bursa Securities, the Company may only resell any treasury shares at a price, which is:

- (i) not less than the weighted average market price of GCB Shares for 5 market days immediately prior to the date of the resale; or
- (ii) a discounted price of not more than 5% to the weighted average market price for GCB Shares for 5 market days immediately prior to the date of the resale, provided that:
 - (a) the resale takes place no earlier than 30 days from the date of the purchase; and
 - (b) the resale price is not less than the cost of purchase of the Shares being resold.

In accordance with Section 67A(3A) of the Act, the Directors are able to deal with any Purchased Shares by the Company under the Proposed Renewal of Authority in the following manner:

- (i) to cancel the Purchased Shares;
- (ii) to retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or resell through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
- (iii) combination of (i) and (ii) above.

In regards to the Purchased Shares and retain as treasury shares, the Board may decide to distribute the treasury shares as share dividends to our shareholders and/or resell the treasury shares on Bursa Securities and utilise the proceeds from the resale of the treasury shares for potential investment opportunities arising in the future or as working capital.

If the Board decides to resell the treasury shares on Bursa Securities, the Company will make an announcement on the day the resale is made, providing details of the description of the Shares resold, the number of Shares resold, the resale price of each Share resold or where relevant, the highest and lowest resale price, the total consideration received and the cumulative net outstanding treasury shares at the date of notification, where applicable.

The Proposed Renewal of Authority will allow the Board to exercise the power of the Company to purchase its Shares at any time within the abovementioned period using the internal funds of the Company and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later, depending on, amongst others, the availability of internally generated funds, the actual number of Shares to be purchased and other relevant factors.

2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY (CONT'D)

The actual number of Shares to be purchased and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock market as well as the retained profits, the share premium account and the financial resources available to the Company. In the event the Company purchases its own Shares using external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment would have no material effect on the cash flow of the Company.

3. RATIONALE AND POTENTIAL ADVANTAGES OF THE PROPOSED RENEWAL OF AUTHORITY

The Proposed Renewal of Authority will enable GCB to utilise any of its surplus financial resources to purchase its own Shares from the market. It may stabilise the supply and demand of GCB Shares traded on Bursa Securities and thereby support its fundamental value.

Assuming all things being equal, any purchase of GCB Shares, regardless whether its Shares so purchased were retained as treasury shares or cancelled, would result in a lower number of GCB Shares being used for the purpose of computing the EPS. The reduced issued and paid-up share capital subsequent to the Proposed Renewal of Authority may improve the Company's EPS, which in turn could be expected to benefit the shareholders.

The Purchased Shares can be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising a potential gain without affecting the total issued and paid-up share capital of the Company. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

4. POTENTIAL DISADVANTAGES OF THE PROPOSED RENEWAL OF AUTHORITY

The Proposed Renewal of Authority will temporarily reduce the financial resources of the Company. This may result in the Company foregoing other investment opportunities that may emerge in the future or, at least, deprive the Company of interest income that can be derived from funds to be utilised for the Proposed Renewal of Authority.

It may also reduce the amount of resources available for distribution in the form of dividends to the shareholders as funds are utilised to purchase its own Shares. However, the financial resources of the Company may recover and increase upon the re-selling of the Purchased Shares held as treasury shares.

Notwithstanding the above, the Board is of the view that the Proposed Renewal of Authority is not expected to have any material disadvantage to the shareholders as well as the Company as it will be implemented only after careful consideration of the financial resources of the GCB Group and the resultant impact on the shareholders and the Company.

5. EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY

The effects of the Proposed Renewal of Authority are as follows:

5.1 Share Capital

The effects of the Proposed Renewal of Authority on the issued and paid-up share capital of GCB, based on the following scenarios, are as follows:

5. EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY (CONT'D)

5.1 Share Capital (Cont'd)

	Minimum Scenario
	No of shares
As at LPD ⁽¹⁾	477,917,752
Proposed Renewal of Authority (assuming all GCB Shares purchased are fully cancelled)	<u>(47,791,775)</u>
Total issued and paid-up share capital after the Proposed Renewal of Authority	<u>430,125,977</u>

Note:

⁽¹⁾ Excluding 2,240,700 GCB Shares held as treasury shares

In the event GCB Shares purchased are retained as treasury shares, the Proposed Renewal of Authority will not affect the issued and fully paid-up share capital of GCB but the rights attached to them in relation to voting, dividends and participation in any other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including calculation of substantial shareholdings, take-overs, notices, the requisitioning of meetings, calculation of quorum for meetings and the result of a vote on a resolution at meeting.

5.2 NA

The consolidated NA of the Company may increase or decrease depending on the number of GCB Shares purchased under the Proposed Renewal of Authority, the purchase prices of its Shares, the effective cost of funding and the treatment of its Shares purchased under the Proposed Renewal of Authority.

The Proposed Renewal of Authority will reduce the consolidated NA per Share when the purchase price exceeds the consolidated NA per Share at the time of purchase. On the contrary, the consolidated NA per Share will increase when the purchase price is less than the consolidated NA per Share at the time of purchase.

If the Shares purchased under the Proposed Renewal of Authority are held as treasury shares and subsequently resold on Bursa Securities, the consolidated NA per Share would increase if the Company realises a gain from the resale or vice versa. If the treasury shares are distributed as share dividends, it will decrease the Group's NA by the cost of the treasury shares.

5.3 Working Capital

The Proposed Renewal of Authority will reduce the working capital of GCB Group, the quantum of which will depend on the purchase prices of its Shares, the actual number of Shares purchased and any associated costs incurred in making the purchase.

5.4 Earnings

The effect of the Proposed Renewal of Authority on the consolidated EPS of the Company will depend on the purchase prices paid for its Shares, the effective funding cost to GCB Group to finance the purchases of its Shares or any loss in interest income to GCB Group, if internally generated funds are utilised to finance the purchase of its Shares.

5. EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY (CONT'D)

5.4 Earnings (Cont'd)

Assuming that any Purchased Shares are retained as treasury shares and resold on Bursa Securities, the effects on the consolidated earnings of the Company will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

5.5 Dividends

The Proposed Renewal of Authority is not expected to have any material impact on the policy of the Board in recommending dividend, if any, to the shareholders. However, the Board may distribute future dividends in the form of the treasury shares purchased pursuant to the Proposed Renewal of Authority.

5.6 Interest of Directors, Major Shareholders and/or persons connected to them

The direct and indirect shareholdings of the Directors, Major Shareholders of GCB and persons connected to them as at LPD are set out as follows:

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5.6 Interest of Directors, Major Shareholders and/or persons connected to them (Cont'd)

Major Shareholders and/or Directors	Direct No. of GCB Shares '000	%*	Indirect No. of GCB Shares '000	%*
Guan Chong Resources Sdn Bhd	251,180	52.56	-	-
Misi Galakan Sdn Bhd	29,080	6.08	-	-
Tay Hoe Lian	12,866	2.69	251,480 ⁽¹⁾	52.62
Tay How Sik @ Tay How Sick	6,240	1.31	60 ⁽²⁾	0.01
Hia Cheng	8,748	1.83	9,631 ⁽³⁾	2.01
Y.Bhg. Dato' Dr. Mohamad Musa Bin Mohd Jamil	106	0.02	29,080 ⁽⁴⁾	6.08
Tan Ah Lai	-	-	-	-
Tay Puay Chuan	60	0.01	-	-
Y.Bhg. Mej Jen Dato Pahlawan Amirudin Mahmud Bin Aladad Khan (Retired)	-	-	-	-

Persons connected to the Directors

Yap Kim Hong	300	0.06	264,046 ⁽⁵⁾	55.25
Tay Jing Ye	60	0.01	6,240 ⁽⁶⁾	1.31
Wong Saow Lai	9,631	2.01	8,748 ⁽⁷⁾	1.83

Notes:

* Excluding 2,240,700 GCB Shares held as treasury shares.

- (1) Deemed interested by virtue of his shareholding in Guan Chong Resources Sdn Bhd pursuant to Section 6A of the Act and his wife's, Yap Kim Hong's shareholding in our Company pursuant to Section 134(12)(c) of the Act.
- (2) Deemed interested by virtue of his daughter, Tay Jing Ye's shareholding in our Company pursuant to Section 134(12)(c) of the Act.
- (3) Deemed interested by virtue of his wife, Wong Saow Lai's shareholding in our Company pursuant to Section 134(12)(c) of the Act.
- (4) Deemed interested by virtue of his shareholding in Misi Galakan Sdn Bhd pursuant to Section 6A of the Act.
- (5) Deemed interested by virtue of her husband, Tay Hoe Lian's shareholdings in our Company and Guan Chong Resources Sdn Bhd pursuant to Section 134(12)(c) of the Act.
- (6) Deemed interested by virtue of her father, Tay How Sik @ Tay How Sick's shareholding in our Company pursuant to Section 134(12)(c) of the Act.
- (7) Deemed interested by virtue of her husband, Hia Cheng's shareholding in our Company pursuant to Section 134(12)(c) of the Act.

6. PURCHASE, RESALE AND CANCELLATION OF TREASURY SHARES MADE IN THE PREVIOUS TWELVE (12) MONTHS

As at the LPD, the Company has repurchased 2,240,700 GCB Shares, all of which are retained as treasury shares. None of the treasury shares was resold or cancelled.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of GCB Shares transacted for the 12 months from May 2015 to April 2016 are as follows:

	High RM	Low RM
2015		
May	0.84	0.83
June	0.79	0.79
July	0.79	0.79
August	0.77	0.77
September	0.85	0.85
October	0.89	0.85
November	1.08	1.00
December	1.41	1.31
2016		
January	1.29	1.24
February	1.22	1.17
March	1.03	1.02

The last transacted market price of our Shares immediately prior to the announcement of the Proposed Renewal of Authority on 5 April 2016

RM1.02

The last transacted market price of our Shares on LPD

RM1.08

(Source: klse.info)

8. PUBLIC SHAREHOLDING SPREAD

The Proposed Renewal of Authority will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the requirement of 25% public shareholding spread under Paragraph 8.02(1) of the Listing Requirements.

As at 1 April 2016, the public shareholding spread of our Company based on the issued and paid-up ordinary share capital of 477,917,752 GCB Shares (after excluding a total of 2,240,700 GCB Shares held as treasury shares) was 27.43%. Our Board will ensure that our Company complies with the minimum public spread of 25% in implementing the Proposed Renewal of Authority.

9. IMPLICATION OF THE CODE

The Code applies in the situation where a shareholder acquires more than 33% of the voting shares of a company or where a shareholder holding more than 33% but less than 50% of the voting shares of a company, acquires more than 2% of the voting shares of a company within a period of 6 months.

9. IMPLICATION OF THE CODE (Cont'd)

As at LPD, the largest shareholder of GCB, namely Tay Hoe Lian, together with persons connected to him, namely Yap Kim Hong and Guan Chong Resources Sdn Bhd, hold approximately 55.31% of the voting shares of GCB. In the event that GCB implements the Proposed Renewal of Authority in full, the shareholding of the largest shareholder, together with persons connected with him, will increase to 61.46%.

Pursuant to the Code, Tay Hoe Lian, together with persons connected to him will be obliged to undertake a mandatory general offer for the remaining GCB Shares not already held by them collectively. Under such circumstances, an exemption from having to comply with a mandatory general offer obligation may be granted by the Securities Commission under Practice Note 2.9.10 of the Code, subject to Tay Hoe Lian and the persons connected to him complying with certain conditions, if the obligation is triggered as a result of action outside their direct participation.

The Directors are mindful of the requirements of the Code and will continue to be mindful of these requirements when making any purchase pursuant to the Proposed Renewal of Authority.

10. APPROVALS REQUIRED

The Proposed Renewal of Authority is subject to the approval of the shareholders of our Company at the forthcoming AGM.

11. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save for the proportionate increase in the percentage shareholdings of the Directors and Major Shareholders in the Company as a result of the Proposed Renewal of Authority, none of the Directors or Major Shareholders and/or persons connected to them, has any interest, direct or indirect, in the Proposed Renewal of Authority or the resale of the treasury shares, if any.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

Your Board, having considered all the aspects of the Proposed Renewal of Authority, is of the opinion that it is in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Authority to be tabled at the forthcoming AGM.

13. AGM

An AGM, the notice of which is enclosed in this Circular, will be held at Sri Ledang, 1st Hall, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, KB No. 779, 80990 Johor Bahru, Johor on 30 May 2016 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions pertaining to the Proposed Renewal of Authority.

If you are unable to attend and vote in person at the AGM, you are requested to complete and return the enclosed Proxy Form, which is set out in the Annual Report 2015 of the Company, in accordance with the instructions contained herein as soon as possible and in any event, so as to arrive at the registered office of our Company at the registered office of our Company at No. 7 (1st Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000, Muar, Johor Darul Takzim not later than 48 hours before the time fixed for holding the AGM or any adjournment thereof. The lodging of the Proxy Form does not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

14. FURTHER INFORMATION

You are requested to refer to the attached Appendix I for further information.

Yours faithfully
For and on behalf of the Board of
GUAN CHONG BERHAD

YBhg Dato' Dr. Mohamad Musa Bin Md. Jamil
(Non-Independent Non-Executive Chairman)

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APPENDIX I – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

2. MATERIAL COMMITMENT AND CONTINGENT LIABILITIES

Save as disclosed below, as at 29 February 2016, there are no material commitments and contingent liabilities incurred or known to be incurred by our Group that is likely to have a material adverse effect on our financial position:

Authorised and contracted for:

Material commitments	Amount RM'000
Lease rental commitments	846
Capital commitments for property, plant and equipment	1,956
Total	2,802

3. MATERIAL CONTRACTS

Our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during 2 years immediately preceding the date of this Circular except for the following:

- (i) On 09 October 2015, GCB entered into a share swap agreement with S M C Food 21 Pte Ltd and SMC Food21 (Malaysia) Sdn. Bhd. ("the Purchaser") to dispose of the entire equity interest in Enrich Mix Sdn. Bhd. ("EM"), representing 1,000,000 ordinary shares of RM1-00 each in EM to the Purchaser for a consideration of RM9,776,721 to be fully satisfied by way of issuance of a total of 9,776,721 new ordinary shares of RM1-00 each in the Purchaser.

4. MATERIAL LITIGATION

As at the LPD, neither GCB nor any of its subsidiaries is engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Directors of GCB do not have any knowledge of proceedings pending or threatened against our Group, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of our Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours (except for public holidays) from the date of this Circular up to and including the date of our forthcoming AGM, at the Registered Office:

- (i) Memorandum and Articles of Association of our Company;
- (ii) the audited consolidated financial statements of our Company for the past two FYEs 2014 and 2015; and
- (iii) The material contracts as set out in Section 3 above.

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