GUAN CHONG BERHAD (Company No. 646226-K)
(Incorporated in Malaysia)

Notes on the quarterly report – 31 December 2009

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 ("FRS 134"): INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements of Guan Chong Berhad ("GCB" or the "Company") and its subsidiaries ("Group") for the financial year ended 31 December 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2008.

Save for the changes in accounting policies as set out in Note A2, the accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the year ended 31 December 2008 except that the group has changed its treatment of investment in associate to other investment as the group has not exercised significant influence over the investee company. Significant influence is the power to participate in the financial and operating policy decisions of the associate. As a result of the change in treatment of other investment, comparative amounts as at 31 December 2008 have been reclassified as follows:

	As previously reported RM'000	Effects of changes in accounting policy RM'000	As restated RM'000
Investment in associate	4,740	(4,740)	-
Other investment	-	3,590	3,590
Foreign currency translation reserve			
- at 1 January 2009 / 31 December 2008	(125)	72	(53)
Retained profits			
- at 1 January 2009 / 31 December 2008	31,137	(1,222)	29,915
- at 1 January 2008	26,557	(1,020)	25,537

A2. Changes in Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the preparation of the financial statements of the Group for the financial year ended 31 December 2008.As at date of authorisation of these interim financial statements, the following new Financial Reporting Standards ("FRSs"), amendments to FRSs and Issues Committee ("IC"") Interpretations have been issued but not yet effective, and therefore have not been applied by the Group and the Company:

		Effective for financial periods beginning on or after
FRS 1	: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	: Business Combinations	1 July 2010
FRS 4	: Insurance Contracts	1 January 2010
FRS 7	: Financial Instruments : Disclosures	1 January 2010

FRS 8	:	Operating Segments	1 July 2009
FRS 101	:	Presentation of Financial Statements	1 January 2010
FRS 123	:	Borrowing Costs	1 January 2010
FRS 127	:	Consolidated and Separate Financial Statements	1 July 2010
FRS 139	:	Financial Instruments : Recognition and Measurement	1 January 2010
Amendments to FRS 1	:	First-time Adoption of Financial Reporting Standards And FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2	:	Share-based Payment – Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2	:	Share-based Payment	1 July 2010
Amendments to FRS 5	:	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 132	:	Financial Instruments: Presentation	1 January 2010
Amendments to FRS 138	:	Intangible Assets	1 July 2010
Amendments to FRS 139	:	Financial Instruments: Recognition and Measurement, FRS7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRS 139	:	Financial Instruments: Recognition and Measurement	1 July 2010
Amendments to FRS contained in the document entitled "Improvements to FRS (2009)"			1 January 2010
IC Interpretation 9	:	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	:	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	:	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12	:	Service Concession Arrangements	1 July 2010
IC Interpretation 13	:	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	:	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15	:	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	:	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	:	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9	:	Reassessment of Embedded Derivatives	1 July 2010

The Group and the Company plans to apply the above applicable FRSs and/or IC Interpretations when effective.

The possible impacts of applying FRS 7 and FRS 139 on the financial statements upon their initial application are not disclosed by virtue of the exemptions given in the respective standards.

The initial application of the above applicable FRSs and/or IC Interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

A3. Auditors' report on preceding annual financial statements

The audited financial statements of the preceding financial year were not subjected to any qualification.

A4. Seasonal or cyclical factors

The cocoa processing industry is, to a certain extent, subject to the seasonal pattern of the consumption of cocoa-based products within a year.

A5. Unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

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A6. Material changes in estimates

There was no material changes in estimates of amounts reported that will have a material effect during the current quarter under review.

A7. Issuances and repayment of debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review.

A8. Dividends paid

A third interim tax-exempt dividend of 6.0% or 1.5 sen per share amounting to RM3,600,000 in respect of financial year ended 31 December 2009 was paid on 28 December 2009.

A9. Segmental information

The segmental information is not prepared as the Group is principally involved in manufacturing and trading of cocoa-derived food ingredients and cocoa related products which is predominantly carried out in Malaysia.

A10. Valuation of property, plant and equipment

The property, plant and equipment of the Group are stated at cost less accumulated depreciation and impairment losses, if any. No revaluation of property, plant and equipment was undertaken during the current quarter under review.

A11. Material events subsequent to the end of the current quarter

There was no material events subsequent to the current quarter ended 31 December 2009 that have not been reflected in this quarterly report.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter ended 31 December 2009.

A13. Contingent liabilities

Save for the corporate guarantee granted by GCB in favour of financial institutions for credit facilities granted to its subsidiaries, neither GCB nor its subsidiaries have any contingent liabilities as at 31 December 2009 which, upon becoming enforceable, may have a material effect on the financial position of GCB or its subsidiaries. Accordingly, the Company is contingent liable to the extent of the credit facilities utilised by its subsidiaries amounting to approximately RM227,818,000 as of the end of the financial period.

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A14. Commitments

(a) Lease commitments

At the end of the current quarter, the Group has the following outstanding land lease rental commitments:-

	RM'000
Authorised and contracted for	1,609

(b) Capital commitments

At the end of the current quarter, capital expenditure of the Group contracted but not provided for are as follows :-

	RM'000
Authorised and contracted for :	
Property, plant and equipment	806

A15. Significant related party transactions

(a) Related party relationship

SMC Food 21 Pte. Ltd. – A company in which certain directors of a subsidiary have financial interest.

Carlyle Cocoa Company, LLC – An associated company of GCB.

(b) Related party transactions

	Current Quarter Ended 31 December 2009 RM'000	Current Year To-Date Ended 31 December 2009 RM'000
SMC Food 21 Pte. Ltd.		
- Sale of goods	1,944	6,767
- Purchase of goods	447	3,254
Carlyle Cocoa Company, LLC		
- Sale of goods	896	5,240

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PART B : ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

The Group's revenue for the current financial period ended 31 December 2009 of RM217.81 million is higher than the revenue in the previous corresponding financial period ended 31 December 2008 of RM150.31 million. The increase of 44.91% in turnover is mainly due to higher sales volume and market price of cocoa products. The profit before tax for the period ended 31 December 2009 increased substantially to RM9.07 million. This is mainly attributed by lower foreign exchange loss incurred in current financial period as compared to RM3.13million incurred in previous corresponding financial period.

B2. Comment on material change in profit before tax

The Group recorded a profit before tax of RM9.07 million for the current quarter as compared to a profit before tax of RM7.41 million in the preceding quarter. The profit before tax increased substantially mainly due to higher revenue generated in current quarter and realised gains arising from commodity future contracts .

B3. Commentary of prospects

The Board of Directors is optimistic about the performance of GCB in the future financial year since the global economy is showing signs of improvement. We believe GCB is well-positioned for growth as many initiatives to improve our competitiveness and profitability have been systematically carried out by the management team.

Barring any unforeseen circumstances, the Board of Directors of GCB expects that the Group's financial performance for the financial year 2010 to be satisfactory.

B4. Profit forecast or profit guarantee

There were no profits forecast or profit guarantee issued by the Group.

B5. Tax expense

	Current Quarter Ended		Current Year To-Date Ended	
	31-Dec-09	31-Dec-08	31-Dec-09	31-Dec-08
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
Current period estimate	2,114	(190)	5,095	1,126
Deferred tax	305	344	482	1,300
	2,419	154	5,577	2,426

The effective tax rate of the Group for the current quarter is higher than the statutory tax rate due principally to the non-allowable expenses incurred by the Group.

B6. Unquoted investments and/or properties

The Group did not acquire or dispose of any unquoted investments and/or properties during the current quarter under review.

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PART B : ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – (cont'd)

B7. Quoted securities

There were no acquisitions or disposals of quoted securities for the current quarter and the financial period-to-date.

B8. Corporate proposals

There were no corporate proposals announced but not completed as at the date of this report.

B9. Borrowings

The Group's borrowings at the end of the current quarter are as follows:

	RM'000
Short-term borrowings	207,827
Long-term borrowings	20,386
Total Borrowings	**228,213**

B10. Off balance sheet financial instruments

(a) The Group entered into forward foreign exchange contracts to limit the exposure to potential changes in foreign currency exchange rates with respect to the Group's estimated foreign currency denominated receipts and payments.

Total off balance sheet forward foreign exchange contracts outstanding as at 19 February 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) in Ringgit equivalent was RM168.136 million. The maturity period of these contracts is range from 1 to 4 months.

All gains and losses arising from forward foreign exchange contracts are dealt with through the Income Statement upon maturity.

(b) Structured foreign exchange contracts entered into by the Group and outstanding as at 19 February 2010 are as follows:

Description	Notional Amount	Effective Period
USD/RM Target Redemption Forward	USD2.20 million	February 2009 to March 2011

The above contracts were entered into as hedges for USD sales and purchases denominated in foreign currencies and to limit the exposure to potential changes in foreign exchange rates with respect to subsidiaries' foreign currencies denominated estimated receipts.

(c) Commodity future contracts entered into and outstanding as at 19 February 2010 are as follows:

Description	Ringgit Equivalent (RM' mil)	Maturity Period
Sale contracts	93.279	September 2010 to May 2011
Purchase contracts	93.872	May 2010 to May 2011

The above commodity future contracts were entered into as hedges for the respective exposure of the Group to adverse price movements in cocoa commodity prices.

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PART B : ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – (cont'd)

B11. Material litigation

As disclosed during the previous quarter ended 30 September 2009, the marine cargo insurance claim made by Guan Chong Cocoa Manufacturer Sdn. Bhd.("GCC"), a wholly-owned subsidiary company of GCB against Malaysian Assurance Alliance Berhad ("MAA") in respect of the damages suffered on a shipment of bagged cocoa shipped on the vessel "Pratiwi" from Pantolon, Palu Indonesia to Pasir Gudang, Johore sometime in July 2001 was dismissed by the both High Court on 15 May 2006 and Court of Appeal on 12 October 2009.

B12. Dividend declared or recommended

On 24 February 2010, the Board declared the first interim dividend in respect of financial year ending 31 December 2010 to shareholders registered in the Record of Depositors at close of business on 18 March 2010 and subsequently will be paid on 26 March 2010:

	RM
- 2% tax exempt or 0.5 sen per share	1,200,000
- 4% less tax at 25% or 0.75 sen per share	1,800,000
	3,000,000

B13. Earnings per share

The basic earnings per share for the current quarter under review and current year to-date are computed as follows:-

	Current Quarter Ended		**Current Year To-Date Ended**	
	31-Dec-09	**31-Dec-08**	**31-Dec-09**	**31-Dec-08**
Net profit attributable to ordinary equity holders of the Company (RM'000)	6,592	(312)	14,187	6,778
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Basic earnings per share (sen)	2.75	(0.13)	5.91	2.82

BY ORDER OF THE BOARD

Tay Hoe Lian
Managing Director
Dated: 24.02.2010