

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 31 March 2013 – unaudited

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current	Preceding Year	Current Year	Preceding Year
		Quarter	Corresponding	To-Date	To-Date
		Ended	Quarter Ended	Ended	Ended
		31 March		31 March	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Revenue		364,283	354,340	364,283	354,340
<b>Profit from operations</b>		25,394	45,283	25,394	45,283
Finance costs		(2,674)	(2,600)	(2,674)	(2,600)
<b>Profit before tax</b>	A10	22,720	42,683	22,720	42,683
Tax expense	A11	(5,855)	(11,249)	(5,855)	(11,249)
<b>Profit for the period</b>		16,865	31,434	16,865	31,434
<b>Other comprehensive income</b>					
<u>Items that may be reclassified subsequently to profit or loss</u>					
Foreign currency translation		1,383	(318)	1,383	(318)
<b>Total other comprehensive income for the period</b>		1,383	(318)	1,383	(318)
<b>Total comprehensive income for the period</b>		18,248	31,116	18,248	31,116
<b>Profit attributable to:</b>					
Owners of the Company		16,539	31,303	16,539	31,303
Non-controlling interests		326	131	326	131
<b>Profit for the period</b>		16,865	31,434	16,865	31,434
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		17,922	30,985	17,922	30,985
Non-controlling interests		326	131	326	131
<b>Total comprehensive income for the period</b>		18,248	31,116	18,248	31,116
<b>Basic earnings per ordinary share (sen)</b>	A12(a)	3.47	6.57	3.47	6.57
<b>Diluted earnings per ordinary share (sen)</b>	A12(b)	3.33	6.35	3.33	6.35

*The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.*

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 March 2013 – unaudited

	Note	31 March 2013 RM'000	31 December 2012 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		329,760	312,266
Prepaid lease payments	A13	13,029	13,075
Intangible assets	A14	14,298	13,939
Deferred tax assets		12	12
		<u>357,099</u>	<u>339,292</u>
<b>Current assets</b>			
Derivative financial assets		6,623	1,563
Inventories		506,289	524,611
Trade and other receivables		220,169	212,760
Prepayments and other assets		19,654	12,057
Deposits, bank and cash balances		28,327	52,231
		<u>781,062</u>	<u>803,222</u>
<b>Total assets</b>		<b><u>1,138,161</u></b>	<b><u>1,142,514</u></b>
<b>Equity</b>			
Share capital		119,629	119,629
Treasury shares		(5,195)	(5,195)
Foreign currency translation reserve		662	(721)
Retained profits		236,101	226,706
<b>Equity attributable to owners of the Company</b>		<u>351,197</u>	<u>340,419</u>
<b>Non-controlling interests</b>		<u>4,321</u>	<u>3,905</u>
<b>Total equity</b>		<u>355,518</u>	<u>344,324</u>
<b>Non-current liabilities</b>			
Loans and borrowings	A16	110,968	112,361
Provision for employee benefit		367	360
Deferred tax liabilities		16,679	15,861
		<u>128,014</u>	<u>128,582</u>
<b>Current liabilities</b>			
Derivative financial liabilities		825	2,056
Trade and other payables		151,260	142,428
Loans and borrowings	A16	487,738	512,965
Tax payable		14,806	12,159
		<u>654,629</u>	<u>669,608</u>
<b>Total liabilities</b>		<u>782,643</u>	<u>798,190</u>
<b>Total equity and liabilities</b>		<b><u>1,138,161</u></b>	<b><u>1,142,514</u></b>
<b>Net assets per share (sen)</b>			
attributable to owners of the Company		<u>73.74</u>	<u>71.48</u>

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 31 March 2013 – unaudited

	Attributable To Owners Of The Company					Non-controlling Interests	Total Equity	
	Non-distributable			Distributable				
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	Total RM'000	RM'000	
<b>Balance at 1 January 2013</b>	119,629	(5,195)	-	(721)	226,706	340,419	3,905	344,324
Profit for the year	-	-	-	-	16,539	16,539	326	16,865
Other comprehensive income for the year:								
foreign currency translation	-	-	-	1,383	-	1,383	-	1,383
<b>Total comprehensive income for the year</b>	-	-	-	1,383	16,539	17,922	326	18,248
Acquisition of subsidiaries	-	-	-	-	-	-	90	90
Dividends	-	-	-	-	(7,144)	(7,144)	-	(7,144)
Contribution from/distribution to owners of the Company	-	-	-	-	(7,144)	(7,144)	90	(7,054)
<b>Balance at 31 March 2013</b>	119,629	(5,195)	-	662	236,101	351,197	4,321	355,518
<b>Balance at 1 January 2012</b>	79,936	(5,195)	4	1,461	185,739	261,945	6,348	268,293
Profit for the year	-	-	-	-	118,982	118,982	885	119,867
Other comprehensive income for the year:								
foreign currency translation	-	-	-	(1,709)	-	(1,709)	-	(1,709)
<b>Total comprehensive income for the year</b>	-	-	-	(1,709)	118,982	117,273	885	118,158
Issuance of bonus shares	39,689	-	(29)	-	(39,660)	-	-	-
Conversion of free warrants	4	-	25	-	-	29	-	29
Acquisition of subsidiaries	-	-	-	(436)	-	(436)	-	(436)
Change in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	(37)	(254)	(291)	(3,328)	(3,619)
Dividends	-	-	-	-	(38,101)	(38,101)	-	(38,101)
Contribution from/distribution to owners of the Company	39,693	-	(4)	(473)	(78,015)	(38,799)	(3,328)	(42,127)
<b>Balance at 31 December 2012</b>	119,629	(5,195)	-	(721)	226,706	340,419	3,905	344,324

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 For the period ended 31 March 2013 – unaudited

	Three Month Ended	
	31-Mar-13 RM'000	31-Mar-12 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	22,720	42,683
Adjustments for:		
Non-cash and non-operating items	(2,747)	6,123
Operating profit before working capital changes	<u>19,973</u>	<u>48,806</u>
Changes in working capital		
Net change in current assets	3,576	58,315
Net change in current liabilities	13,047	(12,788)
Cash generated from operations	<u>36,596</u>	<u>94,333</u>
Tax paid	(2,411)	(4,220)
Interest paid	(2,123)	(1,936)
Interest received	137	50
<b>Net cash from operating activities</b>	<u>32,199</u>	<u>88,227</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(20,173)	(10,737)
Acquisition of subsidiary	(319)	(9,997)
Payment for the lease rental	(124)	(15,830)
Others	236	(24)
<b>Net cash (used in) investing activities</b>	<u>(20,380)</u>	<u>(36,588)</u>
<b>Cash flows from financing activities</b>		
Bank and other borrowings	(27,879)	(20,703)
Net increase in fixed deposit pledged	(650)	(343)
Dividend paid	(7,144)	(19,050)
<b>Net cash from financing activities</b>	<u>(35,673)</u>	<u>(40,096)</u>
Net increase in cash and cash equivalents	(23,854)	11,543
Effect of exchange rate changes	(77)	3,982
Cash and cash equivalents at the beginning of financial period	51,166	12,583
<b>Cash and cash equivalents at the end of financial period</b>	<u>27,235</u>	<u>28,108</u>
<b>Cash and cash equivalents at the end of financial period comprise of :</b>		
Deposits, bank and cash balances	28,327	28,803
Bank overdrafts	-	-
	<u>28,327</u>	<u>28,803</u>
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(1,092)	(695)
	<u>27,235</u>	<u>28,108</u>

*The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.*

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**A. Explanatory notes pursuant to MFRS 134**

**A1. Basis of preparation**

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

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 2012. 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 2012.

**A2. Significant accounting policies**

The audited financial statements of the Group for the year ended 31 December 2012 were prepared in accordance with MFRS. The significant accounting policies adopted in preparing this Condensed Report are consistent with those of the audited financial statements for the financial year ended 31 December 2012, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2013. The adoptions of these standards, amendments and IC interpretations have no material impact on this Condensed Report.

**A3. 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.

**A4. Unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows**

Other than those stated in the notes, there are no other items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidence.

**A5. 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.

**A6. 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.

**A7. Dividends paid**

First interim tax-exempt single-tier dividend of 6% equivalent to 1.5 sen per ordinary share in respect of the financial year ending 31 December 2013 was declared on 27 February 2013 and subsequently paid on 28 March 2013. The payment was made to shareholders whose names appeared in the Company’s Record of Depositors on 14 March 2013.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**A8. Segmental information**

The Group presenting segmental information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the assets.

<b>Three Month Ended 31 March 2013</b>	<b>Malaysia RM'000</b>	<b>Singapore RM'000</b>	<b>Indonesia RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Geographical Segments:</b>						
Total external revenue	189,747	161,113	-	13,423	-	364,283
Internal segment revenue	60,787	334,070	191,480	30	(586,367)	-
<b>Total revenue</b>	<b>250,534</b>	<b>495,183</b>	<b>191,480</b>	<b>13,453</b>	<b>(586,367)</b>	<b>364,283</b>
<b>Segment result</b>	<b>23,081</b>	<b>(3,449)</b>	<b>10,165</b>	<b>1,384</b>	<b>(1,064)</b>	<b>30,117</b>
Interest income						137
Finance cost						(2,674)
Depreciation & amortisation						(4,860)
Profit before tax						22,720
Tax expenses						(5,855)
Profit for the period						16,865
<b>Segment assets</b>	<b>505,121</b>	<b>144,274</b>	<b>461,288</b>	<b>27,049</b>	<b>-</b>	<b>1,137,732</b>
Deferred tax assets						12
Tax recoverable						417
<b>Total assets</b>						<b>1,138,161</b>
<b>Segment liabilities</b>	<b>45,756</b>	<b>97,876</b>	<b>8,143</b>	<b>677</b>	<b>-</b>	<b>152,452</b>
Deferred tax liabilities						16,679
Tax payables						14,806
Borrowings						598,706
						782,643

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**A8. Segmental information – (cont'd)**

Three Months Ended 31 March 2012	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<b>Geographical Segments:</b>						
Total external revenue	184,024	170,293	23	-	-	354,340
Internal segment revenue	64,010	203,172	143,722	30	(410,934)	-
<b>Total revenue</b>	<b>248,034</b>	<b>373,465</b>	<b>143,745</b>	<b>30</b>	<b>(410,934)</b>	<b>354,340</b>
<b>Segment result</b>	<b>37,249</b>	<b>5,825</b>	<b>7,973</b>	<b>(1,087)</b>	<b>(1,150)</b>	<b>48,810</b>
Interest income						50
Finance cost						(2,600)
Depreciation & amortisation						(3,577)
Profit before tax						42,683
Tax expenses						(11,249)
Profit for the period						31,434
<b>Segment assets</b>	<b>511,439</b>	<b>73,487</b>	<b>272,622</b>	<b>7,234</b>	<b>-</b>	<b>864,782</b>
Other long term investment						3,590
Unallocated assets						163
<b>Total assets</b>						<b>868,535</b>
<b>Segment liabilities</b>	<b>364,640</b>	<b>196,787</b>	<b>13,794</b>	<b>458</b>	<b>-</b>	<b>575,679</b>
						<b>575,679</b>

**A9. Changes in the composition of the Group**

On 27 February 2013, GCB Specialty Chocolates Sdn. Bhd. ("GCBSC"), a subsidiary of the Company subscribed 110 ordinary shares of RM 1.00 each in GCB Gourmet Sdn. Bhd. ("GCBG") representing 55% equity interest in GCBG for a total cash consideration of RM 110.

On 19 April 2013, GCBSC subscribed to 109,890 new ordinary shares of RM 1.00 each in GCBG by way of cash. Upon completion of the subscription, GCBSC hold 55% equity interest of the enlarged paid-up capital of GCBG. GCBG in turn became an indirect subsidiary of the Company.

Other than the above, there were no other changes to the corporate structure of the Group for the financial period ended 31 March 2013.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**A10. Profit before tax**

Included in the profit before tax are the following items:

	<b>Current Quarter Ended 31-Mar-13 RM'000</b>	<b>Current Year To-Date 31-Mar-13 RM'000</b>
Amortisation of prepaid lease payments	149	149
Amortisation of intangible assets	37	37
Depreciation	4,675	4,675
Realised loss on foreign exchange	754	754
Unrealised gain on foreign exchange	(1,733)	(1,733)
Realised gain on commodity future contracts	(808)	(808)
Realised gain on forward currency contracts	(1,449)	(1,449)
Unrealised gain on commodity future contracts	(705)	(705)
Unrealised gain on forward currency contracts	(5,607)	(5,607)
Unrealised loss on currency option contracts	514	514
Gain on disposal of property, plant and equipment	(138)	(138)
Impairment loss reversal on trade receivables	(653)	(653)
Interest expense	2,123	2,123
Interest income	(137)	(137)

**A11. Tax expense**

	<b>Current Quarter Ended</b>		<b>Current Year To-Date Ended</b>	
	<b>31-Mar-13 RM'000</b>	<b>31-Mar-12 RM'000</b>	<b>31-Mar-13 RM'000</b>	<b>31-Mar-12 RM'000</b>
Income tax expense:				
Current period estimate	5,059	9,410	5,059	9,410
Deferred tax	796	1,839	796	1,839
	<u>5,855</u>	<u>11,249</u>	<u>5,855</u>	<u>11,249</u>

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate for the current interim period was higher than the statutory tax rate principally due to certain expenses which are not deductible for tax purposes.

The Group's effective tax rate for the corresponding interim period ended 31 March 2012 was higher than the statutory tax rate due principally to certain expenses which are not deductible for tax purposes.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**A12. Earnings per share**

- (a) Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the financial period as follows:-

	Current Quarter Ended		Current Year To-Date Ended	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Profit for the financial period attributable to owners of the Company (RM'000)	16,539	31,303	16,539	31,303
Weighted average number of ordinary shares in issue ('000)	476,274	476,259	476,274	476,259
Basic earnings per share (sen)	3.47	6.57	3.47	6.57

- (b) For the purpose of calculating diluted EPS, profit for the period and the weighted average number of ordinary shares in issue during the financial period have been adjusted for the dilutive effects of all potential ordinary shares convert under warrants issued as shown below:

	Current Quarter Ended		Current Year To-Date Ended	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Profit for the financial period attributable to owners of the Company (RM'000)	16,539	31,303	16,539	31,303
Weighted average number of ordinary shares in issue ('000)	476,274	476,259	476,274	476,259
Effect of dilution of warrants	20,699	16,862	20,699	16,862
Adjusted weighted average number of ordinary shares in issue and issuales	<u>496,973</u>	<u>493,121</u>	<u>496,973</u>	<u>493,121</u>
Diluted earnings per share (sen)	3.33	6.35	3.33	6.35

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**A13. Prepaid lease payments**

	31-Mar-13 RM'000	31-Dec-12 RM'000
<b>Cost:</b>		
At 1 January	14,058	7,017
Add: Payment for sub-leases	124	124
Additions	24	6,917
	<u>14,206</u>	<u>14,058</u>
Less: Amortisation of prepaid lease payments	(689)	(541)
Sub-lease rental	(417)	(259)
Foreign exchange difference	(71)	(183)
At 31 December	<u>13,029</u>	<u>13,075</u>
<b>Analysed as:</b>		
Sub-leases of warehouse	1,321	1,355
Leasehold land	11,708	11,720
	<u>13,029</u>	<u>13,075</u>

**A14. Intangible assets**

	Goodwill RM'000	Technical know- how RM'000	Clientele list RM'000	Total RM'000
<b>Cost:</b>				
At 1 January 2013 / 31 December 2012	12,247	1,016	972	14,235
Adjustment	396	-	-	396
At 31 March 2013	<u>12,643</u>	<u>1,016</u>	<u>972</u>	<u>14,631</u>
<b>Accumulated amortisation and impairment</b>				
At 1 January 2012	-	(51)	(97)	(148)
Amortisation	-	(51)	(97)	(148)
At 31 December 2012 and 1 January 2013	-	(102)	(194)	(296)
Amortisation	-	(13)	(24)	(37)
At 31 March 2013	<u>-</u>	<u>(115)</u>	<u>(218)</u>	<u>(333)</u>
<b>Net carrying amount:</b>				
At 31 December 2012	12,247	914	778	13,939
At 31 March 2013	<u>12,643</u>	<u>901</u>	<u>754</u>	<u>14,298</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**A15. Fair value hierarchy**

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs that are based on observable market data, either directly or indirectly
- Level 3 – Inputs that are based on observable market data

As at reporting date, the Group held the following financial assets that are measured at fair value:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000
<b>31 March 2013</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	6,282	-	6,282
- commodity futures contract	341	-	-	341
	<u>341</u>	<u>6,282</u>	<u>-</u>	<u>6,623</u>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- option foreign currency contracts	-	514	-	514
- commodity futures contract	311	-	-	311
	<u>311</u>	<u>514</u>	<u>-</u>	<u>825</u>
<b>31 December 2012</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	70	-	70
- commodity futures contract	1,493	-	-	1,493
	<u>1,493</u>	<u>70</u>	<u>-</u>	<u>1,563</u>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	1,449	-	1,449
- commodity futures contract	607	-	-	607
	<u>607</u>	<u>1,449</u>	<u>-</u>	<u>2,056</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**A16. Loans and borrowings**

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

	Denominated in currency	31-Mar-13 RM'000	31-Dec-12 RM'000
<b>Current</b>			
Secured			
- Bank overdrafts	RM	-	61
- Bankers' acceptances	RM	3,302	2,767
- Term loans	RM	4,116	3,615
	USD	18,674	16,650
	SGD	1,006	1,044
- Trade loans	USD	442,244	474,874
- Revolving credit	RM	18,167	13,709
- Obligation under finance leases	RM	229	245
		<u>487,738</u>	<u>512,965</u>
<b>Non-Current</b>			
Secured			
- Term loans	RM	16,929	17,280
	USD	93,546	94,536
- Obligation under finance leases	RM	493	545
		<u>110,968</u>	<u>112,361</u>
		<u><b>598,706</b></u>	<u><b>625,326</b></u>

**A17. Contingent liabilities**

There were no material contingent liabilities as at 31 March 2013.

**A18. 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	<u>3,407</u>

**(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
<b>Authorised and contracted for :</b>	
Property, plant and equipment	<u>26,854</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**A19. 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.

**(b) Related party transactions**

	<b>Current Quarter Ended</b>	<b>Current Year To-Date</b>
	<b>31 March 2013</b>	<b>31 March 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>SMC Food 21 Pte. Ltd.</b>		
- Sale of goods	1,472	1,472
- Purchase of goods	2,262	2,262
	<b>_____</b>	<b>_____</b>

**A20. Material events subsequent to the end of the current quarter**

There was no material events subsequent to the current quarter ended 31 March 2013 that have not been reflected in this quarterly report.

[Intentionally left blank]

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**B. Explanatory notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A**

**B1. Review of performance**

The Group's revenue of RM 364.28 million for the current quarter ended 31 March 2013 is higher than the revenue in the previous corresponding quarter ended 31 March 2012 of RM 354.34 million. The increase of 2.8% in turnover is mainly due to higher sales volume of cocoa products.

The profit before tax for the quarter ended 31 March 2013 decreased to RM 22.72 million as compared with to the profit before tax of RM 42.68million in the preceding year corresponding quarter ended 31 March 2012. This is mainly due to lower gross profit margin which was resulted from decrease in average selling price of cocoa products, and lower of net gains arising from foreign exchange due to depreciation of Ringgit Malaysia.

**B2. Comment on material change in profit before tax**

The Group recorded a profit before tax of RM 22.72 million for the current quarter as compared to a profit before tax of RM 31.20 million in the preceding quarter. This is mainly due to lower gross profit margin and lower of net gains on commodity future contracts.

**B3. Commentary of prospects**

The Group expects the business environment for the financial year ending 31 December 2013 to be challenging. The cocoa bean prices continue to be volatile in the midst of an uncertain cocoa market consolidation. Nevertheless, the Group is well-positioned for growth as many forward-looking initiatives to enhance our competitiveness and profitability have been carried out strategically. By doing so, GCB are able to strengthen our position as global integrated cocoa ingredient producer.

Despite the uncertainties above, and the very competitive cocoa market, the Board of Directors is optimistic of the performance of GCB for the financial year 2013.

**B4. Profit forecast or profit guarantee**

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

**B5. Corporate proposals**

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

[Intentionally left blank]

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**B6. Derivative financial instruments**

Details of the outstanding derivative financial instruments as at 31 March 2013 are as follows:

	<b>Derivative</b>	<b>Contract Amount RM'000</b>	<b>Fair Value - Net Gains/ (Losses) RM'000</b>	<b>Purpose</b>
1	Forward Foreign Exchange Contracts: Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year	207,065  91,563	6,345  (738)	For hedging currency risk
2	Target Redemption Forward Currency Option: Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year	35,512  30,263	(149)  (365)	For hedging currency risk
3	Commodity Futures Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year	(21,786)  39,079	1,911  (1,206)	For hedging price risk

The fair values of the above derivatives are determined by using the market rates at the end of reporting period and changes in the fair values are recognised in the profit and loss. The subsequent cumulative change in the fair value of the commitment attributable to the hedged risk is recognised as an asset or a liability with the corresponding gain or loss recognised in the profit or loss.

There have been no significant changes to the Group's exposure credit risk, market risk and liquidity risk from the previous financial year. Also, there have been no changes to the Group's risk management objectives, policies and processes since the previous financial year end.

**B7. Material litigation**

There was no material litigation against the Group as at the date of these interim financial statements.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2013**

**B8. Dividend declared or recommended**

On 31 May 2013, the board declared the second interim tax-exempt single-tier dividend of 6% equivalent to 1.5 sen per ordinary share in respect of financial year ending 31 December 2013 to shareholders registered in the Record of Depositors at close of business on 18 June 2013 and subsequently will be paid on 2 July 2013.

**B9. Realised and Unrealised Profits/Losses Disclosure**

The retained profits as at 31 March 2013 and 31 December 2012 is analysed as follows:-

	<b>Current Quarter Ended 31-Mar-13 RM'000</b>	<b>Preceding Year To-Date Ended 31-Dec-12 RM'000</b>
Total retained profits of the Company and the subsidiaries:		
- Realised	265,537	254,830
- Unrealised	(14,430)	(13,896)
	<u>251,107</u>	<u>240,934</u>
Less: Consolidated adjustments	(15,006)	(14,228)
Total group retained profits as per consolidated financial statements	<u>236,101</u>	<u>226,706</u>

**B10. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

Tay Hoe Lian  
 Managing Director  
 Dated: 31.05.2013