

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 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
		30 June		30 June	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Revenue		299,129	312,843	663,412	667,183
Profit from operations		12,294	43,289	37,688	88,572
Finance costs		(2,861)	(3,212)	(5,535)	(5,812)
Profit before tax	A10	9,433	40,077	32,153	82,760
Tax expense	A11	(1,573)	(4,822)	(7,428)	(16,071)
Profit for the period		7,860	35,255	24,725	66,689
Other comprehensive income, net of tax					
Exchange differences on translation foreign operations		2,939	2,540	4,322	2,222
Hedge of net investment		-	-	-	-
Total other comprehensive income for the period, net of tax		2,939	2,540	4,322	2,222
Total comprehensive income for the period		10,799	37,795	29,047	68,911
Profit attributable to:					
Owners of the Company		7,427	35,302	23,966	66,605
Non-controlling interests		433	(47)	759	84
Profit for the period		7,860	35,255	24,725	66,689
Total comprehensive income attributable to:					
Owners of the Company		10,366	37,842	28,288	68,827
Non-controlling interests		433	(47)	759	84
Total comprehensive income for the period		10,799	37,795	29,047	68,911
Basic earnings per ordinary share (sen)	A12(a)	1.56	7.41	5.03	13.99
Diluted earnings per ordinary share (sen)	A12(b)	1.48	7.05	4.80	13.40

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 SECOND QUARTER ENDED 30 JUNE 2013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013 – unaudited

	Note	30 June 2013 RM'000	31 December 2012 RM'000
Assets			
Non-current assets			
Property, plant and equipment		343,898	312,266
Prepaid lease payments	A13	13,052	13,075
Intangible assets	A14	14,260	13,939
Deferred tax assets		12	12
		<u>371,222</u>	<u>339,292</u>
Current assets			
Derivative financial assets		19,992	1,563
Inventories		508,074	524,611
Trade and other receivables		175,787	212,760
Prepayments and other assets		24,952	12,057
Deposits, bank and cash balances		48,908	52,231
		<u>777,713</u>	<u>803,222</u>
Total assets		<u>1,148,935</u>	<u>1,142,514</u>
Equity			
Share capital		119,629	119,629
Treasury shares		(5,195)	(5,195)
Foreign currency translation reserve		3,601	(721)
Retained profits		236,384	226,706
Equity attributable to owners of the Company		354,419	340,419
Non-controlling interests		4,754	3,905
Total equity		<u>359,173</u>	<u>344,324</u>
Non-current liabilities			
Loans and borrowings	A16	113,334	112,361
Provision for employee benefit		373	360
Deferred tax liabilities		15,342	15,861
		<u>129,049</u>	<u>128,582</u>
Current liabilities			
Derivative financial liabilities		5,333	2,056
Trade and other payables		113,880	142,428
Loans and borrowings	A16	535,974	512,965
Dividend payables		-	-
Tax payable		5,526	12,159
		<u>660,713</u>	<u>669,608</u>
Total liabilities		<u>789,762</u>	<u>798,190</u>
Total equity and liabilities		<u>1,148,935</u>	<u>1,142,514</u>
Net assets per share (sen)			
attributable to owners of the Company		<u>74.41</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 SECOND QUARTER ENDED 30 JUNE 2013

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 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	
Balance at 1 January 2013	119,629	(5,195)	-	(721)	226,706	340,419	3,905	344,324
Profit for the year	-	-	-	-	23,966	23,966	759	24,725
Other comprehensive income for the year:								
foreign currency translation	-	-	-	4,322	-	4,322	-	4,322
Total comprehensive income for the year	-	-	-	4,322	23,966	28,288	759	29,047
Acquisition of subsidiaries							90	90
Dividends	-	-	-	-	(14,288)	(14,288)	-	(14,288)
Contribution from/distribution to owners of the Company	-	-	-	-	(14,288)	(14,288)	90	(14,198)
Balance at 30 June 2013	119,629	(5,195)	-	3,601	236,384	354,419	4,754	359,173
Balance at 1 January 2012	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)
Total comprehensive income for the year	-	-	-	(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)
Balance at 31 December 2012	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 SECOND QUARTER ENDED 30 JUNE 2013

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 For the period ended 30 June 2013 – unaudited

	Six Month Ended	
	30-Jun-13 RM'000	30-Jun-12 RM'000
Cash flows from operating activities		
Profit before tax	32,153	82,760
Adjustments for:		
Non-cash and non-operating items	25,817	13,612
Operating profit before working capital changes	<u>57,970</u>	<u>96,372</u>
Changes in working capital		
Net change in current assets	17,641	(5,091)
Net change in current liabilities	<u>(25,554)</u>	<u>(35,554)</u>
Cash generated from operations	50,057	55,727
Tax paid	(14,642)	(16,436)
Interest paid	(4,471)	(4,215)
Interest received	367	140
Net cash from operating activities	<u>31,311</u>	<u>35,216</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(35,446)	(34,521)
Payment for additional leasehold land	(25)	(16,196)
Acquisition of subsidiary	-	(9,997)
Payment for the lease rental	(124)	-
Others	205	247
Net cash (used in) investing activities	<u>(35,390)</u>	<u>(60,467)</u>
Cash flows from financing activities		
Bank and other borrowings	17,175	65,239
Conversion of warrants to ordinary shares	-	3
Changes in fixed deposits pledged	(106)	(369)
Proceeds from non-controlling shareholders	90	-
Dividend paid	<u>(14,606)</u>	<u>(26,988)</u>
Net cash from financing activities	<u>2,553</u>	<u>37,885</u>
Net increase in cash and cash equivalents	(1,526)	12,634
Effect of exchange rate changes	(1,840)	988
Cash and cash equivalents at the beginning of financial period	51,166	12,583
Cash and cash equivalents at the end of financial period	<u>47,800</u>	<u>26,205</u>
Cash and cash equivalents at the end of financial period comprise of :		
Deposits, bank and cash balances	48,908	27,361
Bank overdrafts	-	(435)
	<u>48,908</u>	<u>26,926</u>
Less : Non-cash and cash equivalents		
Fixed deposits pledged to bank as collateral	(1,108)	(721)
	<u>47,800</u>	<u>26,205</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 – SECOND QUARTER ENDED 30 JUNE 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

Second interim tax-exempt single-tier dividend of 6% equivalent to 1.5 sen per ordinary share amounting to RM7,144,104 in respect of financial year ending 31 December 2013 was declared on 31 May 2013 and subsequently paid on 2 July 2013. The payment was made to the shareholders whose names appeared in the Company’s Record of Depositors on 18 June 2013.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 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.

Six Month Ended 30 June 2013	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:						
Total external revenue	355,613	282,351	340	25,108	-	663,412
Internal segment revenue	90,009	603,404	342,872	60	(1,036,345)	-
Total revenue	445,622	885,755	343,212	25,168	(1,036,345)	663,412
Segment result	23,525	5,193	16,883	3,766	(1,961)	47,406
Interest income						367
Finance cost						(5,535)
Depreciation & amortisation						(10,085)
Profit before tax						32,153
Tax expenses						(7,428)
Profit for the period						24,725
Segment assets	494,375	166,680	462,645	24,806	-	1,148,506
Deferred tax assets						12
Tax recoverable						417
Total assets						1,148,935
Segment liabilities	43,337	68,993	6,806	450	-	119,586
Deferred tax liabilities						15,342
Tax payables						5,526
Borrowings						649,308
						789,762

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2013

A8. Segmental information – (cont'd)

Six Months Ended 30 June 2012	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:						
Total external revenue	345,754	321,406	23	-	-	667,183
Internal segment revenue	128,631	514,605	225,717	60	(869,013)	-
Total revenue	474,385	836,011	225,740	60	(869,013)	667,183
Segment result	45,004	34,642	14,796	3,330	(1,692)	96,080
Interest income						140
Finance cost						(5,812)
Depreciation & amortisation						(7,648)
Profit before tax						82,760
Tax expenses						(16,071)
Profit for the period						66,689
Segment assets	530,662	60,960	370,839	7,704	-	970,165
Other long term investment						3,590
Unallocated assets						190
Total assets						973,945
Segment liabilities	405,165	236,390	8,871	803	-	651,229
						651,229

A9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2013

A10. Profit before tax

Included in the profit before tax are the following items:

	Current Quarter Ended 30-Jun-13 RM'000	Current Year To-Date 30-Jun-13 RM'000
Amortisation of prepaid lease payments	339	488
Amortisation of intangible assets	37	74
Depreciation	4,848	9,523
Realised gain on foreign exchange	(1,806)	(1,052)
Unrealised loss on foreign exchange	2,552	819
Realised gain on commodity future contracts	(6,712)	(7,520)
Realised loss on forward currency contracts	1,519	70
Unrealised gain on commodity option contracts	(15,505)	(16,210)
Unrealised loss on commodity option contracts	1,181	1,181
Unrealised (gain)/ loss on forward currency contracts	4,220	(1,387)
Unrealised loss on currency option contracts	1,654	2,168
(Gain)/ loss on disposal of property, plant and equipment	2	(136)
Impairment loss reversal on trade receivables	653	-
Write down of inventories	14,741	25,191
Interest expense	2,348	4,471
Interest income	(230)	(367)

A11. Tax expense

	Current Quarter Ended		Current Year To-Date Ended	
	30-Jun-13 RM'000	30-Jun-12 RM'000	30-Jun-13 RM'000	30-Jun-12 RM'000
Income tax expense:				
- Current period estimate	3,085	7,857	8,144	17,267
- Overprovision in prior year	(134)	(141)	(134)	(141)
Deferred tax				
- Reversal of temporary differences	(1,257)	(2,894)	(461)	(1,055)
- Overprovision in prior year	(121)	-	(121)	-
	<u>1,573</u>	<u>4,822</u>	<u>7,428</u>	<u>16,071</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 lower than the statutory tax rate principally due to reversal of temporary differences.

The Group's effective tax rate for the corresponding interim period ended 30 June 2012 was lower than the statutory tax rate due principally to claim of tax incentives.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 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	
	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12
Profit for the financial period attributable to owners of the Company (RM'000)	7,427	35,302	23,966	66,605
Weighted average number of ordinary shares in issue ('000)	476,274	476,259	476,274	476,259
Basic earnings per share (sen)	1.56	7.41	5.03	13.99

- (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	
	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12
Profit for the financial period attributable to owners of the Company (RM'000)	7,427	35,302	23,966	66,605
Weighted average number of ordinary shares in issue ('000)	476,274	476,259	476,274	476,259
Effect of dilution of warrants	24,013	24,396	22,546	20,956
Adjusted weighted average number of ordinary shares in issue and issuales	<u>500,287</u>	<u>500,655</u>	<u>498,820</u>	<u>497,215</u>
Diluted earnings per share (sen)	1.48	7.05	4.80	13.40

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2013

A13. Prepaid lease payments

	30-Jun-13 RM'000	31-Dec-12 RM'000
Cost:		
At 1 January	14,058	7,017
Add: Payment for sub-leases	124	124
Additions	25	6,917
	<u>14,207</u>	<u>14,058</u>
Less: Amortisation of prepaid lease payments	(838)	(541)
Sub-lease rental	(451)	(259)
Foreign exchange difference	134	(183)
At 31 December	<u>13,052</u>	<u>13,075</u>
Analysed as:		
Sub-leases of warehouse	1,287	1,355
Leasehold land	11,765	11,720
	<u>13,052</u>	<u>13,075</u>

A14. Intangible assets

	Goodwill RM'000	Technical know- how RM'000	Clientele list RM'000	Total RM'000
Cost:				
At 1 January 2013 / 31 December 2012	12,247	1,016	972	14,235
Acquisition of subsidiary	395	-	-	395
Adjustment	-	-	-	-
At 30 June 2013	<u>12,642</u>	<u>1,016</u>	<u>972</u>	<u>14,630</u>
Accumulated amortisation and impairment				
At 1 January 2012	-	(51)	(97)	(148)
Amortisation	-	(51)	(97)	(148)
At 31 December 2012 and 1 January 2013	<u>-</u>	<u>(102)</u>	<u>(194)</u>	<u>(296)</u>
Amortisation	-	(26)	(48)	(74)
At 30 June 2013	<u>-</u>	<u>(128)</u>	<u>(242)</u>	<u>(370)</u>
Net carrying amount:				
At 31 December 2012	12,247	914	778	13,939
At 30 June 2013	<u>12,642</u>	<u>888</u>	<u>730</u>	<u>14,260</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 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:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2013				
Financial assets				
Derivative assets :				
- forward foreign currency contracts	-	1,971	-	1,971
- commodity futures contract	18,021	-	-	18,021
- option foreign currency contracts	-	-	-	-
- commodity option contracts	-	-	-	-
	18,021	1,971	-	19,992
Financial liabilities				
Derivative liabilities :				
- forward foreign currency contracts	-	585	-	585
- commodity futures contract	1,366	-	-	1,366
- option foreign currency contracts	-	2,168	-	2,168
- commodity option contracts	-	1,214	-	1,214
	1,366	3,967	-	5,333
31 December 2012				
Financial assets				
Derivative assets :				
- forward foreign currency contracts	-	70	-	70
- commodity futures contract	1,493	-	-	1,493
- option foreign currency contracts	-	-	-	-
- commodity option contracts	-	-	-	-
	1,493	70	-	1,563
Financial liabilities				
Derivative liabilities :				
- forward foreign currency contracts	-	1,449	-	1,449
- commodity futures contract	607	-	-	607
- option foreign currency contracts	-	-	-	-
- commodity option contracts	-	-	-	-
	607	1,449	-	2,056

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2013

A16. Loans and borrowings

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

	Denominated in currency	30-Jun-13 RM'000	31-Dec-12 RM'000
Current			
Secured			
- Bank overdrafts	RM	-	61
- Bankers' acceptances	RM	3,982	2,767
- Term loans	RM	2,622	3,615
	USD	20,571	16,650
	SGD	978	1,044
- Trade loans	USD	489,091	474,874
- Revolving credit	RM	18,503	13,709
- Obligation under finance leases	RM	227	245
		<u>535,974</u>	<u>512,965</u>
Non-Current			
Secured			
- Term loans	RM	20,099	17,280
	USD	92,802	94,536
- Obligation under finance leases	RM	433	545
		<u>113,334</u>	<u>112,361</u>
		<u>649,308</u>	<u>625,326</u>

A17. Contingent liabilities

There were no material contingent liabilities as at 30 June 2013.

A18. Commitments

(a) Lease commitments

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

Authorised and contracted for	RM'000
	<u>2,700</u>

(b) Capital commitments

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

Authorised and contracted for :	RM'000
Property, plant and equipment	<u>46,788</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2013

A19. Significant related party transactions

(a) Related party relationship

- i) **SMC Food 21 Pte. Ltd.** – A company in which certain directors of a subsidiary have financial interest.
- ii) **Sanae Foods Sdn Bhd** – A company in which certain directors of a subsidiary have financial interest.

(b) Related party transactions

	Current Quarter Ended	Current Year To-Date
	30 June 2013	Ended
	RM'000	30 June 2013
		RM'000
SMC Food 21 Pte. Ltd.		
- Sale of goods	1,030	2,502
- Purchase of goods	7,491	9,753
Sanae Foods Sdn Bhd		
- Purchase of goods	62	85
	_____	_____

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

On 1 July 2013, Guan Chong Cocoa Manufacturer Sdn Bhd, a wholly-owned subsidiary of Guan Chong Berhad, entered into sale and purchase agreements with Sime Darby USJ Development Sdn Bhd to acquire 8 industrial lots held under three (3) separate main Master Titles located in Mukim Plentong, District of Johor Bahru, Johor in Sime Darby Business Park, Pasir Gudang, Iskandar Malaysia, Johor, respectively for a total cash consideration of RM19,557,252.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 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 299.13 million for the current quarter ended 30 June 2013 is lower than the revenue in the previous corresponding quarter ended 30 June 2012 of RM 312.84 million. The decrease of 4.4% in turnover is mainly due to the declining selling prices of cocoa powder as a result of weaker demand globally.

The profit before tax for the quarter ended 30 June 2013 decreased to RM 9.43 million as compared with to the profit before tax of RM 40.08 million in the preceding year corresponding quarter ended 30 June 2012. This is mainly due to lower gross profit margin which was resulted from decreased in selling price of cocoa powder and written down of inventories. In addition higher net fair value loss on forward exchange contracts and currency option contract also contributed to the lower of profit before tax for the current quarter.

B2. Comment on material change in profit before tax

The Group recorded a profit before tax of RM 9.43 million for the current quarter as compared to a profit before tax of RM 22.72 million in the preceding quarter. This is mainly due to lower gross profit margin with decreased in selling price of cocoa powder and written down of inventories. In addition, higher net fair value loss on forward exchange contracts and currency option contract contributed to the lower of profit before tax as well.

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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2013

B6. Derivative financial instruments

Details of the outstanding derivative financial instruments as at 30 June 2013 are as follows:

	Derivative	Contract Amount RM'000	Fair Value - Net Gains/ (Losses) RM'000	Purpose
1	Forward Foreign Exchange Contracts: Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	135,568 11,591	1,985 (599)	For hedging currency risk
2	Target Redemption Forward Currency Option: Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	58,169 4,886	(2,097) (71)	For hedging currency risk
3	Commodity Futures Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	(248,251) 91,455	18,411 (1,756)	For hedging price risk
4	Commodity Options Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	- 67,655	- (1,214)	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 – SECOND QUARTER ENDED 30 JUNE 2013

B8. Dividend declared or recommended

A final tax-exempt single-tier dividend of 8% equivalent to 2 sen per ordinary share in respect of the financial year ended 31 December 2012 was approved by the shareholders during the Annual General Meeting held on 26 June 2013 and subsequently paid on 26 July 2013. The payment was made to the shareholders whose names appeared in the Company's Record of Depositors on 12 July 2013.

B9. Realised and Unrealised Profits/Losses Disclosure

The retained profits as at 30 June 2013 and 31 December 2012 is analysed as follows:-

	Current Quarter Ended 30-Jun-13 RM'000	Preceding Year To-Date Ended 31-Dec-12 RM'000
Total retained profits of the Company and the subsidiaries:		
- Realised	252,794	254,830
- Unrealised	(100)	(13,896)
	<u>252,694</u>	<u>240,934</u>
Less: Consolidated adjustments	(16,310)	(14,228)
Total group retained profits as per consolidated financial statements	<u>236,384</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: 22.08.2013