

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 30 September 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
		<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue		328,287	348,474	991,699	1,015,657
<b>(Loss)/ Profit from operations</b>		(9,372)	38,258	28,316	126,830
Finance costs		(3,366)	(1,946)	(8,901)	(7,758)
<b>(Loss)/ Profit before tax</b>	A10	(12,738)	36,312	19,415	119,072
Tax expense	A11	890	(8,724)	(6,538)	(24,795)
<b>(Loss)/ Profit for the period</b>		(11,848)	27,588	12,877	94,277
<b>Other comprehensive income, net of tax</b>					
Exchange differences on translation foreign operations		4,016	(1,065)	8,338	1,157
Hedge of net investment		-	-	-	-
<b>Total other comprehensive income for the period, net of tax</b>		4,016	(1,065)	8,338	1,157
<b>Total comprehensive income for the period</b>		(7,832)	26,523	21,215	95,434
<b>(Loss)/ Profit attributable to:</b>					
Owners of the Company		(11,845)	27,413	12,121	94,018
Non-controlling interests		(3)	175	756	259
<b>Profit for the period</b>		(11,848)	27,588	12,877	94,277
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		(7,829)	26,348	20,459	95,175
Non-controlling interests		(3)	175	756	259
<b>Total comprehensive income for the period</b>		(7,832)	26,523	21,215	95,434
<b>Basic earnings per ordinary share (sen)</b>	A12(a)	(2.49)	5.76	2.54	19.74
<b>Diluted earnings per ordinary share (sen)</b>	A12(b)	(2.40)	5.41	2.44	18.78

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 THIRD QUARTER ENDED 30 SEPTEMBER 2013**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2013 – unaudited

	Note	30 September 2013 RM'000	31 December 2012 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		361,086	312,266
Prepaid lease payments	A13	13,169	13,075
Intangible assets	A14	14,229	13,939
Deferred tax assets		436	12
		<u>388,920</u>	<u>339,292</u>
<b>Current assets</b>			
Derivative financial assets		199	1,563
Inventories		643,444	524,611
Trade and other receivables		148,273	212,760
Prepayments and other assets		22,734	12,057
Deposits, bank and cash balances		56,655	52,231
		<u>871,305</u>	<u>803,222</u>
<b>Total assets</b>		<b><u>1,260,225</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		7,617	(720)
Retained profits		215,013	226,705
<b>Equity attributable to owners of the Company</b>		<b>337,064</b>	<b>340,419</b>
<b>Non-controlling interests</b>		<b>4,751</b>	<b>3,905</b>
<b>Total equity</b>		<b><u>341,815</u></b>	<b><u>344,324</u></b>
<b>Non-current liabilities</b>			
Loans and borrowings	A16	113,274	112,361
Provision for employee benefit		384	360
Deferred tax liabilities		10,969	15,861
		<u>124,627</u>	<u>128,582</u>
<b>Current liabilities</b>			
Derivative financial liabilities		16,808	2,056
Trade and other payables		168,671	142,428
Loans and borrowings	A16	607,421	512,965
Tax payable		883	12,159
		<u>793,783</u>	<u>669,608</u>
<b>Total liabilities</b>		<b>918,410</b>	<b>798,190</b>
<b>Total equity and liabilities</b>		<b><u>1,260,225</u></b>	<b><u>1,142,514</u></b>
<b>Net assets per share (sen)</b>			
attributable to owners of the Company		<u>70.77</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 THIRD QUARTER ENDED 30 SEPTEMBER 2013**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 30 September 2013 – unaudited

	Attributable To Owners Of The Company					Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	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	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	-	-	-	-	12,121	12,121	756	12,877
Other comprehensive income for the year:								
foreign currency translation	-	-	-	8,338	-	8,338	-	8,338
<b>Total comprehensive income for the year</b>	-	-	-	8,338	12,121	20,459	756	21,215
Acquisition of subsidiaries							90	90
Dividends	-	-	-	-	(23,814)	(23,814)	-	(23,814)
Contribution from/distribution to owners of the Company	-	-	-	-	(23,814)	(23,814)	90	(23,724)
<b>Balance at 30 September 2013</b>	<b>119,629</b>	<b>(5,195)</b>	<b>-</b>	<b>7,617</b>	<b>215,013</b>	<b>337,064</b>	<b>4,751</b>	<b>341,815</b>
<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>	<b>119,629</b>	<b>(5,195)</b>	<b>-</b>	<b>(721)</b>	<b>226,706</b>	<b>340,419</b>	<b>3,905</b>	<b>344,324</b>

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 THIRD QUARTER ENDED 30 SEPTEMBER 2013**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period ended 30 September 2013 – unaudited

	Nine Month Ended	
	30-Sep-13	30-Sep-12
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	19,415	119,073
Adjustments for:		
Non-cash and non-operating items	67,805	15,346
Operating profit before working capital changes	<u>87,220</u>	<u>134,419</u>
Changes in working capital		
Net change in current assets	(79,729)	(42,306)
Net change in current liabilities	13,497	(73,972)
Cash generated from operations	<u>20,988</u>	<u>18,141</u>
Tax paid	(23,237)	(21,767)
Interest paid	(7,039)	(6,495)
Interest received	523	189
<b>Net cash (used in) operating activities</b>	<u>(8,765)</u>	<u>(9,932)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(52,120)	(57,689)
Payment for additional leasehold land	(26)	-
Acquisition of subsidiary	-	(7,956)
Payment for the lease rental	(124)	(16,964)
Others	207	310
<b>Net cash (used in) investing activities</b>	<u>(52,063)</u>	<u>(82,299)</u>
<b>Cash flows from financing activities</b>		
Bank and other borrowings	91,729	147,123
Conversion of warrants to ordinary shares	-	29
Changes in Fixed deposit pledged	(131)	(341)
Proceed from non-controlling shareholders	90	-
Dividend paid	(24,137)	(41,276)
<b>Net cash from financing activities</b>	<u>67,551</u>	<u>105,535</u>
Net increase in cash and cash equivalents	6,723	13,304
Effect of exchange rate changes	(3,368)	4,929
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>54,521</u>	<u>30,816</u>
<b>Cash and cash equivalents at the end of financial period comprise of :</b>		
Deposits, bank and cash balances	56,655	32,665
Bank overdrafts	(1,000)	(1,155)
	<u>55,655</u>	<u>31,510</u>
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(1,134)	(694)
	<u>54,521</u>	<u>30,816</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 – THIRD QUARTER ENDED 30 SEPTEMBER 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**

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.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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>Nine Month Ended 30 September 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	536,872	414,703	3,137	36,987	-	991,699
Internal segment revenue	124,959	1,012,108	527,202	66	(1,664,335)	-
<b>Total revenue</b>	<b>661,831</b>	<b>1,426,811</b>	<b>530,339</b>	<b>37,053</b>	<b>(1,664,335)</b>	<b>991,699</b>
<b>Segment result</b>	<b>12,806</b>	<b>2,297</b>	<b>26,088</b>	<b>9,020</b>	<b>(7,041)</b>	<b>43,170</b>
Interest income						523
Finance cost						(8,901)
Depreciation & amortisation						(15,377)
Profit before tax						19,415
Tax expenses						(6,538)
Profit for the period						12,877
<b>Segment assets</b>	<b>609,193</b>	<b>144,695</b>	<b>478,325</b>	<b>26,848</b>	<b>-</b>	<b>1,259,061</b>
Deferred tax assets						436
Tax recoverable						728
<b>Total assets</b>						<b>1,260,225</b>
<b>Segment liabilities</b>	<b>60,520</b>	<b>119,015</b>	<b>5,758</b>	<b>570</b>	<b>-</b>	<b>185,863</b>
Deferred tax liabilities						10,969
Tax payables						883
Borrowings						720,695
						918,410

[Intentionally left blank]

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2013**

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

<b>Nine Months Ended 30 September 2012</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	493,230	507,163	15,264	-	-	1,015,657
Internal segment revenue	193,760	748,106	331,075	90	(1,273,031)	-
<b>Total revenue</b>	<b>686,990</b>	<b>1,255,269</b>	<b>346,339</b>	<b>90</b>	<b>(1,273,031)</b>	<b>1,015,657</b>
<b>Segment result</b>	<b>80,861</b>	<b>43,525</b>	<b>17,242</b>	<b>2,150</b>	<b>(5,195)</b>	<b>138,583</b>
Interest income						189
Finance cost						(7,758)
Depreciation & amortisation						(11,942)
Profit before tax						119,072
Tax expenses						(24,795)
Profit for the period						94,277
<b>Segment assets</b>	<b>538,199</b>	<b>109,656</b>	<b>367,927</b>	<b>7,662</b>	<b>-</b>	<b>1,023,444</b>
Other long term investment						3,590
Unallocated assets						133
<b>Total assets</b>						<b>1,027,167</b>
<b>Segment liabilities</b>	<b>417,724</b>	<b>264,342</b>	<b>7,965</b>	<b>2,158</b>	<b>-</b>	<b>692,189</b>
						692,189

**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 – THIRD QUARTER ENDED 30 SEPTEMBER 2013**

**A10. Profit before tax**

Included in the profit before tax are the following items:

	<b>Current Quarter Ended 30-Sep-13 RM'000</b>	<b>Current Year To-Date 30-Sep-13 RM'000</b>
Amortisation of prepaid lease payments	188	676
Amortisation of intangible assets	37	111
Depreciation	5,066	14,589
Realised loss on foreign exchange	18,701	17,649
Unrealised gain on foreign exchange	(3,868)	(3,049)
Realised gain on commodity future contracts	(14,451)	(21,971)
Realised gain on commodity contracts	(542)	(542)
Realised loss on forward currency contracts	-	70
Unrealised loss on commodity future contracts	23,664	7,454
Unrealised gain on commodity option contracts	(1,181)	-
Unrealised loss on forward currency contracts	6,952	5,565
Unrealised loss on currency option contracts	1,103	3,271
Gain on disposal of property, plant and equipment	(2)	(138)
Write down of inventories	7,614	32,805
Interest expense	2,569	7,040
Interest income	(156)	(523)

**A11. Tax expense**

	<b>Current Quarter Ended</b>		<b>Current Year To-Date Ended</b>	
	<b>30-Sep-13 RM'000</b>	<b>30-Sep-12 RM'000</b>	<b>30-Sep-13 RM'000</b>	<b>30-Sep-12 RM'000</b>
Income tax expense:				
- Current period estimate	3,598	4,028	11,742	21,295
- Under/ (over)provision in prior year	353	-	219	(141)
Deferred tax				
- Reversal of temporary differences	(4,841)	4,650	(5,302)	3,595
- Under/ (over)provision in prior year	-	47	(121)	47
	<u>(890)</u>	<u>8,725</u>	<u>6,538</u>	<u>24,796</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 30 September 2012 was lower than the statutory tax rate due principally to claim of tax incentives.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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:-

	<b>Current Quarter Ended</b>		<b>Current Year To-Date Ended</b>	
	<b>30-Sep-13</b>	<b>30-Sep-12</b>	<b>30-Sep-13</b>	<b>30-Sep-12</b>
Profit for the financial period attributable to owners of the Company (RM'000)	(11,845)	27,413	12,121	94,018
Weighted average number of ordinary shares in issue ('000)	476,274	476,266	476,274	476,262
Basic earnings per share (sen)	(2.49)	5.76	2.54	19.74

- (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:

	<b>Current Quarter Ended</b>		<b>Current Year To-Date Ended</b>	
	<b>30-Sep-13</b>	<b>30-Sep-12</b>	<b>30-Sep-13</b>	<b>30-Sep-12</b>
Profit for the financial period attributable to owners of the Company (RM'000)	(11,845)	27,413	12,121	94,018
Weighted average number of ordinary shares in issue ('000)	476,274	476,266	476,274	476,262
Effect of dilution of warrants	16,849	30,561	20,617	24,486
Adjusted weighted average number of ordinary shares in issue and issuales	<u>493,123</u>	<u>506,827</u>	<u>496,891</u>	<u>500,748</u>
Diluted earnings per share (sen)	(2.40)	5.41	2.44	18.78

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2013**

**A13. Prepaid lease payments**

	30-Sep-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	25	6,917
	<u>14,207</u>	<u>14,058</u>
Less: Amortisation of prepaid lease payments	(991)	(541)
Sub-lease rental	(485)	(259)
Foreign exchange difference	438	(183)
At 31 December	<u>13,169</u>	<u>13,075</u>
Analysed as:		
Sub-leases of warehouse	1,253	1,355
Leasehold land	11,916	11,720
	<u>13,169</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
Acquisition of subsidiary	401	-	-	401
Adjustment	-	-	-	-
At 30 September 2013	<u>12,648</u>	<u>1,016</u>	<u>972</u>	<u>14,636</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	<u>-</u>	<u>(102)</u>	<u>(194)</u>	<u>(296)</u>
Amortisation	-	(39)	(72)	(111)
At 30 September 2013	<u>-</u>	<u>(141)</u>	<u>(266)</u>	<u>(407)</u>
<b>Net carrying amount:</b>				
At 31 December 2012	<u>12,247</u>	<u>914</u>	<u>778</u>	<u>13,939</u>
At 30 September 2013	<u>12,648</u>	<u>875</u>	<u>706</u>	<u>14,229</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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>30 September 2013</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	-	-	-
- commodity futures contract	199	-	-	199
- option foreign currency contracts	-	-	-	-
- commodity option contracts	-	-	-	-
	<u>199</u>	<u>-</u>	<u>-</u>	<u>199</u>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	5,579	-	5,579
- commodity futures contract	7,958	-	-	7,958
- option foreign currency contracts	-	3,271	-	3,271
- commodity option contracts	-	-	-	-
	<u>7,958</u>	<u>8,850</u>	<u>-</u>	<u>16,808</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
- option foreign currency contracts	-	-	-	-
- commodity option contracts	-	-	-	-
	<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
- option foreign currency contracts	-	-	-	-
- commodity option contracts	-	-	-	-
	<u>607</u>	<u>1,449</u>	<u>-</u>	<u>2,056</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2013**

**A16. Loans and borrowings**

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

	Denominated in currency	30-Sept-13 RM'000	31-Dec-12 RM'000
<b>Current</b>			
Secured	- Bank overdrafts	RM 1,000	61
	- Bankers' acceptances	RM 4,620	2,767
	- Term loans	RM 3,400	3,615
		USD 50,551	16,650
		SGD -	1,044
	- Trade loans	USD 495,742	474,874
	- Revolving credit	RM 51,847	13,709
	- Obligation under finance leases	RM 261	245
		<u>607,421</u>	<u>512,965</u>
<b>Non-Current</b>			
Secured	- Term loans	RM 20,737	17,280
		USD 92,084	94,536
	- Obligation under finance leases	RM 453	545
		<u>113,274</u>	<u>112,361</u>
		<u><b>720,695</b></u>	<u><b>625,326</b></u>

**A17. Contingent liabilities**

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

**A18. Commitments**

**(a) Lease commitments**

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

	<b>RM'000</b>
Authorised and contracted for	<u>2,586</u>

**(b) Capital commitments**

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

	<b>RM'000</b>
<b>Authorised and contracted for :</b>	
Property, plant and equipment	<u>41,127</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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**

	<b>Current Quarter Ended</b>	<b>Current Year To-Date</b>
	<b>30 Sep 2013</b>	<b>Ended</b>
	<b>RM'000</b>	<b>30 Sep 2013</b>
		<b>RM'000</b>
<b>SMC Food 21 Pte. Ltd.</b>		
- Sale of goods	1,381	3,883
- Purchase of goods	8,996	18,749
<b>Sanae Foods Sdn Bhd</b>		
- Purchase of goods	-	85
	<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 30 September 2013 that have not been reflected in this quarterly report.

[Intentionally left blank]

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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 328.29 million for the current quarter ended 30 September 2013 is lower than the revenue in the previous corresponding quarter ended 30 September 2012 of RM 348.47 million. The decrease of 5.8% in turnover is mainly due to the declining selling price of cocoa powder and cocoa cake.

The Group registered a loss before tax of RM 12.74 million for the quarter under review, as compared with the profit before tax of RM 36.31 million in the same quarter last year. This is mainly due to higher net loss on foreign exchange and higher net fair value loss on commodity future contracts. The loss arising from foreign exchange was due to depreciation of Ringgit Malaysia against US Dollar and Great Britain Pound for quarter ended 30 September 2013 as compared to the preceding year corresponding quarter ended 30 September 2012.

The performance was also compounded by lower gross profit margin which were resulted from write down of inventories and decreased in selling price of cocoa powder and cocoa cake, even though the Group saw better selling prices and demand for cocoa butter during the quarter.

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

The Group recorded a loss before tax of RM 12.74 million for the current quarter as compared to a profit before tax of RM 9.43 million in the preceding quarter. This is mainly due to higher net loss on foreign exchange and higher net fair value loss on commodity future contracts for current quarter ended 30 September 2013. In additions, inventories write down, attributable largely to lower in net realization value of cocoa powder and cocoa cake also contributed to loss before tax for the current quarter.

**B3. Commentary of prospects**

The Group expects the business environment for the financial year ending 31 December 2013 to be challenging. The cocoa ingredient prices continue to be volatile in the midst of competition as a result of market consolidation of cocoa players. Nevertheless, with one of the largest capacities in the region, the Group is well-positioned for the long term growth as the developing markets still see uptrend in demand for cocoa ingredients. The Group has also put in place many growth-ready initiatives to enhance our competitiveness and profitability, in order to strengthen our position as globally-integrated cocoa ingredient producer.

**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 – THIRD QUARTER ENDED 30 SEPTEMBER 2013**

**B6. Derivative financial instruments**

Details of the outstanding derivative financial instruments as at 30 September 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	217,639  711	(5,567)  2	For hedging currency risk
2	Target Redemption Forward Currency Option: Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year	81,577  -	(3,271)  -	For hedging currency risk
3	Commodity Futures Sale Contracts - Less than 1 year - 1 year to 3 years  Purchase Contracts - Less than 1 year - 1 year to 3 years	(234,881) (8,386)  17,338 8,601	(7,420) (173)  65 74	For hedging price risk
4	Commodity option Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year	-  -	-  -	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 – THIRD QUARTER ENDED 30 SEPTEMBER 2013**

**B8. Realised and Unrealised Profits/Losses Disclosure**

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

	<b>Current Quarter Ended 30-Sep-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	259,117	254,830
- Unrealised	(22,714)	(13,896)
	<u>236,403</u>	<u>240,934</u>
Less: Consolidated adjustments	(21,390)	(14,228)
Total group retained profits as per consolidated financial statements	<u>215,013</u>	<u>226,706</u>

**B9. 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: 25.11.2013