

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 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 December	31 December	31 December	31 December
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Revenue		371,414	437,602	1,363,113	1,453,259
(Loss)/ Profit from operations		(6,479)	35,642	21,837	162,472
Finance costs		(4,551)	(4,435)	(13,452)	(12,193)
(Loss)/ Profit before tax	A10	(11,030)	31,207	8,385	150,279
Tax expense	A11	2,728	(5,617)	(3,810)	(30,412)
(Loss)/ Profit for the period		(8,302)	25,590	4,575	119,867
Other comprehensive income, net of tax					
Exchange differences on translation foreign operations		416	(2,866)	8,754	(1,709)
Hedge of net investment		-	-	-	-
Total other comprehensive income for the period, net of tax		416	(2,866)	8,754	(1,709)
Total comprehensive income for the period		(7,886)	22,724	13,329	118,158
(Loss)/ Profit attributable to:					
Owners of the Company		(8,493)	24,964	3,628	118,982
Non-controlling interests		191	626	947	885
Profit for the period		(8,302)	25,590	4,575	119,867
Total comprehensive income attributable to:					
Owners of the Company		(8,077)	22,098	12,382	117,273
Non-controlling interests		191	626	947	885
Total comprehensive income for the period		(7,886)	22,724	13,329	118,158
Basic earnings per ordinary share (sen)	A12(a)	(1.78)	5.24	0.76	24.98
Diluted earnings per ordinary share (sen)	A12(b)	(1.74)	4.98	0.73	23.75

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 FOURTH QUARTER ENDED 31 DECEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013 – unaudited

	Note	31 December 2013 RM'000	31 December 2012 RM'000
Assets			
Non-current assets			
Property, plant and equipment		403,612	312,266
Prepaid lease payments	A13	13,029	13,075
Intangible assets	A14	14,130	13,939
Deferred tax assets		74	12
		<u>430,845</u>	<u>339,292</u>
Current assets			
Derivative financial assets		8,321	1,563
Inventories		849,960	524,611
Trade and other receivables		187,113	212,760
Prepayments and other assets		18,253	12,057
Deposits, bank and cash balances		27,396	52,231
		<u>1,091,043</u>	<u>803,222</u>
Total assets		<u>1,521,888</u>	<u>1,142,514</u>
Equity			
Share capital		119,629	119,629
Treasury shares		(5,195)	(5,195)
Foreign currency translation reserve		8,033	(721)
Retained profits		<u>206,520</u>	<u>226,706</u>
Equity attributable to owners of the Company		328,987	340,419
Non-controlling interests		<u>4,942</u>	<u>3,905</u>
Total equity		<u>333,929</u>	<u>344,324</u>
Non-current liabilities			
Loans and borrowings	A16	121,298	112,361
Provision for employee benefit		464	360
Deferred tax liabilities		14,370	15,861
		<u>136,132</u>	<u>128,582</u>
Current liabilities			
Derivative financial liabilities		12,537	2,056
Trade and other payables		217,979	142,428
Loans and borrowings	A16	820,803	512,965
Tax payable		508	12,159
		<u>1,051,827</u>	<u>669,608</u>
Total liabilities		<u>1,187,959</u>	<u>798,190</u>
Total equity and liabilities		<u>1,521,888</u>	<u>1,142,514</u>
Net assets per share (sen)			
attributable to owners of the Company		<u>69.08</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 FOURTH QUARTER ENDED 31 DECEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 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			
Balance at 1 January 2013	119,629	(5,195)	-	(721)	226,706	340,419	3,905	344,324
Profit for the year	-	-	-	-	3,628	3,628	947	4,575
Other comprehensive income for the year: foreign currency translation	-	-	-	8,754	-	8,754	-	8,754
Total comprehensive income for the year	-	-	-	8,754	3,628	12,382	947	13,329
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)
Balance at 31 December 2013	119,629	(5,195)	-	8,033	206,520	328,987	4,942	333,929
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 FOURTH QUARTER ENDED 31 DECEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2013 – unaudited

	Twelve Month Ended	
	31-Dec-13 RM'000	31-Dec-12 RM'000
Cash flows from operating activities		
Profit before tax	8,385	150,279
Adjustments for:		
Non-cash and non-operating items	80,322	36,739
Operating profit before working capital changes	<u>88,707</u>	<u>187,018</u>
Changes in working capital		
Net change in current assets	(332,452)	(103,466)
Net change in current liabilities	68,989	(30,687)
Cash generated from operations	<u>(174,756)</u>	<u>52,865</u>
Tax paid	(18,304)	(26,667)
Interest paid	(11,621)	(9,056)
Interest received	699	291
Net cash (used in) operating activities	<u>(203,982)</u>	<u>17,433</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(97,958)	(94,818)
Payment for additional leasehold land	(26)	(6,917)
Acquisition of subsidiary	-	(14,289)
Payment for the lease rental	(124)	(124)
Others	210	524
Net cash (used in) investing activities	<u>(97,898)</u>	<u>(115,624)</u>
Cash flows from financing activities		
Bank and other borrowings	305,288	188,210
Conversion of warrants to ordinary shares	-	29
Changes in Fixed deposit pledged	(68)	(650)
Proceed from non-controlling shareholders	90	-
Dividend paid	(24,139)	(50,801)
Net cash from financing activities	<u>281,171</u>	<u>136,788</u>
Net increase in cash and cash equivalents	(20,709)	38,597
Effect of exchange rate changes	(5,248)	88
Cash and cash equivalents at the beginning of financial period	51,167	12,482
Cash and cash equivalents at the end of financial period	<u>25,210</u>	<u>51,167</u>
Cash and cash equivalents at the end of financial period comprise of :		
Deposits, bank and cash balances	27,396	52,231
Bank overdrafts	(1,116)	(61)
	<u>26,280</u>	<u>52,170</u>
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(1,070)	(1,003)
	<u>25,210</u>	<u>51,167</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 – FOURTH QUARTER ENDED 31 DECEMBER 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 amounting to RM7,144,104 in respect of the financial year ended 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.

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 ended 31 December 2013 was declared on 31 May 2013 and subsequently paid on 2 July 2013. The payment was made to shareholders whose names appeared in the Company’s Record of Depositors on 18 June 2013.

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 – FOURTH QUARTER ENDED 31 DECEMBER 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.

Twelve Month Ended 31 December 2013	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:						
Total external revenue	700,517	610,884	5,627	46,085	-	1,363,113
Internal segment revenue	171,610	1,555,360	749,570	72	(2,476,612)	-
Total revenue	872,127	2,166,244	755,197	46,157	(2,476,612)	1,363,113
Segment result	11,169	9,530	18,087	7,959	(4,202)	42,543
Interest income						699
Finance cost						(13,452)
Depreciation & amortisation						(21,405)
Profit before tax						8,385
Tax expenses						(3,810)
Profit for the period						4,575
Segment assets	702,487	212,247	572,878	27,118	-	1,514,730
Deferred tax assets						74
Tax recoverable						7,084
Total assets						1,521,888
Segment liabilities	41,896	181,628	6,760	696	-	230,980
Deferred tax liabilities						14,370
Tax payables						508
Borrowings						942,101
						1,187,959

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2013

A8. Segmental information – (cont'd)

Twelve Months Ended 31 December 2012	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:						
Total external revenue	640,304	812,909	46	-	-	1,453,259
Internal segment revenue	272,039	1,142,981	571,304	15,120	(2,001,444)	-
Total revenue	912,343	1,955,890	571,350	15,120	(2,001,444)	1,453,259
Segment result	69,846	68,401	34,530	4,039	1,484	178,300
Interest income						291
Finance cost						(12,193)
Depreciation & amortisation						(16,119)
Profit before tax						150,279
Tax expenses						(30,412)
Profit for the period						119,867
Segment assets	548,210	143,058	426,028	24,721	-	1,142,017
Deferred tax assets						12
Tax recoverable						485
Total assets						1,142,514
Segment liabilities	51,168	84,440	8,858	379	-	144,845
Deferred tax liabilities						15,861
Loans and borrowings						625,326
Tax payable						12,158
						798,190

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 – FOURTH QUARTER ENDED 31 DECEMBER 2013

A10. Profit before tax

Included in the profit before tax are the following items:

	Current Quarter Ended 31-Dec-13 RM'000	Current Year To-Date 31-Dec-13 RM'000
Amortisation of prepaid lease payments	187	863
Amortisation of intangible assets	37	148
Bad debts written off	11	11
Depreciation	5,805	20,394
Realised loss on foreign exchange	6,587	24,236
Unrealised gain on foreign exchange	2,469	(580)
Realised (gain)/ loss on commodity future contracts	4,086	(17,885)
Realised gain on commodity option contracts	(4)	(546)
Realised loss on forward currency contracts	-	70
Unrealised gain on commodity future contracts	(10,425)	(2,971)
Unrealised loss on commodity option contracts	1,478	1,478
Unrealised (gain)/ loss on forward currency contracts	(549)	5,016
Unrealised (gain)/ loss on currency option contracts	(2,451)	820
Gain on disposal of property, plant and equipment	(1)	(139)
Impairment loss on trade receivables	258	258
Impairment loss on intangible assets	64	64
Write down of inventories	11,137	43,942
Interest expense	4,581	11,621
Interest income	(176)	(699)
Inventories written off	16	16

A11. Tax expense

	Current Quarter Ended		Current Year To-Date Ended	
	31-Dec-13 RM'000	31-Dec-12 RM'000	31-Dec-13 RM'000	31-Dec-12 RM'000
Income tax expense:				
- Current period estimate	(6,535)	6,635	5,207	27,929
- Under/ (over)provision in prior year	-	17	219	(124)
Withholding tax	110	139	110	139
Deferred tax				
- Reversal of temporary differences	3,815	(1,153)	(1,487)	2,442
- Under/ (over)provision in prior year	(118)	(21)	(239)	26
	<u>(2,728)</u>	<u>5,617</u>	<u>3,810</u>	<u>30,412</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 December 2012 was lower than the statutory tax rate due principally to claim of tax incentives.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Profit for the financial period attributable to owners of the Company (RM'000)	(8,493)	24,964	3,628	118,982
Weighted average number of ordinary shares in issue ('000)	476,274	476,274	476,274	476,265
Basic earnings per share (sen)	(1.78)	5.24	0.76	24.98

- (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-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Profit for the financial period attributable to owners of the Company (RM'000)	(8,493)	24,964	3,628	118,982
Weighted average number of ordinary shares in issue ('000)	476,274	476,274	476,274	476,265
Effect of dilution of warrants	11,137	25,073	18,150	24,726
Adjusted weighted average number of ordinary shares in issue and issuales	<u>487,411</u>	<u>501,347</u>	<u>494,424</u>	<u>500,991</u>
Diluted earnings per share (sen)	(1.74)	4.98	0.73	23.75

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2013

A13. Prepaid lease payments

	31-Dec-13 RM'000	31-Dec-12 RM'000
Cost:		
At 1 January	13,075	7,017
Add: Payment for sub-leases	124	124
Additions	26	6,917
	<u>13,225</u>	<u>14,058</u>
Less: Amortisation of prepaid lease payments	(604)	(541)
Sub-lease rental	(259)	(259)
Foreign exchange difference	667	(183)
At 31 December	<u>13,029</u>	<u>13,075</u>
Analysed as:		
Sub-leases of warehouse	1,219	1,355
Leasehold land	11,810	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
Cost:				
At 1 January 2013 / 31 December 2012	12,247	1,016	972	14,235
Acquisition of subsidiary	403	-	-	403
Adjustment	-	-	-	-
At 31 December 2013	<u>12,650</u>	<u>1,016</u>	<u>972</u>	<u>14,638</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	-	(51)	(97)	(148)
Impairment	-	-	(64)	(64)
At 31 December 2013	<u>-</u>	<u>(153)</u>	<u>(355)</u>	<u>(508)</u>
Net carrying amount:				
At 31 December 2012	12,247	914	778	13,939
At 31 December 2013	<u>12,650</u>	<u>863</u>	<u>617</u>	<u>14,130</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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
31 December 2013				
Financial assets				
Derivative assets :				
- forward foreign currency contracts	-	2,215	-	2,215
- commodity futures contract	5,579	-	-	5,579
- option foreign currency contracts	-	-	-	-
- commodity option contracts	-	527	-	527
	<u>5,579</u>	<u>2,742</u>	<u>-</u>	<u>8,321</u>
Financial liabilities				
Derivative liabilities :				
- forward foreign currency contracts	-	7,163	-	7,163
- commodity futures contract	3,018	-	-	3,018
- option foreign currency contracts	-	820	-	820
- commodity option contracts	-	1,536	-	1,536
	<u>3,018</u>	<u>9,519</u>	<u>-</u>	<u>12,537</u>
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	-	-	-	-
	<u>1,493</u>	<u>70</u>	<u>-</u>	<u>1,563</u>
Financial liabilities				
Derivative liabilities :				
- 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 – FOURTH QUARTER ENDED 31 DECEMBER 2013

A16. Loans and borrowings

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

		Denominated in currency	31-Dec-13 RM'000	31-Dec-12 RM'000
Current				
Secured	- Bank overdrafts	RM	1,116	61
	- Bankers' acceptances	RM	3,711	2,767
	- Term loans	RM	4,345	3,615
		USD	50,557	16,650
		SGD	-	1,044
	- Trade loans	USD	693,706	474,874
	- Revolving credit	RM	66,855	13,709
	- Obligation under finance leases	RM	513	245
			820,803	512,965
Non-Current				
Secured	- Term loans	RM	21,085	17,280
		USD	99,641	94,536
	- Obligation under finance leases	RM	572	545
			121,298	112,361
			942,101	625,326

A17. Contingent liabilities

There were no material contingent liabilities as at 31 December 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	2.447

(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	23,545

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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
	31 Dec 2013	Ended
	RM'000	31 Dec 2013
		RM'000
SMC Food 21 Pte. Ltd.		
- Sale of goods	2,500	6,382
- Purchase of goods	6,966	25,715
Sanae Foods Sdn Bhd		
- Purchase of goods	124	209
	_____	_____

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

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2013

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

B1. Review of performance

For the quarter ended 31 December 2013, the Group's revenue was RM371.41 million, 15.1% lower than the revenue in the previous corresponding quarter ended 31 December 2012 of RM 437.60 million. The decrease was mainly due to the declining selling prices and sales volume of cocoa solid, as a result of oversupply of cocoa solid in the global market.

The Group registered a loss before tax of RM 11.03 million for the quarter under review, as compared with the profit before tax of RM 31.21 million in the preceding year corresponding quarter ended 31 December 2012. This was mainly due to lower blended gross profit margin as a result from depressed selling prices of cocoa solid, as well as inventories write down amounting to RM11.14 million. Other main factors leading to the loss were higher net loss on foreign exchange arising from depreciation of Ringgit Malaysia against US Dollar and Great Britain Pound as at quarter ended 31 December 2013, as compared to the preceding year corresponding quarter ended 31 December 2012.

B2. Comment on material change in profit before tax

The Group recorded a loss before tax of RM 11.03 million for the quarter under review, as compared to a loss before tax of RM 12.74 million in the preceding quarter. This was mainly due to write down of inventories and higher finance cost offset against fair value gain on commodities future contract. The loss arising from foreign exchange was due to weaker Ringgit Malaysia against US Dollar and Great Britain Pound.

B3. Commentary of prospects

The Group expects the business environment for the financial year ending 31 December 2014 to be challenging. While the cocoa bean prices continue to be volatile, the demand for cocoa solids remains uncertain.

Nevertheless, the Group aims to continue to identify new markets for its wide range of cocoa ingredients in order to strengthen our position as a global integrated producer of cocoa ingredients, on top of expanding the market reach for the Group's new business segment of Industrial Chocolate. The Group will also undertake measures to ensure production costs are contained to enhance our competitiveness and profitability.

Despite the challenges in the competitive cocoa market, the Board of Directors remains cautiously optimistic of the performance of GCB for the financial year 2014.

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 – FOURTH QUARTER ENDED 31 DECEMBER 2013

B6. Derivative financial instruments

Details of the outstanding derivative financial instruments as at 31 December 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 - 1 year to 3 years Purchase Contracts - Less than 1 year	255,335 (30,148) 51,916	(5,126) 216 (38)	For hedging currency risk
2	Target Redemption Forward Currency Option: Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	125,750 -	(820) -	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	(310,346) (18,655) 61,877 18,813	1,297 290 1,322 (348)	For hedging price risk
4	Commodity option Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	- 32,736	- (1,009)	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 – FOURTH QUARTER ENDED 31 DECEMBER 2013

B8. Dividends

The total dividend paid by the Company in respect of the financial year ended 31 December 2013 is 12% of par value (equivalent to 3.0 sen per share) amounting to approximately RM14.3 million.

B9. Realised and Unrealised Profits/Losses Disclosure

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

	Current Quarter Ended 31-Dec-13 RM'000	Preceding Year To-Date Ended 31-Dec-12 RM'000
Total retained profits of the Company and the subsidiaries:		
- Realised	238,301	254,830
- Unrealised	(13,034)	(13,896)
	<u>225,267</u>	<u>240,934</u>
Less: Consolidated adjustments	(18,747)	(14,228)
Total group retained profits as per consolidated financial statements	<u>206,520</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: 28.2.2014