

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 30 June 2014 – 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	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Revenue		423,807	299,129	903,427	663,412
<b>Profit from operations</b>		6,155	12,294	17,513	37,688
Finance costs		(4,629)	(2,861)	(9,548)	(5,535)
<b>Profit before tax</b>	A10	1,526	9,433	7,965	32,153
Tax expense	A11	(1,266)	(1,573)	(2,266)	(7,428)
<b>Profit for the period</b>		260	7,860	5,699	24,725
<b>Other comprehensive income, net of tax</b>					
Exchange differences on translation foreign operations		(2,234)	2,939	(2,671)	4,322
Hedge of net investment		-	-	-	-
<b>Total other comprehensive income for the period, net of tax</b>		(2,234)	2,939	(2,671)	4,322
<b>Total comprehensive income for the period</b>		(1,974)	10,799	3,028	29,047
<b>Profit attributable to:</b>					
Owners of the Company		(150)	7,427	5,133	23,966
Non-controlling interests		410	433	566	759
<b>Profit for the period</b>		260	7,860	5,699	24,725
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		(2,384)	10,366	2,462	28,288
Non-controlling interests		410	433	566	759
<b>Total comprehensive income for the period</b>		(1,974)	10,799	3,028	29,047
<b>Basic earnings per ordinary share (sen)</b>	A12(a)	(0.03)	1.56	1.08	5.03
<b>Diluted earnings per ordinary share (sen)</b>	A12(b)	(0.03)	1.48	1.07	4.81

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2014 – unaudited

	Note	30 June 2014 RM'000	31 December 2013 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		399,517	403,612
Prepaid lease payments	A13	12,461	13,029
Intangible assets	A14	14,056	14,130
Deferred tax assets		416	74
		<u>426,450</u>	<u>430,845</u>
<b>Current assets</b>			
Derivative financial assets		7,774	8,427
Inventories		638,288	849,960
Trade and other receivables		200,849	186,608
Prepayments and other assets		25,551	20,146
Deposits, bank and cash balances		15,138	27,442
		<u>887,600</u>	<u>1,092,583</u>
<b>Total assets</b>		<b><u>1,314,050</u></b>	<b><u>1,523,428</u></b>
<b>Equity</b>			
Share capital		119,629	119,629
Treasury shares		(5,195)	(5,195)
Foreign currency translation reserve		5,355	8,026
Retained profits		211,439	206,306
<b>Equity attributable to owners of the Company</b>		<u>331,228</u>	<u>328,766</u>
<b>Non-controlling interests</b>		<u>5,474</u>	<u>4,908</u>
<b>Total equity</b>		<u>336,702</u>	<u>333,674</u>
<b>Non-current liabilities</b>			
Loans and borrowings	A16	147,609	121,298
Provision for employee benefit		455	464
Deferred tax liabilities		16,763	15,618
		<u>164,827</u>	<u>137,380</u>
<b>Current liabilities</b>			
Derivative financial liabilities		17,071	12,642
Trade and other payables		87,062	217,809
Loans and borrowings	A16	707,757	820,803
Tax payable		631	1,120
		<u>812,521</u>	<u>1,052,374</u>
<b>Total liabilities</b>		<u>977,348</u>	<u>1,189,754</u>
<b>Total equity and liabilities</b>		<b><u>1,314,050</u></b>	<b><u>1,523,428</u></b>
<b>Net assets per share (sen)</b>			
attributable to owners of the Company		<u>69.55</u>	<u>69.03</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 2013 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 30 June 2014 – unaudited

	← Attributable To Owners Of The Company →				Non-controlling Interests	Total Equity	
	Non-distributable		Distributable				
	Share Capital RM'000	Treasury Share RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	Total RM'000	RM'000	
<b>Balance at 1 January 2014</b>	119,629	(5,195)	8,026	206,306	328,766	4,908	333,674
Profit for the year	-	-	-	5,133	5,133	566	5,699
Other comprehensive income for the year: foreign currency translation	-	-	(2,671)	-	(2,671)	-	(2,671)
<b>Total comprehensive income for the year</b>	-	-	(2,671)	5,133	2,462	566	3,028
<b>Balance at 30 June 2014</b>	119,629	(5,195)	5,355	211,439	331,228	5,474	336,702
<b>Balance at 1 January 2013</b>	119,629	(5,195)	(720)	226,706	340,420	3,905	344,325
Profit for the year	-	-	-	3,414	3,414	913	4,327
Other comprehensive income for the year: foreign currency translation	-	-	8,746	-	8,746	-	8,746
<b>Total comprehensive income for the year</b>	-	-	8,746	3,414	12,160	913	13,073
Incorporation 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 31 December 2013</b>	119,629	(5,195)	8,026	206,306	328,766	4,908	333,674

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 2013 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 For the period ended 30 June 2014 – unaudited

	Six Month Ended	
	30-Jun-14 RM'000	30-Jun-13 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	7,965	32,153
Adjustments for:		
Non-cash and non-operating items	46,267	25,817
Operating profit before working capital changes	<u>54,232</u>	<u>57,970</u>
Changes in working capital		
Net change in current assets	179,752	17,641
Net change in current liabilities	(142,656)	(25,554)
Cash generated from operations	<u>91,328</u>	<u>50,057</u>
Tax paid	(6,203)	(14,642)
Interest paid	(7,613)	(4,471)
Interest received	66	367
<b>Net cash from operating activities</b>	<u>77,578</u>	<u>31,311</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(11,903)	(35,446)
Payment for additional leasehold land	-	(25)
Payment for the lease rental	(124)	(124)
Others	132	205
<b>Net cash (used in) investing activities</b>	<u>(11,895)</u>	<u>(35,390)</u>
<b>Cash flows from financing activities</b>		
Bank and other borrowings	(79,380)	17,175
Changes in Fixed deposit pledged	15	(106)
Proceed from non-controlling shareholders	-	90
Dividend paid	-	(14,606)
<b>Net cash used in financing activities</b>	<u>(79,365)</u>	<u>2,553</u>
Net decrease in cash and cash equivalents	(13,682)	(1,526)
Effect of exchange rate changes	1,043	(1,840)
Cash and cash equivalents at the beginning of financial period	25,255	51,166
<b>Cash and cash equivalents at the end of financial period</b>	<u>12,616</u>	<u>47,800</u>
<b>Cash and cash equivalents at the end of financial period comprise of :</b>		
Deposits, bank and cash balances	15,138	48,908
Bank overdrafts	(1,466)	-
	<u>13,672</u>	<u>48,908</u>
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(1,056)	(1,108)
	<u>12,616</u>	<u>47,800</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 2013 and the accompanying explanatory notes attached to the interim financial statements.*

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2014**

**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 2013. 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 2013.

**A2. Significant accounting policies**

The audited financial statements of the Group for the year ended 31 December 2013 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 2013, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2014. 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**

There was no dividend declared or paid by the Company during the current quarter under review.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2014**

**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>Six Month Ended 30 June 2014</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	367,837	509,131	8,310	18,149	-	903,427
Internal segment revenue	208,533	832,914	515,630	12	(1,557,089)	-
<b>Total revenue</b>	<b>576,370</b>	<b>1,342,045</b>	<b>523,940</b>	<b>18,161</b>	<b>(1,557,089)</b>	<b>903,427</b>
<b>Segment result</b>	<b>20,731</b>	<b>(13)</b>	<b>7,125</b>	<b>1,868</b>	<b>188</b>	<b>29,899</b>
Interest income						66
Finance cost						(9,548)
Depreciation & amortisation						(12,452)
Profit before tax						7,965
Tax expenses						(2,266)
Profit for the period						5,699
<b>Segment assets</b>	<b>678,971</b>	<b>110,098</b>	<b>482,597</b>	<b>23,324</b>	<b>-</b>	<b>1,294,990</b>
Deferred tax assets						416
Tax recoverable						18,644
<b>Total assets</b>						<b>1,314,050</b>
<b>Segment liabilities</b>	<b>38,979</b>	<b>60,336</b>	<b>5,057</b>	<b>216</b>	<b>-</b>	<b>104,588</b>
Deferred tax liabilities						16,763
Tax payables						631
Borrowings						855,366
						977,348

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2014**

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

<b>Six Month Ended 30 June 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	355,613	282,351	340	25,108	-	663,412
Internal segment revenue	90,009	603,404	342,872	60	(1,036,345)	-
<b>Total revenue</b>	<b>445,622</b>	<b>885,755</b>	<b>343,212</b>	<b>25,168</b>	<b>(1,036,345)</b>	<b>663,412</b>
<b>Segment result</b>	<b>23,525</b>	<b>5,193</b>	<b>16,883</b>	<b>3,766</b>	<b>(1,961)</b>	<b>47,406</b>
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
<b>Segment assets</b>	<b>494,375</b>	<b>166,680</b>	<b>462,645</b>	<b>24,806</b>	<b>-</b>	<b>1,148,506</b>
Deferred tax assets						12
Tax recoverable						417
<b>Total assets</b>						<b>1,148,935</b>
<b>Segment liabilities</b>	<b>43,337</b>	<b>68,993</b>	<b>6,806</b>	<b>450</b>	<b>-</b>	<b>119,586</b>
Deferred tax liabilities						15,342
Tax payables						5,526
Borrowings						649,308
						789,762

**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 2014**

**A10. Profit before tax**

Included in the profit before tax are the following items:

	<b>Current Quarter Ended 30-Jun-14 RM'000</b>	<b>Current Year To-Date 30-Jun-14 RM'000</b>
Amortisation of prepaid lease payments	187	501
Amortisation of intangible assets	37	74
Bad debts written off	126	130
Depreciation	5,923	11,876
Realised (gain)/ loss on foreign exchange	(2,268)	1,925
Unrealised gain on foreign exchange	(2,053)	(4,670)
Realised gain on commodity future contracts	(7,300)	(9,080)
Realised gain on forward currency contracts	-	(6,783)
Realised gain on currency option contracts	-	(820)
Unrealised loss on commodity future contracts	3,385	7,879
Unrealised loss on commodity option contracts	9,805	1,936
Unrealised gain on forward currency contracts	(927)	(416)
Write down of inventories	13,270	21,541
Interest expense	3,681	7,613
Interest income	(23)	(66)

**A11. Tax expense**

	<b>Current Quarter Ended</b>		<b>Current Year To-Date Ended</b>	
	<b>30-Jun-14</b>	<b>30-Jun-13</b>	<b>30-Jun-14</b>	<b>30-Jun-13</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax expense:				
- Current period estimate	1,009	3,085	1,388	8,144
- Under/ (over)provision in prior year	-	(134)	-	(134)
Deferred tax				
- Originated of temporary differences	257	(1,257)	883	(461)
- Under/ (over)provision in prior year	-	(121)	(5)	(121)
	<u>1,266</u>	<u>1,573</u>	<u>2,266</u>	<u>7,428</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 June 2013 was lower than the statutory tax rate due principally to reversal of temporary differences.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2014**

**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-Jun-14</b>	<b>30-Jun-13</b>	<b>30-Jun-14</b>	<b>30-Jun-13</b>
Profit for the financial period attributable to owners of the Company (RM'000)	(150)	7,427	5,133	23,966
Weighted average number of ordinary shares in issue ('000)	476,274	476,274	476,274	476,274
Basic earnings per share (sen)	(0.03)	1.56	1.08	5.03

- (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-Jun-14</b>	<b>30-Jun-13</b>	<b>30-Jun-14</b>	<b>30-Jun-13</b>
Profit for the financial period attributable to owners of the Company (RM'000)	(150)	7,427	5,133	23,966
Weighted average number of ordinary shares in issue ('000)	476,274	476,274	476,274	476,274
Effect of dilution of warrants	2,599	24,013	4,452	22,169
Adjusted weighted average number of ordinary shares in issue and issuales	<u>478,873</u>	<u>500,287</u>	<u>480,726</u>	<u>498,443</u>
Diluted earnings per share (sen)	(0.03)	1.48	1.07	4.81

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2014**

**A13. Prepaid lease payments**

	30-Jun-14 RM'000	31-Dec-13 RM'000
<b>Cost:</b>		
At 1 January	13,029	13,075
Add: Payment for sub-leases	124	124
Additions	-	25
	<u>13,153</u>	<u>13,224</u>
Less: Amortisation of prepaid lease payments	(310)	(604)
Sub-lease rental	(191)	(259)
Foreign exchange difference	(191)	668
At 30 June/ 31 December	<u>12,461</u>	<u>13,029</u>
 Analysed as:		
Sub-leases of warehouse	1,151	1,219
Leasehold land	<u>11,310</u>	<u>11,810</u>
	<u>12,461</u>	<u>13,029</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 2014 / 31 December 2013	12,650	1,016	972	14,638
Acquisition of subsidiary	-	-	-	-
Adjustment	-	-	-	-
At 30 June 2014	<u>12,650</u>	<u>1,016</u>	<u>972</u>	<u>14,638</u>
 <b>Accumulated amortisation and impairment</b>				
At 1 January 2013	-	(102)	(194)	(296)
Amortisation	-	(51)	(97)	(148)
Impairment	-	-	(64)	(64)
At 31 December 2013 and 1 January 2014	<u>-</u>	<u>(153)</u>	<u>(355)</u>	<u>(508)</u>
Amortisation	-	(26)	(48)	(74)
Impairment	-	-	-	-
At 30 June 2014	<u>-</u>	<u>(179)</u>	<u>(403)</u>	<u>(582)</u>
 <b>Net carrying amount:</b>				
At 31 December 2013	<u>12,650</u>	<u>863</u>	<u>617</u>	<u>14,130</u>
At 30 June 2014	<u>12,650</u>	<u>837</u>	<u>569</u>	<u>14,056</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2014**

**A15. Fair value information**

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 other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs are unobservable inputs for the asset or liability.

As at reporting date, the Group held the following financial assets or liabilities 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 June 2014</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	3,640	-	3,640
- commodity futures contract	4,029	-	-	4,029
- commodity option contracts	-	105	-	105
	<u>4,029</u>	<u>3,745</u>	<u>-</u>	<u>7,774</u>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	3,285	-	3,285
- commodity futures contract	11,777	-	-	11,777
- commodity option contracts	-	2,009	-	2,009
	<u>11,777</u>	<u>5,294</u>	<u>-</u>	<u>17,071</u>
<b>31 December 2013</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	525	-	525
- commodity futures contract	7,902	-	-	7,902
	<u>7,902</u>	<u>525</u>	<u>-</u>	<u>8,427</u>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	7,268	-	7,268
- commodity futures contract	4,554	-	-	4,554
- option foreign currency contracts	-	820	-	820
	<u>4,554</u>	<u>8,088</u>	<u>-</u>	<u>12,642</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2014**

**A16. Loans and borrowings**

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

	Denominated in currency	30-June-14 RM'000	31-Dec-13 RM'000
<b>Current</b>			
Secured	- Bank overdrafts	RM 1,466	1,116
	- Bankers' acceptances	RM 4,951	3,711
	- Term loans	RM 4,505	4,345
		USD 44,632	50,557
	- Trade loans	USD 577,602	693,706
	- Revolving credit	RM 74,126	66,855
	- Obligation under finance leases	RM 475	513
		<u>707,757</u>	<u>820,803</u>
<b>Non-Current</b>			
Secured	- Term loans	RM 20,980	21,085
		USD 126,138	99,641
	- Obligation under finance leases	RM 491	572
		<u>147,609</u>	<u>121,298</u>
		<u><b>855,366</b></u>	<u><b>942,101</b></u>

**A17. Contingent liabilities**

There were no material contingent liabilities as at 30 June 2014.

**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>2,021</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>19,458</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2014**

**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 Jun 2014</b>	<b>Ended</b>
	<b>RM'000</b>	<b>30 Jun 2014</b>
		<b>RM'000</b>
<b>SMC Food 21 Pte. Ltd.</b>		
- Sale of goods	2,290	4,251
- Purchase of goods	(1,853)	(4,132)
- Sales commission	(30)	(124)
<b>Sanae Foods Sdn Bhd</b>		
- Purchase of goods	-	21

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

There was no events subsequent to the current quarter ended 30 June 2014 that have not been reflected in this quarterly report.

[Intentionally left blank]

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2014**

**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 423.81 million for the current quarter ended 30 June 2014 is 41.7% higher than the revenue in the previous corresponding quarter ended 30 June 2013 of RM 299.13 million, mainly due to the increased average selling price of cocoa butter as a result of higher butter ratio as compared to the preceding year corresponding quarter ended 30 June 2013.

The profit before tax for the quarter ended 30 June 2014 decreased to RM 1.53 million as compared with the profit before tax of RM 9.43 million in the preceding year corresponding quarter ended 30 June 2013. This is mainly due to decreased in selling price of cocoa cake and powder accompanied with the increased of cocoa bean price. In addition, the Group also noted increased finance cost and higher fair value loss on commodity future and commodity option for the quarter ended 30 June 2014 as compared to the preceding year corresponding quarter ended 30 June 2013.

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

The Group recorded a profit before tax of RM 1.53 million for the current quarter as compared to a profit before tax of RM 6.44 million in the preceding quarter. This is mainly due to higher fair value loss on commodity future and commodity option and further writes down of inventories for current quarter.

**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.

The Group will continue to focus on turnaround efforts which include reducing inventory level, exploring new markets for its wide range of cocoa ingredients, growing industrial chocolate business and optimising production according to market conditions.

**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 2014**

**B6. Derivative financial instruments**

Details of the outstanding derivative financial instruments as at 30 June 2014 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	266,988 -  70,612	1,266 -  (850)	For hedging currency risk
2	Target Redemption Forward Currency Option: Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year	- -  -	- -  -	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	487,078   51,815	(11,905) -  4,026 -	For hedging price risk
4	Commodity option Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year	15,548  77,497	(1,656)  (280)	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 2014**

**B8. Dividends**

The Board of Directors does not recommend any dividend for the current financial quarter.

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

The retained profits as at 30 June 2014 and 31 December 2013 is analysed as follows:-

	<b>Current Quarter Ended 30-Jun-14 RM'000</b>	<b>Preceding Year To-Date Ended 31-Dec-13 RM'000</b>
Total retained profits of the Company and the subsidiaries:		
- Realised	247,618	242,988
- Unrealised	(19,667)	(17,924)
	<u>227,951</u>	<u>225,064</u>
Less: Consolidated adjustments	(16,512)	(18,758)
Total group retained profits as per consolidated financial statements	<u>211,439</u>	<u>206,306</u>

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

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

Tay Hoe Lian  
 Managing Director  
 Dated: 26.8.2014