

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 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 September	30 September		
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Revenue		411,551	328,287	1,314,978	991,699
(Loss)/Profit from operations		(8,645)	(9,372)	8,868	28,316
Finance costs		(4,385)	(3,366)	(13,933)	(8,901)
(Loss)/Profit before tax	A10	(13,030)	(12,738)	(5,065)	19,415
Tax expense	A11	13	890	(2,253)	(6,538)
(Loss)/Profit for the period		(13,017)	(11,848)	(7,318)	12,877
Other comprehensive income, net of tax					
Exchange differences on translation foreign operations		2,878	4,016	207	8,338
Hedge of net investment		-	-	-	-
Total other comprehensive income for the period, net of tax		2,878	4,016	207	8,338
Total comprehensive income for the period		(10,139)	(7,832)	(7,111)	21,215
Profit attributable to:					
Owners of the Company		(13,239)	(11,845)	(8,106)	12,121
Non-controlling interests		222	(3)	788	756
Profit for the period		(13,017)	(11,848)	(7,318)	12,877
Total comprehensive income attributable to:					
Owners of the Company		(10,361)	(7,829)	(7,899)	20,459
Non-controlling interests		222	(3)	788	756
Total comprehensive income for the period		(10,139)	(7,832)	(7,111)	21,215
Basic earnings per ordinary share (sen)	A12(a)	(2.78)	(2.49)	(1.70)	2.54
Diluted earnings per ordinary share (sen)	A12(b)	(2.78)	(2.40)	(1.70)	2.44

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 THIRD QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014 – unaudited

	30 September 2014	31 December 2013
Note	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	404,795	403,612
Prepaid lease payments	A13 12,476	13,029
Intangible assets	A14 14,019	14,130
Deferred tax assets	425	74
	<u>431,715</u>	<u>430,845</u>
Current assets		
Derivative financial assets	13,492	8,427
Inventories	673,229	849,960
Trade and other receivables	221,087	186,608
Prepayments and other assets	25,425	20,146
Deposits, bank and cash balances	23,594	27,442
	<u>956,827</u>	<u>1,092,583</u>
Total assets	<u>1,388,542</u>	<u>1,523,428</u>
Equity		
Share capital	119,629	119,629
Treasury shares	(5,195)	(5,195)
Foreign currency translation reserve	8,233	8,026
Retained profits	198,200	206,306
Equity attributable to owners of the Company	<u>320,867</u>	<u>328,766</u>
Non-controlling interests	5,696	4,908
Total equity	<u>326,563</u>	<u>333,674</u>
Non-current liabilities		
Loans and borrowings	A16 149,157	121,298
Provision for employee benefit	465	464
Deferred tax liabilities	14,719	15,618
	<u>164,341</u>	<u>137,380</u>
Current liabilities		
Derivative financial liabilities	12,335	12,642
Trade and other payables	159,739	217,809
Loans and borrowings	A16 724,151	820,803
Tax payable	1,413	1,120
	<u>897,638</u>	<u>1,052,374</u>
Total liabilities	<u>1,061,979</u>	<u>1,189,754</u>
Total equity and liabilities	<u>1,388,542</u>	<u>1,523,428</u>
Net assets per share (sen)		
attributable to owners of the Company	<u>67.37</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 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 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	
Balance at 1 January 2014	119,629	(5,195)	8,026	206,306	328,766	4,908	333,674
(Loss)/Profit for the year	-	-	-	(8,106)	(8,106)	788	(7,318)
Other comprehensive income for the year:							
foreign currency translation	-	-	207	-	207	-	207
Total comprehensive income for the year	-	-	207	(8,106)	(7,899)	788	(7,111)
Balance at 30 September 2014	119,629	(5,195)	8,233	198,200	320,867	5,696	326,563
Balance at 1 January 2013	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
Total comprehensive income for the year	-	-	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)
Balance at 31 December 2013	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 SEPTEMBER 2014

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

	Nine Month Ended	
	30-Sep-14	30-Sep-13
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(5,065)	19,415
Adjustments for:		
Non-cash and non-operating items	46,827	67,805
Operating profit before working capital changes	<u>41,762</u>	<u>87,220</u>
Changes in working capital		
Net change in current assets	128,064	(79,729)
Net change in current liabilities	(54,867)	13,497
Cash generated from operations	<u>114,959</u>	<u>20,988</u>
Tax paid	(10,434)	(23,237)
Interest paid	(11,144)	(7,039)
Interest received	116	523
Net cash from/(used in) operating activities	<u>93,497</u>	<u>(8,765)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,073)	(52,120)
Payment for additional leasehold land	-	(26)
Payment for the lease rental	(124)	(124)
Others	132	207
Net cash (used in) investing activities	<u>(15,065)</u>	<u>(52,063)</u>
Cash flows from financing activities		
Bank and other borrowings	(78,482)	91,729
Changes in Fixed deposit pledged	762	(131)
Proceed from non-controlling shareholders	-	90
Dividend paid	-	(24,137)
Net cash (used in)/from financing activities	<u>(77,720)</u>	<u>67,551</u>
Net decrease in cash and cash equivalents	712	6,723
Effect of exchange rate changes	(3,717)	(3,368)
Cash and cash equivalents at the beginning of financial period	25,255	51,166
Cash and cash equivalents at the end of financial period	<u>22,250</u>	<u>54,521</u>
Cash and cash equivalents at the end of financial period comprise of :		
Deposits, bank and cash balances	23,594	56,655
Bank overdrafts	(1,036)	(1,000)
	<u>22,558</u>	<u>55,655</u>
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(308)	(1,134)
	<u>22,250</u>	<u>54,521</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 – THIRD QUARTER ENDED 30 SEPTEMBER 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 – THIRD QUARTER ENDED 30 SEPTEMBER 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.

Nine Month Ended 30 September 2014	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:						
Total external revenue	567,716	709,598	11,561	26,103	-	1,314,978
Internal segment revenue	326,324	1,325,947	719,072	18	(2,371,361)	-
Total revenue	894,040	2,035,545	730,633	26,121	(2,371,361)	1,314,978
Segment result	23,365	(8,283)	10,967	4,390	(3,070)	27,369
Interest income						116
Finance cost						(13,933)
Depreciation & amortisation						(18,617)
Profit before tax						(5,065)
Tax expenses						(2,253)
Profit for the period						(7,318)
Segment assets	709,986	128,460	507,531	23,330	-	1,369,307
Deferred tax assets						425
Tax recoverable						18,810
Total assets						1,388,542
Segment liabilities	23,300	124,881	4,910	19,448	-	172,539
Deferred tax liabilities						14,719
Tax payables						1,413
Borrowings						873,308
						1,061,979

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2014

A8. Segmental information – (cont'd)

Nine Month Ended 30 September 2013	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:						
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)	-
Total revenue	661,831	1,426,811	530,339	37,053	(1,664,335)	991,699
Segment result	12,806	2,297	26,088	9,020	(7,041)	43,170
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
Segment assets	609,193	144,695	478,325	26,848	-	1,259,061
Deferred tax assets						436
Tax recoverable						728
Total assets						1,260,225
Segment liabilities	60,250	119,015	5,758	570	-	185,593
Deferred tax liabilities						10,969
Tax payables						883
Borrowings						720,695
						918,140

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 2014

A10. Profit before tax

Included in the profit before tax are the following items:

	Current Quarter Ended 30-Sep-14 RM'000	Current Year To-Date 30-Sep-14 RM'000
Amortisation of prepaid lease payments	187	688
Amortisation of intangible assets	37	111
Bad debts written off	-	130
Depreciation	5,942	17,818
Realised (gain)/ loss on foreign exchange	(2,919)	(994)
Unrealised (gain)/loss on foreign exchange	10,277	5,607
Realised loss on commodity future contracts	39,852	30,772
Realised gain on forward currency contracts	-	(6,783)
Realised gain on currency option contracts	-	(820)
Unrealised (gain)/loss on commodity future contracts	(3,473)	4,406
Unrealised loss on commodity option contracts	148	2,084
Unrealised gain on forward currency contracts	(6,725)	(7,141)
Unrealised loss on currency option contracts	(566)	(566)
Gain on disposal of property, plant and equipment	(128)	(128)
Write down of inventories	(8,773)	12,768
Interest expense	3,531	11,144
Interest income	(50)	(116)

A11. Tax expense

	Current Quarter Ended		Current Year To-Date Ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Income tax expense:				
- Current period estimate	2,123	3,598	3,511	11,742
- Under/ (over)provision in prior year	(5)	353	(5)	219
Deferred tax				
- Originated of temporary differences	(2,149)	(4,841)	(1,266)	(5,302)
- Under/ (over)provision in prior year	18	-	13	(121)
	<u>(13)</u>	<u>(890)</u>	<u>2,253</u>	<u>6,538</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 2013 was lower than the statutory tax rate due principally to reversal of temporary differences.

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

	Current Quarter Ended		Current Year To-Date Ended	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
Profit for the financial period attributable to owners of the Company (RM'000)	(13,239)	(11,845)	(8,106)	12,121
Weighted average number of ordinary shares in issue ('000)	476,274	476,274	476,274	476,274
Basic earnings per share (sen)	(2.78)	(2.49)	(1.70)	2.54

- (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-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
Profit for the financial period attributable to owners of the Company (RM'000)	(13,239)	(11,845)	(8,106)	12,121
Weighted average number of ordinary shares in issue ('000)	476,274	476,274	476,274	476,274
Effect of dilution of warrants	-	16,849	-	20,617
Adjusted weighted average number of ordinary shares in issue and issuales	<u>476,274</u>	<u>493,123</u>	<u>476,274</u>	<u>496,891</u>
Diluted earnings per share (sen)	* (2.78)	(2.40)	* (1.70)	2.44

- There is no dilutive effect of the potential ordinary shares convert under warrants issued since the exercise price is above the average market value of the Company's shares

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2014

A13. Prepaid lease payments

	30-Sep-14 RM'000	31-Dec-13 RM'000
Cost:		
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	(462)	(604)
Sub-lease rental	(226)	(259)
Foreign exchange difference	11	668
At 30 September/ 31 December	<u>12,476</u>	<u>13,029</u>
Analysed as:		
Sub-leases of warehouse	1,117	1,219
Leasehold land	<u>11,359</u>	<u>11,810</u>
	<u>12,476</u>	<u>13,029</u>

A14. Intangible assets

	Goodwill RM'000	Technical know- how RM'000	Clientele list RM'000	Total RM'000
Cost:				
At 1 January 2014 / 31 December 2013	12,650	1,016	972	14,638
Acquisition of subsidiary	-	-	-	-
Adjustment	-	-	-	-
At 30 September 2014	<u>12,650</u>	<u>1,016</u>	<u>972</u>	<u>14,638</u>
Accumulated amortisation and impairment				
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	-	(39)	(72)	(111)
Impairment	-	-	-	-
At 30 September 2014	<u>-</u>	<u>(192)</u>	<u>(427)</u>	<u>(619)</u>
Net carrying amount:				
At 31 December 2013	<u>12,650</u>	<u>863</u>	<u>617</u>	<u>14,130</u>
At 30 September 2014	<u>12,650</u>	<u>824</u>	<u>545</u>	<u>14,019</u>

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

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2014				
Financial assets				
Derivative assets :				
- forward foreign currency contracts	-	7,160	-	7,160
- commodity futures contract	5,204	-	-	5,204
- option foreign currency contracts	-	566	-	566
- commodity option contracts	-	562	-	562
	<u>5,204</u>	<u>8,288</u>	<u>-</u>	<u>13,492</u>
Financial liabilities				
Derivative liabilities :				
- commodity futures contract	9,664	-	-	9,664
- commodity option contracts	-	2,671	-	2,671
	<u>9,664</u>	<u>2,671</u>	<u>-</u>	<u>12,335</u>
31 December 2013				
Financial assets				
Derivative assets :				
- forward foreign currency contracts	-	525	-	525
- commodity futures contract	7,902	-	-	7,902
- option foreign currency contracts	-	-	-	-
- commodity option contracts	-	-	-	-
	<u>7,902</u>	<u>525</u>	<u>-</u>	<u>8,427</u>
Financial liabilities				
Derivative liabilities :				
- 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 – THIRD QUARTER ENDED 30 SEPTEMBER 2014

A16. Loans and borrowings

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

	Denominated in currency	30-Sept-14 RM'000	31-Dec-13 RM'000
Current			
Secured	- Bank overdrafts	RM 1,036	1,116
	- Bankers' acceptances	RM 5,829	3,711
	- Term loans	RM 4,417	4,345
		USD 41,934	50,557
	- Trade loans	USD 611,185	693,706
	- Revolving credit	RM 59,284	66,855
	- Obligation under finance leases	RM 466	513
		<u>724,151</u>	<u>820,803</u>
Non-Current			
Secured	- Term loans	RM 21,216	21,085
		USD 127,408	99,641
	- Obligation under finance leases	RM 533	572
		<u>149,157</u>	<u>121,298</u>
		<u>873,308</u>	<u>942,101</u>

A17. Contingent liabilities

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

A18. Commitments

(a) Lease commitments

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

	RM'000
Authorised and contracted for	<u>2,019</u>

(b) Capital commitments

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

	RM'000
Authorised and contracted for :	
Property, plant and equipment	<u>18,686</u>

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

	Current Quarter Ended	Current Year To-Date
	30 Sept 2014	Ended
	RM'000	30 Sept 2014
		RM'000
SMC Food 21 Pte. Ltd.		
- Sale of goods	1,465	5,716
- Purchase of goods	-	(4,132)
- Sales commission	(66)	(189)
Sanae Foods Sdn Bhd		
- Purchase of goods	-	21

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

On 31 October 2014, the Company subscribed to 8 million new ordinary shares of RM1.00 each at par in Guan Chong Cocoa Manufacturer Sdn. Bhd. by way of cash.

On 31 October 2014, the Company subscribed to 9.5 million new ordinary shares of RM1.00 each at par in GCB Specialty Chocolates Sdn. Bhd. ("GCBSC") through debt capitalization. Upon completion on 31 October 2104, GCBSC become 92.5% owned subsidiary of the Company.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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 411.6 million for the current quarter ended 30 September 2014 is 25.7% higher than the revenue in the previous corresponding quarter ended 30 September 2013 of RM 328.3 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 September 2013.

The profit before tax for the quarter ended 30 September 2014 recorded loss of RM 13.03 million as compared with the loss before tax of RM 12.74 million in the preceding year corresponding quarter ended 30 September 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 loss on commodity future for the quarter ended 30 September 2014 as compared to the preceding year corresponding quarter ended 30 September 2013.

B2. Comment on material change in profit before tax

The Group recorded a loss before tax of RM 13.03 million for the current quarter as compared to a profit before tax of RM 1.53 million in the preceding quarter. This is mainly due to higher loss on commodity future and unrealized loss on foreign exchange 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 – THIRD QUARTER ENDED 30 SEPTEMBER 2014

B6. Derivative financial instruments

Details of the outstanding derivative financial instruments as at 30 September 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	209,468 - 145,812	5,965 - 1,176	For hedging currency risk
2	Target Redemption Forward Currency Option: Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	- 30,846	- 566	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	254,567 102,990	(8,999) - 4,592 -	For hedging price risk
4	Commodity option Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	37,551 89,920	(2,394) 310	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 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 September 2014 and 31 December 2013 is analysed as follows:-

	Current Quarter Ended 30-Sep-14 RM'000	Preceding Year To-Date Ended 31-Dec-13 RM'000
Total retained profits of the Company and the subsidiaries:		
- Realised	235,686	242,988
- Unrealised	(17,472)	(17,924)
	<u>218,214</u>	<u>225,064</u>
Less: Consolidated adjustments	(20,014)	(18,758)
Total group retained profits as per consolidated financial statements	<u>198,200</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: 26.11.2014