

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 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
		31 December	31 December		
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Revenue		495,922	371,014	1,810,900	1,362,713
(Loss)/Profit from operations		(11,110)	(7,356)	(2,242)	20,960
Finance costs		(999)	(4,188)	(14,932)	(13,089)
(Loss)/Profit before tax	A10	(12,109)	(11,544)	(17,174)	7,871
Tax expense	A11	3,070	2,994	817	(3,544)
(Loss)/Profit for the period		(9,039)	(8,550)	(16,357)	4,327
Other comprehensive income, net of tax					
Exchange differences on translation foreign operations		9,026	408	9,233	8,746
Hedge of net investment		-	-	-	-
Total other comprehensive income for the period, net of tax		9,026	408	9,233	8,746
Total comprehensive income/(expense) for the period		(13)	(8,142)	(7,124)	13,073
Profit attributable to:					
Owners of the Company		(8,680)	(8,706)	(16,786)	3,415
Non-controlling interests		(359)	156	429	912
Profit for the period		(9,039)	(8,550)	(16,357)	4,327
Total comprehensive income attributable to:					
Owners of the Company		346	(8,298)	(7,553)	12,161
Non-controlling interests		(359)	156	429	912
Total comprehensive income for the period		(13)	(8,142)	(7,124)	13,073
Basic earnings per ordinary share (sen)	A12(a)	(1.82)	(1.83)	(3.52)	0.72
Diluted earnings per ordinary share (sen)	A12(b)	(1.82)	(1.79)	(3.52)	0.69

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 FOURTH QUARTER ENDED 31 DECEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014 – unaudited

	Note	31 December 2014 RM'000	31 December 2013 RM'000
Assets			
Non-current assets			
Property, plant and equipment		415,436	403,612
Prepaid lease payments	A13	12,909	13,029
Intangible assets	A14	11,945	14,130
Deferred tax assets		71	74
		<u>440,361</u>	<u>430,845</u>
Current assets			
Derivative financial assets		11,038	8,427
Inventories		724,514	849,960
Trade and other receivables		206,986	186,608
Prepayments and other assets		34,396	20,146
Deposits, bank and cash balances		40,686	27,442
		<u>1,017,620</u>	<u>1,092,583</u>
Total assets		<u>1,457,981</u>	<u>1,523,428</u>
Equity			
Share capital		119,629	119,629
Treasury shares		(5,195)	(5,195)
Foreign currency translation reserve		17,259	8,026
Retained profits		189,520	206,306
Equity attributable to owners of the Company		<u>321,213</u>	<u>328,766</u>
Non-controlling interests		<u>5,837</u>	<u>4,908</u>
Total equity		<u>327,050</u>	<u>333,674</u>
Non-current liabilities			
Amount owing to holding company		12,320	-
Loans and borrowings	A16	143,805	121,298
Provision for employee benefit		701	464
Deferred tax liabilities		14,806	15,618
		<u>171,632</u>	<u>137,380</u>
Current liabilities			
Derivative financial liabilities		12,496	12,642
Trade and other payables		223,886	217,809
Loans and borrowings	A16	721,986	820,803
Tax payable		931	1,120
		<u>959,299</u>	<u>1,052,374</u>
Total liabilities		<u>1,130,931</u>	<u>1,189,754</u>
Total equity and liabilities		<u>1,457,981</u>	<u>1,523,428</u>
Net assets per share (sen)			
attributable to owners of the Company		<u>67.44</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 FOURTH QUARTER ENDED 31 DECEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2014 – unaudited

	← Attributable To Owners Of The Company →				Non-controlling Interests	Total Equity
	Share Capital	Treasury Share	Foreign Currency Translation Reserve	Retained Profits		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2014	119,629	(5,195)	8,026	206,306	4,908	333,674
(Loss) for the year	-	-	-	(16,786)	429	(16,357)
Other comprehensive income for the year:						
foreign currency translation	-	-	9,233	-	-	9,233
Total comprehensive expenses for the year	-	-	9,233	(16,786)	429	(7,124)
Change in ownership interest in subsidiary with no change in control					500	500
Contribution from/distribution to owners of the Company	-	-	-	-	500	500
Balance at 31 December 2014	119,629	(5,195)	17,259	189,520	5,837	327,050
Balance at 1 January 2013	119,629	(5,195)	(720)	226,706	3,905	344,325
Profit for the year	-	-	-	3,414	913	4,327
Other comprehensive income for the year:						
foreign currency translation	-	-	8,746	-	-	8,746
Total comprehensive income for the year	-	-	8,746	3,414	913	13,073
Incorporation of subsidiaries	-	-	-	-	90	90
Dividends	-	-	-	(23,814)	-	(23,814)
Contribution from/distribution to owners of the Company	-	-	-	(23,814)	90	(23,724)
Balance at 31 December 2013	119,629	(5,195)	8,026	206,306	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 FOURTH QUARTER ENDED 31 DECEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2014 – unaudited

	Twelve Month Ended	
	31-Dec-14 RM'000	31-Dec-13 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(17,174)	7,871
Adjustments for:		
Non-cash and non-operating items	73,143	79,572
Operating profit before working capital changes	<u>55,969</u>	<u>87,443</u>
Changes in working capital		
Net change in current assets	55,069	(321,444)
Net change in current liabilities	20,600	72,450
Cash generated from operations	<u>131,638</u>	<u>(161,551)</u>
Tax refund/(paid)	389	(28,843)
Interest paid	(14,936)	(10,613)
Interest received	155	699
Net cash from/(used in) operating activities	<u>117,246</u>	<u>(200,308)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(26,267)	(101,243)
Payment for additional leasehold land	-	(26)
Proceed from issuance of new shares in subsidiary	500	90
Payment for the lease rental	(124)	(124)
Others	(98)	211
Net cash (used in) investing activities	<u>(25,989)</u>	<u>(101,092)</u>
Cash flows from financing activities		
Advances from holding company	12,320	-
Bank and other borrowings	(105,026)	305,288
Changes in Fixed deposit pledged	493	(68)
Dividend paid	-	(24,139)
Net cash (used in)/from financing activities	<u>(92,213)</u>	<u>281,081</u>
Net decrease in cash and cash equivalents	(956)	(20,319)
Effect of exchange rate changes	14,694	(5,592)
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>38,993</u>	<u>25,255</u>
Cash and cash equivalents at the end of financial period comprise of :		
Deposits, bank and cash balances	40,686	27,442
Bank overdrafts	(1,115)	(1,116)
	<u>39,571</u>	<u>26,326</u>
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(578)	(1,071)
	<u>38,993</u>	<u>25,255</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 – FOURTH QUARTER ENDED 31 DECEMBER 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 – FOURTH QUARTER ENDED 31 DECEMBER 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.

Twelve Month Ended 31 December 2014	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:						
Total external revenue	810,429	948,213	19,581	32,677	-	1,810,900
Internal segment revenue	426,074	1,879,158	943,450	24	(3,248,706)	-
Total revenue	1,236,503	2,827,371	963,031	32,701	(3,248,706)	1,810,900
Segment result	19,461	(2,921)	14,257	(5,427)	(2,416)	22,954
Interest income						155
Finance cost						(14,932)
Depreciation & amortisation						(25,351)
Profit before tax						(17,174)
Tax expenses						817
Profit for the period						(16,357)
Segment assets	706,016	138,668	574,433	25,360	-	1,444,477
Deferred tax assets						71
Tax recoverable						13,433
Total assets						1,457,981
Segment liabilities	25,706	206,221	4,934	12,542	-	249,403
Deferred tax liabilities						14,806
Tax payables						931
Borrowings						865,791
Total liabilities						1,130,931

[Intentionally left blank]

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2014

A8. Segmental information – (cont'd)

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	700,516	610,485	5,627	46,085	-	1,362,713
Internal segment revenue	171,611	1,555,759	736,334	72	(2,463,776)	-
Total revenue	872,127	2,166,244	741,961	46,157	(2,463,776)	1,362,713
Segment result	10,891	8,977	18,084	7,960	(4,244)	41,668
Interest income						699
Finance cost						(13,089)
Depreciation & amortisation						(21,407)
Profit before tax						7,871
Tax expenses						(3,544)
Profit for the period						4,327
Segment assets	697,777	212,673	571,469	27,117	-	1,509,036
Deferred tax assets						74
Tax recoverable						14,318
Total assets						1,523,428
Segment liabilities	41,816	181,643	6,760	696	-	230,915
Deferred tax liabilities						15,618
Tax payables						1,120
Borrowings						942,101
Total liabilities						1,189,754

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 2014

A10. Profit before tax

Included in the profit before tax are the following items:

	Current Quarter Ended 31-Dec-14 RM'000	Current Year To-Date 31-Dec-14 RM'000
Amortisation of prepaid lease payments	(37)	651
Amortisation of intangible assets	1,926	2,037
Bad debts written off	-	130
Depreciation	6,506	24,324
Realised loss on foreign exchange	10,750	9,756
Unrealised loss on foreign exchange	5,136	10,743
Realised (gain)/loss on commodity future contracts	(7,592)	23,180
Realised (gain) on forward currency contracts	(15)	(6,798)
Realised (gain) on currency option contracts	-	(820)
Unrealised loss on commodity future contracts	18,774	23,180
Unrealised (gain)/loss on commodity option contracts	(1,261)	823
Unrealised loss/(gain) on forward currency contracts	5,031	(2,110)
Unrealised loss on currency option contracts	1,356	790
Gain on disposal of property, plant and equipment	(1)	(129)
Write down of inventories	6,116	18,884
Interest expense	3,792	14,936
Interest income	(39)	(155)
Impairment loss on trade receivables	119	119

A11. Tax expense

	Current Quarter Ended		Current Year To-Date Ended	
	31-Dec-14 RM'000	31-Dec-13 RM'000	31-Dec-14 RM'000	31-Dec-13 RM'000
Income tax expense:				
- Current period estimate	(2,649)	(8,298)	862	3,444
- (Over)/ underprovision in prior year	(553)	301	(558)	520
Withholding tax	-	110	-	110
Deferred tax				
- Originated of temporary differences	232	4,983	(1,034)	(319)
- (Over)provision in prior year	(100)	(90)	(87)	(211)
	<u>(3,070)</u>	<u>(2,994)</u>	<u>(817)</u>	<u>3,544</u>

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate for the current interim period was lower than the statutory tax rate principally due to higher losses incurred.

The Group's effective tax rate for the corresponding interim period ended 31 December 2013 was lower than the statutory tax rate due principally to reversal of temporary differences.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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	
	31-Dec-14	31-Dec-14	31-Dec-14	31-Dec-14
Profit for the financial period attributable to owners of the Company (RM'000)	(8,680)	(8,706)	(16,786)	3,415
Weighted average number of ordinary shares in issue ('000)	476,274	476,274	476,274	476,274
Basic earnings per share (sen)	(1.82)	(1.83)	(3.52)	0.72

- (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-14	31-Dec-13	31-Dec-14	31-Dec-13
Profit for the financial period attributable to owners of the Company (RM'000)	(8,680)	(8,706)	(16,786)	3,415
Weighted average number of ordinary shares in issue ('000)	476,274	476,274	476,274	476,274
Effect of dilution of warrants	-	11,137	-	18,150
Adjusted weighted average number of ordinary shares in issue and issuales	<u>476,274</u>	<u>487,411</u>	<u>476,274</u>	<u>494,424</u>
Diluted earnings per share (sen)	*(1.82)	(1.79)	*(3.52)	0.69

- 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 – FOURTH QUARTER ENDED 31 DECEMBER 2014

A13. Prepaid lease payments

	31-Dec-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	(651)	(604)
Sub-lease rental	(259)	(259)
Foreign exchange difference	666	668
At 31 December	<u>12,909</u>	<u>13,029</u>
Analysed as:		
Sub-leases of warehouse	960	1,219
Leasehold land	<u>11,949</u>	<u>11,810</u>
	<u>12,909</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 31 December 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	-	(50)	(97)	(147)
Impairment	(707)	(812)	(519)	(2,038)
At 31 December 2014	<u>(707)</u>	<u>(1,015)</u>	<u>(971)</u>	<u>(2,693)</u>
Net carrying amount:				
At 31 December 2013	12,650	863	617	14,130
At 31 December 2014	<u>11,943</u>	<u>1</u>	<u>1</u>	<u>11,945</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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
31 December 2014				
Financial assets				
Derivative assets :				
- forward foreign currency contracts	-	2,812	-	2,812
- commodity futures contract	8,226	-	-	8,226
	<u>8,226</u>	<u>2,812</u>	<u>-</u>	<u>11,038</u>
Financial liabilities				
Derivative liabilities :				
- forward foreign currency contracts	-	7	-	7
- commodity futures contract	11,698	-	-	11,698
- option foreign currency contracts	-	791	-	791
	<u>11,698</u>	<u>798</u>	<u>-</u>	<u>12,496</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 – FOURTH QUARTER ENDED 31 DECEMBER 2014

A16. Loans and borrowings

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

	Denominated in currency	31-Dec-14 RM'000	31-Dec-13 RM'000
Current			
Unsecured - Bank overdrafts	RM	222	-
Secured - Bank overdrafts	RM	893	1,116
- Bankers' acceptances	RM	6,944	3,711
- Term loans	RM	3,828	4,345
	USD	52,326	50,557
- Trade loans	USD	593,901	693,706
- Revolving credit	RM	63,447	66,855
- Obligation under finance leases	RM	425	513
		<u>721,986</u>	<u>820,803</u>
Non-Current			
Secured - Term loans	RM	20,330	21,085
	USD	123,082	99,641
- Obligation under finance leases	RM	393	572
		<u>143,805</u>	<u>121,298</u>
		<u>865,791</u>	<u>942,101</u>

A17. Contingent liabilities

There were no material contingent liabilities as at 31 December 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>23,651</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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
	31 Dec 2014	Ended
	RM'000	31 Dec 2014
		RM'000
SMC Food 21 Pte. Ltd.		
- Sale of goods	1,526	7,152
- Purchase of goods	(367)	(4,499)
- Sales commission	(157)	(347)
Sanae Foods Sdn Bhd		
- Sale of goods	297	964

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

On 18 December 2014, the Company entered into sale and purchase agreement with Malaysia Cocoa Manufacturing Sdn Bhd to purchase the assets for a total cash consideration of RM7.1 million by way of cash.

[Intentionally left blank]

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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 495.92 million for the current quarter ended 31 December 2014 is 33.5% higher than the revenue in the previous corresponding quarter ended 31 December 2013 of RM 371.01 million, mainly due to the increased average selling price of cocoa butter and favorable against foreign currency exchange rate as a result of higher butter ratio as compared to the preceding year corresponding quarter ended 31 December 2013.

The loss before tax for the quarter ended 31 December 2014 recorded loss of RM 12.11 million as compared with the loss before tax of RM 11.54 million in the preceding year corresponding quarter ended 31 December 2013. This is mainly due to higher unrealised loss on commodity future for the quarter ended 31 December 2014 as compared to the preceding year corresponding quarter ended 31 December 2013.

B2. Comment on material change in profit before tax

The Group recorded a loss before tax of RM 12.11 million for the current quarter as compared to a loss before tax of RM 13.03 million in the preceding quarter. This is mainly due to higher unrealised loss on commodity future and realized loss on foreign exchange for current quarter.

B3. Commentary of prospects

The Group expects the business environment for the financial year ending 31 December 2015 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.

[Intentionally left blank]

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2014

B6. Derivative financial instruments

Details of the outstanding derivative financial instruments as at 31 December 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	93,770 - 63,478	2,804 - 245	For hedging currency risk
2	Forward Currency Option: Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	- 13,069	- (790)	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	151,397 94,224	(5,021) - 3,692 -	For hedging price risk
4	Commodity option Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	151,714 174,993	3,063 (4,463)	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 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 31 December 2014 and 31 December 2013 is analysed as follows:-

	Current Quarter Ended 31-Dec-14 RM'000	Preceding Year To-Date Ended 31-Dec-13 RM'000
Total retained profits of the Company and the subsidiaries:		
- Realised	233,274	242,988
- Unrealised	(24,797)	(17,924)
	<u>208,477</u>	<u>225,064</u>
Less: Consolidated adjustments	(18,957)	(18,758)
Total group retained profits as per consolidated financial statements	<u>189,520</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: 25.02.2015