

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 30 September 2016 – unaudited

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
		Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To-Date Ended	Preceding Year To-Date Ended	
		30 September		30 September		
		2016	2015	2016	2015	
		Note	RM'000	RM'000	RM'000	RM'000
Revenue			597,512	708,831	1,772,289	1,726,895
<b>Profit from operations</b>			22,771	28,078	62,647	37,962
Finance costs			(5,512)	(4,074)	(15,759)	(14,929)
Share of (loss) / profit of associate			(5)	-	52	-
<b>Profit / (Loss) before tax</b>		A10	17,254	24,004	46,940	23,033
Tax expense		A11	(1,916)	(2,558)	(6,915)	(1,023)
<b>Profit for the period</b>			15,338	21,446	40,025	22,010
<b>Other comprehensive income, net of tax</b>						
Exchange differences on translation						
	foreign operations		5,345	26,663	(6,217)	39,558
Hedge of net investment			-	-	-	-
<b>Total other comprehensive income for the period, net of tax</b>			5,345	26,663	(6,217)	39,558
<b>Total comprehensive income for the period</b>			20,683	48,109	33,808	61,568
<b>Profit attributable to:</b>						
Owners of the Company			15,484	21,686	39,839	21,794
Non-controlling interests			(146)	(238)	186	216
<b>Profit for the period</b>			15,338	21,448	40,025	22,010
<b>Total comprehensive income attributable to:</b>						
Owners of the Company			20,829	48,349	33,622	61,352
Non-controlling interests			(146)	(238)	186	216
<b>Total comprehensive income for the period</b>			20,683	48,111	33,808	61,568
<b>Basic earnings per ordinary share (sen)</b>		A12(a)	3.24	4.55	8.34	4.58
<b>Diluted earnings per ordinary share (sen)</b>		A12(b)	3.24	4.55	8.34	4.58

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2016 – unaudited

		30 September 2016	31 December 2015
	Note	RM'000	RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		358,680	437,943
Prepaid lease payments	A13	11,763	14,308
Intangible assets	A14	11,945	11,945
Investment property		25,556	26,563
Investment in associates		7,336	4,996
Deferred tax assets		121	28
		<b>415,401</b>	<b>495,783</b>
<b>Current assets</b>			
Derivative financial assets		31,947	12,840
Inventories		558,130	776,334
Trade and other receivables		341,860	282,233
Prepayments and other assets		8,846	10,759
Tax recoverable		7,150	9,299
Amount owing by associate		18,925	1,997
Amount owing by affiliated co		-	660
Deposits, bank and cash balances		98,722	28,610
		<b>1,065,580</b>	<b>1,122,732</b>
<b>Total assets</b>		<b>1,480,981</b>	<b>1,618,515</b>
<b>Equity</b>			
Share capital		120,040	119,629
Treasury shares		(5,195)	(5,195)
Share premium		1,792	-
Foreign currency translation reserve		44,092	50,309
Retained profits		251,525	211,686
<b>Equity attributable to owners of the Company</b>		<b>412,254</b>	<b>376,429</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>431</b>
<b>Total equity</b>		<b>412,254</b>	<b>376,860</b>
<b>Non-current liabilities</b>			
Amount owing to holding company		11,935	-
Loans and borrowings	A16	61,571	128,428
Provision for employee benefit		723	751
Deferred tax liabilities		22,877	18,519
		<b>97,106</b>	<b>147,698</b>
<b>Current liabilities</b>			
Derivative financial liabilities		28,095	13,206
Trade and other payables		172,123	379,504
Loans and borrowings	A16	769,949	701,197
Amount owing to associate		488	-
Tax payable		966	50
		<b>971,621</b>	<b>1,093,957</b>
<b>Total liabilities</b>		<b>1,068,727</b>	<b>1,241,655</b>
<b>Total equity and liabilities</b>		<b>1,480,981</b>	<b>1,618,515</b>
<b>Net assets per share (sen)</b>			
attributable to owners of the Company		86.26	79.04

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 30 September 2016 – unaudited

	Attributable To Owners Of The Company					Non-controlling Interests	Total Equity	
	Non-distributable			Distributable				
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000			Total RM'000
<b>Balance at 1 January 2016</b>	119,629	(5,195)	-	50,309	211,686	376,429	431	376,860
Profit for the period	-	-	-	-	39,839	39,839	186	40,025
Other comprehensive expense for the period:								
foreign currency translation	-	-	-	(6,217)	-	(6,217)	-	(6,217)
<b>Total comprehensive expense for the period</b>	-	-	-	(6,217)	39,839	33,622	186	33,808
Disposal of subsidiaries	-	-	-	-	-	-	(617)	(617)
Conversion of warrants	411	-	1,792	-	-	2,203	-	2,203
Contribution from/distribution to owners of the Company	411	-	1,792	-	-	2,203	(617)	1,586
<b>Balance at 30 September 2016</b>	<b>120,040</b>	<b>(5,195)</b>	<b>1,792</b>	<b>44,092</b>	<b>251,525</b>	<b>412,254</b>	<b>-</b>	<b>412,254</b>
<b>Balance at 1 January 2015</b>	119,629	(5,195)	-	17,230	188,749	320,413	3,958	324,371
(Loss) / Profit for the year	-	-	-	-	22,757	22,757	(381)	22,376
Other comprehensive income for the year:								
foreign currency translation	-	-	-	33,079	-	33,079	-	33,079
remeasurement of post-employment benefit obligation, net of tax	-	-	-	-	171	171	-	171
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,079</b>	<b>22,928</b>	<b>56,007</b>	<b>(381)</b>	<b>55,626</b>
Disposal of a subsidiary	-	-	-	-	-	-	(3,006)	(3,006)
Change in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	9	9	(140)	(131)
Contribution from/distribution to owners of the Company	-	-	-	-	9	9	(3,146)	(3,137)
<b>Balance at 31 December 2015</b>	<b>119,629</b>	<b>(5,195)</b>	<b>-</b>	<b>50,309</b>	<b>211,686</b>	<b>376,429</b>	<b>431</b>	<b>376,860</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period ended 30 September 2016 – unaudited

	Nine Months Ended	
	30-Sep-16	30-Sep-15
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	46,940	23,033
Adjustments for:		
Non-cash and non-operating items	33,935	13,555
Operating profit before working capital changes	80,875	36,588
Changes in working capital		
Net change in current assets	132,635	(161,289)
Net change in current liabilities	(201,971)	60,968
Cash generated from operations	11,539	(63,733)
Tax paid	(458)	(3,877)
Interest paid	(13,227)	(11,566)
Interest received	1,212	199
<b>Net cash from operating activities</b>	<b>(934)</b>	<b>(78,977)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,096)	(20,475)
Proceeds from disposal of subsidiaries	11,999	-
Proceeds from disposal of PPE	188	82
Payment for the lease rental	(124)	(124)
<b>Net cash (used in) investing activities</b>	<b>8,967</b>	<b>(20,517)</b>
<b>Cash flows from financing activities</b>		
Bank and other borrowings	(1,738)	122,849
Payment to holding company	11,935	(12,320)
Changes in Fixed deposit pledged	(3)	(1,749)
Proceed from exercised of warrants	2,203	-
Dividend paid	-	(1,715)
<b>Net cash (used in) financing activities</b>	<b>12,397</b>	<b>107,065</b>
Net decrease in cash and cash equivalents	20,430	7,571
Effect of exchange rate changes	48,975	(20,865)
Cash and cash equivalents at the beginning of financial period	26,731	39,236
<b>Cash and cash equivalents at the end of financial period</b>	<b>96,136</b>	<b>25,942</b>
<b>Cash and cash equivalents at the end of financial period comprise of :</b>		
Deposits, bank and cash balances	98,722	30,766
Bank overdrafts	-	(1,571)
	98,722	29,195
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(2,586)	(3,253)
	<b>96,136</b>	<b>25,942</b>

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**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 2015. 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 2015.

**A2. Significant accounting policies**

The audited financial statements of the Group for the year ended 31 December 2015 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 2015, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2016. 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 2016**

**A8. Segmental information**

The Group presenting segmental information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the assets.

<b>Nine Months Ended 30 September 2016</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	689,863	971,804	74,411	36,211	-	1,772,289
Internal segment revenue	435,316	1,506,992	765,253	-	(2,707,561)	-
<b>Total revenue</b>	<b>1,125,179</b>	<b>2,478,796</b>	<b>839,664</b>	<b>36,211</b>	<b>(2,707,561)</b>	<b>1,772,289</b>
<b>Segment result</b>	<b>14,949</b>	<b>46,933</b>	<b>17,419</b>	<b>(7,125)</b>	<b>9,753</b>	<b>81,929</b>
Interest income						1,212
Finance cost						(15,759)
Depreciation & amortisation						(20,442)
Profit before tax						46,940
Tax expenses						(6,915)
Profit for the period						40,025
<b>Segment assets</b>	<b>669,803</b>	<b>434,187</b>	<b>329,882</b>	<b>39,838</b>	<b>-</b>	<b>1,473,710</b>
Deferred tax assets						121
Tax recoverable						7,150
<b>Total assets</b>						<b>1,480,981</b>
<b>Segment liabilities</b>	<b>47,317</b>	<b>147,153</b>	<b>7,669</b>	<b>11,225</b>	<b>-</b>	<b>213,364</b>
Deferred tax liabilities						22,877
Tax payables						966
Borrowings						831,520
						1,068,727

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2016**

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

<b>Nine Months Ended 30 September 2015</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	729,728	946,877	25,461	24,829	-	1,726,895
Internal segment revenue	473,270	1,456,627	850,133	-	(2,780,030)	-
<b>Total revenue</b>	<b>1,202,998</b>	<b>2,403,504</b>	<b>875,594</b>	<b>24,829</b>	<b>(2,780,030)</b>	<b>1,726,895</b>
<b>Segment result</b>	<b>(694)</b>	<b>21,346</b>	<b>13,130</b>	<b>22,655</b>	<b>1,618</b>	<b>58,055</b>
Interest income						199
Finance cost						(14,929)
Depreciation & amortisation						(20,292)
Loss before tax						23,033
Tax expenses						(1,023)
Profit for the period						22,010
<b>Segment assets</b>	<b>652,594</b>	<b>482,858</b>	<b>524,989</b>	<b>31,364</b>	<b>-</b>	<b>1,691,805</b>
Deferred tax assets						129
Tax recoverable						8,390
<b>Total assets</b>						<b>1,700,324</b>
<b>Segment liabilities</b>	<b>26,570</b>	<b>215,934</b>	<b>5,971</b>	<b>1,272</b>	<b>-</b>	<b>249,747</b>
Deferred tax liabilities						13,633
Tax payables						3,883
Borrowings						1,047,252
						1,314,515

**A9. Changes in the composition of the Group**

GCB and Mr Teoh Boon Hak had on 30 May 2016 entered into a share sale and purchase agreement with Fuji Oil Asia Pte. Ltd., to dispose of 70% equity interest in aggregate in GCB Specialty Chocolates Sdn Bhd ("GCBSC"), representing 14,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM12,810,000. The proposed disposal is completed on 29 July 2016, and hence GCBSC is no longer a subsidiary but now an associate of GCB.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**A10. Profit before tax**

Included in the profit before tax are the following items:

	<b>Current Quarter Ended 30-Sep-16 RM'000</b>	<b>Current Year To-Date 30-Sep-16 RM'000</b>
Amortisation of prepaid lease payments	153	520
Depreciation	6,568	19,871
Realised loss / (gain) on foreign exchange	2,678	(32,515)
Unrealised loss on foreign exchange	192	9,889
Realised gain on commodity future contracts	(15,964)	(24,478)
Realised loss / (gain) on forward currency contracts	968	(1,116)
Unrealised (gain) / loss on commodity future contracts	(4,083)	(457)
Unrealised loss / (gain) on commodity option contracts	9,195	(1,225)
Unrealised loss / (gain) on forward currency contracts	5	(1,318)
Write down of inventories	1,330	1,357
Interest expense	4,551	13,227
Interest income	(814)	(1,212)
Gain on disposal of subsidiaries	7,014	7,014

**A11. Tax expense**

	<b>Current Quarter Ended</b>		<b>Current Year To-Date Ended</b>	
	<b>30-Sep-16 RM'000</b>	<b>30-Sep-15 RM'000</b>	<b>30-Sep-16 RM'000</b>	<b>30-Sep-15 RM'000</b>
Income tax expense:				
- Current period estimate	(1,804)	1,071	3,195	1,651
- Under/ (over)provision in prior year	(860)	1,986	(860)	1,986
Withholding tax	-	-	-	-
Deferred tax				
- Originated of temporary differences	2,675	(499)	2,675	(2,359)
- (Over) provision in prior year	1,905	-	1,905	(255)
	<b>1,916</b>	<b>2,558</b>	<b>6,915</b>	<b>1,023</b>

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 lower profit achieved.

The Group's effective tax rate for the corresponding interim period ended 30 September 2015 was higher than the statutory tax rate principally due to additional tax provision as a result of better performance.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**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-16	30-Sep-15	30-Sep-16	30-Sep-15
Profit for the financial period attributable to owners of the Company (RM'000)	15,484	21,686	39,839	21,794
Weighted average number of ordinary shares in issue ('000)	477,918	476,274	477,918	476,274
Basic earnings per share (sen)	3.24	4.55	8.34	4.58

- (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-16	30-Sep-15	30-Sep-16	30-Sep-15
Profit for the financial period attributable to owners of the Company (RM'000)	15,484	21,686	39,839	21,794
Weighted average number of ordinary shares in issue ('000)	477,918	476,274	477,918	476,274
Effect of dilution of warrants	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuales	477,918	476,274	477,918	476,274
Diluted earnings per share (sen)	* 3.24	4.55	* 8.34	4.58

\* There is no dilutive effect of the potential ordinary shares convert under warrants issued since the exercise price is above the average market value at the company's shares.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**A13. Prepaid lease payments**

	30-Sep-16 RM'000	31-Dec-15 RM'000
<b>Cost:</b>		
At 1 January	14,308	12,909
Add: Payment for sub-leases	124	124
Additions	-	-
	<b>14,432</b>	<b>13,033</b>
Less: Amortisation of prepaid lease payments	(419)	(707)
Sub-lease rental	(225)	(259)
Foreign exchange difference	(2,025)	2,241
At 31 December	<b>11,763</b>	<b>14,308</b>
<b>Analysed as:</b>		
Sub-leases of warehouse	847	948
Leasehold land	10,916	13,360
	<b>11,763</b>	<b>14,308</b>

**A14. Intangible assets**

	Goodwill RM'000	Technical know-how RM'000	Clientele list RM'000	Total RM'000
<b>Cost:</b>				
At 1 January 2016 / 31 December 2015	12,650	1,016	972	14,638
Acquisition of subsidiary	-	-	-	-
Adjustment	-	-	-	-
At 30 September 2016	<b>12,650</b>	<b>1,016</b>	<b>972</b>	<b>14,638</b>
<b>Accumulated amortisation and impairment</b>				
At 1 January 2015	(705)	(1,016)	(972)	(2,693)
Amortisation	-	-	-	-
Impairment	-	-	-	-
At 31 December 2015 and 1 January 2016	<b>(705)</b>	<b>(1,016)</b>	<b>(972)</b>	<b>(2,693)</b>
Amortisation	-	-	-	-
Impairment	-	-	-	-
At 30 September 2016	<b>(705)</b>	<b>(1,016)</b>	<b>(972)</b>	<b>(2,693)</b>
<b>Net carrying amount:</b>				
At 31 December 2015	11,945	-	-	11,945
At 30 September 2016	<b>11,945</b>	<b>-</b>	<b>-</b>	<b>11,945</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**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 September 2016</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	1,274	-	1,274
- commodity futures contract	30,673	-	-	30,673
	<b>30,673</b>	<b>1,274</b>	<b>-</b>	<b>31,947</b>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	2	-	2
- commodity futures contract	28,093	-	-	28,093
	<b>28,093</b>	<b>2</b>	<b>-</b>	<b>28,095</b>
<b>31 December 2015</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	159	-	159
- commodity futures contract	12,681	-	-	12,681
	<b>12,681</b>	<b>159</b>	<b>-</b>	<b>12,840</b>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	40	-	40
- commodity futures contract	13,166	-	-	13,166
	<b>13,166</b>	<b>40</b>	<b>-</b>	<b>13,206</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**A16. Loans and borrowings**

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

		Denominated in currency	30-Sep-16 RM'000	31-Dec-15 RM'000
<b>Current</b>				
Secured	- Bank overdrafts	RM	-	854
	- Bankers' acceptances	RM	-	6,700
	- Term loans	RM	-	2,150
		USD	64,515	50,707
	- Trade loans	USD	658,225	565,190
	- Revolving credit	RM	46,978	75,170
	- Obligation under finance leases	RM	231	426
Unsecured	- Bank overdrafts	RM	-	-
			769,949	701,197
<b>Non-Current</b>				
Secured	- Term loans	RM	-	16,748
		USD	61,416	111,286
	- Obligation under finance leases	RM	155	394
			61,571	128,428
			<b>831,520</b>	<b>829,625</b>

**A17. Contingent liabilities**

There were no material contingent liabilities as at 30 June 2016.

**A18. Commitments**

**(a) Lease commitments**

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

Authorised and contracted for	<b>RM'000</b> 773
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**(b) Capital commitments**

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

<b>Authorised and contracted for :</b>	<b>RM'000</b>
Property, plant and equipment	3,176

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**A19. Material events subsequent to the end of the current quarter**

There was no material events subsequent to the current quarter ended 30 September 2016 that have not been reflected in this quarterly report.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2016**

**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 597.5 million for the current quarter ended 30 September 2016 is lower than the revenue in the previous corresponding quarter ended 30 September 2015 of RM 708.8 million. The decrease of 15.7% in turnover is mainly due to decrease in sales volume of cocoa butter and cake.

The Group made a profit before tax for the quarter ended 30 September 2016 of RM 17.3 million as compared with the profit before tax of RM 24.0 million in the preceding year corresponding quarter ended 30 September 2015. This is mainly due to higher net gain on foreign exchange, which arising from strengthening of Ringgit Malaysia against US Dollar and Great Britain Pound, for preceding year corresponding quarter ended 30 September 2015 as compared to current quarter ended 30 September 2016.

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

The Group recorded a profit before tax of RM 17.3 million for the current quarter as compared to a profit before tax of RM 13.7 million in the preceding quarter. This is mainly due to higher selling price for cocoa cake. The gain arise from disposal of subsidiary also contributed to the increase in profit before tax for current quarter.

**B3. Commentary of prospects**

The Group expects the business environment for the financial year ending 31 December 2016 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 2016**

**B6. Derivative financial instruments**

Details of the outstanding derivative financial instruments as at 30 September 2016 are as follows:

	<b>Derivative</b>	<b>Contract Amount RM'000</b>	<b>Fair Value - Net Gains/ (Losses) RM'000</b>	<b>Purpose</b>
1	Forward Foreign Exchange Contracts: Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year	77,888  -	1,549  -	For hedging currency risk
2	Commodity Futures Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year	120,713  206,341	9,295  (12,191)	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 2016**

**B8. Dividend declared or recommended**

On 18 November 2016, the board declared the first interim single-tier dividend of 1.5 sen per ordinary share in respect of financial year ending 31 December 2016 to shareholders registered in the Record of Depositors at close of business on 5 December 2016 and subsequently will be paid on 4 January 2017.

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

The retained profits as at 30 September 2016 and 31 December 2015 is analysed as follows:-

	<b>Current Quarter Ended 30-Sep-16 RM'000</b>	<b>Preceding Year To-Date Ended 31-Dec-15 RM'000</b>
Total retained profits of the Company and the subsidiaries:		
- Realised	299,065	238,114
- Unrealised	(32,645)	(14,655)
	266,420	223,459
Less: Consolidated adjustments	(14,895)	(11,773)
Total group retained profits as per consolidated financial statements	251,525	211,686

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

The auditors' report on the financial statements for the year ended 31 December 2015 was not qualified.

Tay Hoe Lian  
 Managing Director  
 Dated: 18.11.2016