

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the period ended 31 March 2023 – unaudited

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Quarter Ended 31 Mar 2023 RM'000	Preceding Year Corresponding Quarter Ended 31 Mar 2022 RM'000	Current Year To-Date Ended 31 Mar 2023 RM'000	Preceding Year To-Date Ended 31 Mar 2022 RM'000
Revenue		1,102,485	990,527	1,102,485	990,527
Profit from operations		56,436	75,252	56,436	75,252
Finance costs		(26,457)	(10,588)	(26,457)	(10,588)
Share of profit of associates		54	(26)	54	(26)
Profit before tax	A10	30,033	64,638	30,033	64,638
Tax expense	A11	(6,277)	(11,369)	(6,277)	(11,369)
Profit for the period		23,756	53,269	23,756	53,269
Other comprehensive income, net of tax					
Exchange differences on translation foreign operations		12,427	923	12,427	923
Share of other comprehensive income of associates		12	12	12	12
Hedge of net investments in foreign operations		(374)	2,312	(374)	2,312
Total other comprehensive income for the period, net of tax		12,065	3,247	12,065	3,247
Total comprehensive income for the period		35,821	56,516	35,821	56,516
Profit attributable to:					
Owners of the Company		23,756	53,269	23,756	53,269
Non-controlling interests		-	-	-	-
Profit for the period		23,756	53,269	23,756	53,269
Total comprehensive income attributable to:					
Owners of the Company		35,821	56,516	35,821	56,516
Non-controlling interests		-	-	-	-
Total comprehensive income for the period		35,821	56,516	35,821	56,516
Basic earnings per ordinary share (sen)	A12(a)	2.02	5.05	2.02	5.05
Diluted earnings per ordinary share (sen)	A12(b)	2.02	4.84	2.02	4.84

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023 – unaudited

		31 March	31 December
		2023	2022
	Note	RM'000	RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,275,901	1,196,068
Intangible assets	A13	87,672	86,418
Investment property		19,348	19,573
Investment in associates		4,556	4,489
Deferred tax assets		1,627	1,617
		1,389,104	1,308,165
Current assets			
Inventories		1,611,464	1,589,225
Trade and other receivables		661,885	624,744
Derivative financial assets	A14	198,017	55,390
Tax recoverable		13,677	13,739
Deposits, bank and cash balances		124,736	69,111
		2,609,779	2,352,209
Total assets		3,998,883	3,660,374
Equity			
Share capital		495,237	495,237
Treasury shares		(720)	(720)
Foreign currency translation reserve		72,359	59,919
Hedging reserve		(4,601)	(4,226)
Retained profits		1,112,101	1,088,345
Total equity		1,674,376	1,638,555
Non-current liabilities			
Loans and borrowings	A15	660,301	364,397
Provision for employee benefit		2,667	2,720
Deferred tax liabilities		75,135	74,996
Lease liabilities		68,631	60,437
		806,734	502,550
Current liabilities			
Trade and other payables		304,856	611,625
Derivative financial liabilities	A14	275,737	91,913
Loans and borrowings	A15	916,441	796,357
Tax payable		8,298	9,822
Lease liabilities		12,441	9,552
		1,517,773	1,519,269
Total liabilities		2,324,507	2,021,819
Total equity and liabilities		3,998,883	3,660,374
Net assets per share (sen)			
attributable to owners of the Company		142.51	150.34

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2023 – unaudited

	← Non-distributable →				Distributable	Total
	Share Capital	Treasury Share	Foreign Currency Translation Reserve	Hedging Reserve		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	495,237	(720)	59,919	(4,226)	1,088,345	1,638,555
Profit for the period	-	-	-	-	23,756	23,756
Other comprehensive income for the period:						
foreign currency translation differences	-	-	12,427	-	-	12,427
share of other comprehensive loss of associates	-	-	12	-	-	12
hedge of net investments in foreign operations	-	-	-	(374)	-	(374)
Total comprehensive income for the period	-	-	12,439	(374)	23,756	35,821
Balance at 31 March 2023	495,237	(720)	72,359	(4,601)	1,112,101	1,674,376
Balance as at 1 January 2022	297,059	(720)	52,333	(6,838)	1,000,513	1,342,347
Profit for the year	-	-	-	-	147,411	147,411
Other comprehensive loss for the year:						
foreign currency translation differences	-	-	7,525	-	-	7,525
hedge of net investments in foreign operations	-	-	-	2,612	-	2,612
remeasurement of post-employment benefit obligation, net of tax	-	-	-	-	(88)	(88)
share of other comprehensive loss of associates	-	-	61	-	-	61
Total comprehensive income for the year	-	-	7,586	2,612	147,323	157,521
Transactions with owners						
Disposal of treasury shares	-	-	-	-	-	-
Issuance of new shares	198,178	-	-	-	-	198,178
Dividends	-	-	-	-	(59,491)	(59,491)
Total transactions with owners	198,178	-	-	-	(59,491)	138,687
Balance at 31 December 2022	495,237	(720)	59,919	(4,226)	1,088,345	1,638,555

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 2022 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2023 – unaudited

		Three Months Ended	
		31-Mar-23	31-Mar-22
		RM'000	RM'000
Cash flows from operating activities			
	Profit before tax	30,033	64,638
	Adjustments for:		
	Non-cash and non-operating items	85,531	3,607
	Operating profit before working capital changes	115,564	68,245
	Changes in working capital		
	Net change in current assets	(8,192)	286,257
	Net change in current liabilities	(368,604)	(362,708)
	Cash generated used in operations	(261,232)	(8,206)
	Tax paid	(4,425)	(9,259)
	Interest paid	(26,038)	(10,303)
	Interest received	942	22
	Net cash used in operating activities	(290,753)	(27,746)
Cash flows used in investing activities			
	Purchase of property, plant and equipment	(60,466)	(54,053)
	Proceeds from disposal of property, plant and equipment	43	554
	Net cash used in investing activities	(60,423)	(53,499)
Cash flows from financing activities			
	Bank and other borrowings	404,838	85,914
	Conversion of warrants to ordinary shares	-	3,837
	Changes in Fixed deposit pledged	(22,037)	5,879
	Dividend paid	-	(10,544)
	Repayment of lease liabilities	(1,155)	(2,163)
	Net cash from financing activities	381,646	82,923
	Net increase in cash and cash equivalents	30,470	1,678
	Effect of exchange rate changes	3,019	(4,222)
	Cash and cash equivalents at the beginning of financial period	47,264	52,892
	Cash and cash equivalents at the end of financial period	80,753	50,348
Cash and cash equivalents at the end of financial period comprise of :			
	Deposits, bank and cash balances	124,736	65,534
	Less : Non-cash and cash equivalents		
	Fixed deposit pledged to bank as collateral	(43,983)	(15,186)
		80,753	50,348

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023**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 2022. 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 2022.

A2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2022 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 2022, except for those standards, amendments and IC interpretations which are effective from the annual period beginning on or after 1 January 2023. 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 were 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 paid by the Company during the current quarter under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023
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.

Three Months Ended 31 March 2023	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Germany RM'000	Ivory Coast RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:								
Total external revenue	240,756	457,931	75,789	303,296	20	24,693	-	1,102,485
Internal segment revenue	536,626	628,263	259,047	443	144,743	30,798	(1,599,920)	-
Total revenue	777,382	1,086,194	334,836	303,739	144,763	55,491	(1,599,920)	1,102,485
Segment result	50,682	(23,807)	8,716	18,779	15,395	2,447	1,686	73,898
Interest income								942
Finance cost								(26,457)
Depreciation & amortisation								(18,350)
Profit before tax								30,033
Tax expenses								(6,277)
Profit for the period								23,756
Segment assets	1,349,273	637,199	762,635	430,372	413,458	390,642	-	3,983,579
Deferred tax assets								1,627
Tax recoverable								13,677
Total assets								3,998,883
Segment liabilities	36,565	363,235	14,774	96,614	38,277	33,795	-	583,260
Deferred tax liabilities								75,135
Tax payables								8,298
Borrowings								1,576,742
Lease liabilities								81,072
Total liabilities								2,324,507

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023

A8. Segmental information – (cont'd)

Three Months Ended 31 March 2022	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Germany RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:							
Total external revenue	317,105	329,286	79,207	248,722	16,207	-	990,527
Internal segment revenue	486,344	504,219	253,519	52	33,296	(1,277,430)	-
Total revenue	803,449	833,505	332,726	248,774	49,503	(1,277,430)	990,527
Segment result	43,534	36,266	8,935	5,552	7,673	(10,069)	91,891
Interest income							22
Finance cost							(10,588)
Depreciation & amortisation							(16,687)
Profit before tax							64,638
Tax expenses							(11,369)
Profit for the period							53,269
Segment assets	1,383,976	195,182	905,389	336,431	434,986	-	3,255,964
Deferred tax assets							1,754
Tax recoverable							10,824
Total assets							3,268,542
Segment liabilities	88,899	69,518	33,176	99,360	49,433	-	340,386
Deferred tax liabilities							74,729
Tax payables							16,351
Borrowings							1,378,688
Lease Liabilities							55,688
Total liabilities							1,865,842

A9. Changes in the composition of the Group

GCB had on 22 March 2023 invested additional 10 million ordinary shares of USD 1.00 each in the capital of GCB Cocoa Singapore Pte Ltd (“GCBCS”) by way of cash to the Company. With this investment, GCB currently hold 73.86% of direct equity interest in GCBCS while GCB Oversea Holdings Corporation owns 26.14%.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023**A10. Profit before tax**

Included in the profit before tax are the following items:

	Current Quarter Ended 31-Mar-23 RM'000	Current Year To-Date 31-Mar-23 RM'000
Amortisation of leases	1,921	1,921
Amortisation of intangible assets	208	208
Depreciation	16,221	16,221
Realised loss on foreign exchange	1,283	1,283
Unrealised gain on foreign exchange	(8,718)	(8,718)
Realised gain on forward currency contracts	(109)	(109)
Unrealised loss on forward currency contracts	5,438	5,438
Realised gain on commodity future contracts	(11,516)	(11,516)
Unrealised loss on commodity future contracts	44,434	44,434
Unrealised gain on commodity option contracts	(9,027)	(9,027)
Interest expense	26,457	26,457
Interest income	(942)	(942)

A11. Tax expense

	Current Quarter Ended		Current Year To-Date Ended	
	31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Income tax expense:				
- Current period estimate	6,249	11,303	6,249	11,303
- Under provision in prior year	-	1	-	1
Deferred tax				
- Originated of temporary differences	55	65	55	65
- Over provision in prior year	(27)	-	(27)	-
	6,277	11,369	6,277	11,369

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023**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-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
Profit for the financial period attributable to owners of the Company (RM'000)	23,756	53,269	23,756	53,269
Weighted average number of ordinary shares in issue ('000)	1,174,915	1,055,057	1,174,915	1,055,057
Basic earnings per share (sen)	2.02	5.05	2.02	5.05

- (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-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
Profit for the financial period attributable to owners of the Company (RM'000)	23,756	53,269	23,756	53,269
Weighted average number of ordinary shares in issue ('000)	1,174,915	1,055,057	1,174,915	1,055,057
Effect of dilution of warrants	-	45,821	-	45,821
Adjusted weighted average number of ordinary shares in issue and issuable	1,174,915	1,100,878	1,174,915	1,100,878
Diluted earnings per share (sen)	* 2.02	4.84 *	2.02	4.84

* There is no dilutive effect on the earnings per share as all unexercised warrants have expired on 04 November 2022.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023

A13. Intangible assets

	Goodwill	Trademark	Non-contractual customer relationship	Total
	RM'000	RM'000	RM'000	RM'000
Cost:				
At 1 January 2022	65,163	10,641	15,083	90,887
Translation differences	541	(88)	(71)	382
At 31 December 2022 and 1 January 2023	65,704	10,553	15,012	91,269
Translation differences	1,417	(118)	204	1,503
At 31 March 2023	67,121	10,435	15,216	92,772
Accumulated amortisation and impairment				
At 1 January 2022	(1,002)	(5)	(1,519)	(2,526)
Amortisation	-	(1)	(746)	(747)
Impairment	(1,574)	-	-	(1,574)
Translation differences	-	-	(4)	(4)
At 31 December 2022 and 1 January 2023	(2,576)	(6)	(2,269)	(4,851)
Amortisation	-	-	(190)	(190)
Translation differences	-	-	(59)	(59)
At 31 March 2023	(2,576)	(6)	(2,518)	(5,100)
Net carrying amount:				
At 31 December 2022	63,128	10,547	12,743	86,418
At 31 March 2023	64,545	10,429	12,698	87,672

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023

A14. 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
	RM000	RM000	RM000	RM000
31 March 2023				
Financial assets				
Derivative assets :				
- foreign currency forward contracts	-	2,212	-	2,212
- commodity futures contract	-	112,293	-	112,293
- commodity option contracts	-	83,512	-	83,512
	-	198,017	-	198,017
Financial liabilities				
Derivative liabilities :				
- foreign currency forward contracts	-	1,168	-	1,168
- cross currency swap contracts	-	4,051	-	4,051
- commodity futures contract	-	185,587	-	185,587
- commodity option contracts	-	84,931	-	84,931
	-	275,737	-	275,737
31 December 2022				
Financial assets				
Derivative assets :				
- foreign currency forward contracts	-	8,578	-	8,578
- commodity futures contract	-	42,934	-	42,934
- commodity option contracts	-	3,878	-	3,878
	-	55,390	-	55,390
Financial liabilities				
Derivative liabilities :				
- foreign currency forward contracts	-	2,099	-	2,099
- cross currency swap contracts	-	4,099	-	4,099
- commodity futures contracts	-	71,839	-	71,839
- commodity option contracts	-	13,876	-	13,876
	-	91,913	-	91,913

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023

A15. Loans and borrowings

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

	Denominated in currency	31-Mar-23 RM'000	31-Dec-22 RM'000
Current			
- Term loans	USD	10,683	11,973
	EUR	15,989	15,535
	RM	411	411
- Trade loans	USD	532,599	323,147
	EUR	58,665	89,001
	GBP	216,428	227,054
- Revolving credit	USD	69,559	115,637
	EUR	12,107	13,599
		916,441	796,357
Non-Current			
- Term loans	USD	9,406	10,933
	EUR	50,039	52,505
	RM	856	959
- Sukuk	RM	600,000	300,000
		660,301	364,397
		1,576,742	1,160,754

A16. Contingent liabilities

	Group and company	
	31-Mar-23 RM'000	31-Dec-22 RM'000
Corporate guarantees - unsecured		
Issued to banks for banking facilities granted to subsidiaries		
- limit of guarantee	2,425,606	2,412,384
- amount utilised	(962,700)	(843,686)

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote. Accordingly, the fair values of the above corporate guarantees given to subsidiaries for banking facilities are negligible.

A17. 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>108,662</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023

A18. Material events subsequent to the end of the current quarter

There were no material events subsequent to the current quarter ended 31 March 2023 that have not been reflected in this quarterly report.

[Intentionally left blank]

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023**B. Explanatory notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A****B1. Review of performance**

The Group's revenue of RM1,102.5 million for the current quarter ended 31 March 2023 is higher than the revenue in the previous corresponding quarter ended 31 March 2022 of RM990.5 million. The increase of 11.3% in turnover is mainly due to improved selling price of cocoa solids.

B2. Comment on material change in profit before tax

The Group made a profit before tax for the quarter 31 March 2023 of RM30.0 million as compared with the profit before tax of RM64.6 million in the preceding year corresponding quarter ended 31 March 2022. This is mainly due to reduced margin and higher finance cost due to higher interest rate during current quarter ended 31 March 2023.

B3. Commentary of prospects

The market is expecting El Niño to return in the second half of 2023. The potential effect of the climate change might cause deficit in cocoa bean supply in the near future, driving up cocoa bean prices. Coupled with the global inflationary pressure, the current macroeconomic outlook expects demand to drop, creating difficulty for the Group to pass on increased costs to customers.

Moving forward, the Group will maintain focus on its core business of cocoa ingredient processing as well as expansion of better margin industrial chocolate market and the optimization of 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 – FIRST QUARTER ENDED 31 MARCH 2023**B6. Derivative financial instruments**

Details of the outstanding derivative financial instruments as at 31 December 2022 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 Purchase Contracts - Less than 1 year	190,069 19,950	(895) 1,898	For hedging currency risk
2	Commodity Futures Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	2,527,767 1,600,154	(170,217) 107,844	For hedging price risk
3	Commodity Options Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	3,012,698 292,512	(78,174) (32,252)	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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2023

B7. Material litigation

There was no material litigation against the Group as at the date of these interim financial statements.

B8. Dividend declared or recommended

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

B9. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2022 was not qualified.

Tay Hoe Lian
Managing Director
Dated: 31.05.2023