

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 AND OTHER COMPREHENSIVE INCOME**

For the period ended 30 June 2023 – unaudited

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Quarter Ended 30 Jun 2023	Preceding Year Corresponding Quarter Ended 30 Jun 2022	Current Year To-Date Ended 30 Jun 2023	Preceding Year To-Date Ended 30 Jun 2022
	Note	RM'000	RM'000	RM'000	RM'000
Revenue		1,160,194	1,197,505	2,262,679	2,188,032
Profit from operations		66,974	66,860	123,410	142,112
Finance costs		(31,560)	(11,678)	(58,017)	(22,266)
Share of profit of associates		92	102	146	76
Profit before tax	A10	35,506	55,284	65,539	119,922
Tax expense	A11	(7,381)	(10,674)	(13,658)	(22,043)
Profit for the period		28,125	44,610	51,881	97,879
Other comprehensive income, net of tax					
Exchange differences on translation					
foreign operations		45,188	5,571	57,615	6,494
Share of other comprehensive income					
of associates		116	98	128	110
Hedge of net investments in foreign operations		(11,003)	(14,092)	(11,377)	(11,780)
Total other comprehensive income for the period, net of tax		34,301	(8,423)	46,366	(5,176)
Total comprehensive income for the period		62,426	36,187	98,247	92,703
Profit attributable to:					
Owners of the Company		28,125	44,610	51,881	97,879
Non-controlling interests		-	-	-	-
Profit for the period		28,125	44,610	51,881	97,879
Total comprehensive income attributable to:					
Owners of the Company		62,426	36,187	98,247	92,703
Non-controlling interests		-	-	-	-
Total comprehensive income for the period		62,426	36,187	98,247	92,703
Basic earnings per ordinary share (sen)	A12(a)	2.39	4.22	4.42	9.27
Diluted earnings per ordinary share (sen)	A12(b)	2.39	4.08	4.42	8.95

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 SECOND QUARTER ENDED 30 JUNE 2023
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 – unaudited

		30 June 2023	31 December 2022
	Note	RM'000	RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,372,114	1,196,068
Intangible assets	A13	92,159	86,418
Investment property		19,371	19,573
Investment in associates		4,764	4,489
Deferred tax assets		1,718	1,617
		1,490,126	1,308,165
Current assets			
Inventories		1,658,759	1,589,225
Trade and other receivables		777,944	624,744
Derivative financial assets	A14	1,185,703	55,390
Tax recoverable		16,265	13,739
Deposits, bank and cash balances		81,742	69,111
		3,720,413	2,352,209
Total assets		5,210,539	3,660,374
Equity			
Share capital		495,237	495,237
Treasury shares		(720)	(720)
Foreign currency translation reserve		117,662	59,919
Hedging reserve		(15,603)	(4,226)
Retained profits		1,140,226	1,088,345
Total equity		1,736,802	1,638,555
Non-current liabilities			
Loans and borrowings	A15	658,198	364,397
Provision for employee benefit		2,695	2,720
Deferred tax liabilities		77,616	74,996
Lease liabilities		68,552	60,437
		807,061	502,550
Current liabilities			
Trade and other payables		411,167	611,625
Derivative financial liabilities	A14	1,248,290	91,913
Loans and borrowings	A15	983,551	796,357
Tax payable		10,248	9,822
Lease liabilities		13,420	9,552
		2,666,676	1,519,269
Total liabilities		3,473,737	2,021,819
Total equity and liabilities		5,210,539	3,660,374
Net assets per share (sen)			
attributable to owners of the Company		147.82	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 SECOND QUARTER ENDED 30 JUNE 2023
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2023 – unaudited

	← Non-distributable →				Distributable	
	Share Capital	Treasury Share	Foreign Currency Translation Reserve	Hedging Reserve	Retained Profits	Total Equity
	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	-	-	-	-	51,881	51,881
Other comprehensive income for the period:						
foreign currency translation differences	-	-	57,615	-	-	57,615
share of other comprehensive loss of associates	-	-	128	-	-	128
hedge of net investments in foreign operations	-	-	-	(11,377)	-	(11,377)
Total comprehensive income for the period	-	-	57,743	(11,377)	51,881	98,247
Balance at 30 June 2023	495,237	(720)	117,662	(15,603)	1,140,226	1,736,802
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 SECOND QUARTER ENDED 30 JUNE 2023
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2023 – unaudited

	Six Months Ended	
	30-Jun-23	30-Jun-22
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	65,539	119,922
Adjustments for:		
Non-cash and non-operating items	83,996	56,931
Operating profit before working capital changes	149,535	176,853
Changes in working capital		
Net change in current assets	39,213	521,779
Net change in current liabilities	(424,414)	(400,687)
Cash generated (used in)/from operations	(235,666)	297,945
Tax paid	(17,332)	(18,278)
Tax refund	689	120
Interest paid	(56,347)	(21,678)
Interest received	2,282	128
Net cash (used in)/from operating activities	(306,374)	258,237
Cash flows used in investing activities		
Purchase of property, plant and equipment	(98,142)	(121,046)
Proceeds from disposal of property, plant and equipment	45	547
Net cash used in investing activities	(98,097)	(120,499)
Cash flows from financing activities		
Bank and other borrowings	422,876	(144,511)
Conversion of warrants to ordinary shares	-	32,583
Changes in Fixed deposit pledged	5,667	5,884
Dividend paid	-	(31,695)
Repayment of lease liabilities	(1,962)	(2,559)
Net cash from/(used in) financing activities	426,581	(140,298)
Net increase/(decrease) in cash and cash equivalents	22,110	(2,560)
Effect of exchange rate changes	(4,820)	(11,456)
Cash and cash equivalents at the beginning of financial period	47,264	52,892
Cash and cash equivalents at the end of financial period	64,554	38,876
Cash and cash equivalents at the end of financial period comprise of :		
Deposits, bank and cash balances	81,742	54,785
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(17,188)	(15,909)
	64,554	38,876

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 – SECOND QUARTER ENDED 30 JUNE 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 – SECOND QUARTER ENDED 30 JUNE 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.

Six Months Ended 30 June 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	522,555	959,714	128,754	605,172	33	46,451	-	2,262,679
Internal segment revenue	1,085,555	1,385,382	540,915	735	293,448	55,169	(3,361,204)	-
Total revenue	1,608,110	2,345,096	669,669	605,907	293,481	101,620	(3,361,204)	2,262,679
Segment result	75,326	(9,741)	17,415	41,439	23,917	5,761	4,939	159,056
Interest income								2,282
Finance cost								(58,017)
Depreciation & amortisation								(37,782)
Profit before tax								65,539
Tax expenses								(13,658)
Profit for the period								51,881
Segment assets	1,407,881	1,679,461	761,016	439,383	510,116	394,699	-	5,192,556
Deferred tax assets								1,718
Tax recoverable								16,265
Total assets								5,210,539
Segment liabilities	56,129	1,382,887	35,455	87,268	61,299	39,114	-	1,662,152
Deferred tax liabilities								77,616
Tax payables								10,248
Borrowings								1,641,749
Lease liabilities								81,972
Total liabilities								3,473,737

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2023
A8. Segmental information – (cont'd)

Six Months Ended 30 June 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	622,258	882,202	142,991	500,725	39,856	-	2,188,032
Internal segment revenue	1,042,832	1,232,443	638,786	175	72,937	(2,987,173)	-
Total revenue	1,665,090	2,114,645	781,777	500,900	112,793	(2,987,173)	2,188,032
Segment result	100,247	47,933	17,504	7,977	35,220	(33,884)	174,997
Interest income							128
Finance cost							(22,266)
Depreciation & amortisation							(32,937)
Profit before tax							119,922
Tax expenses							(22,043)
Profit for the period							97,879
Segment assets	1,300,570	245,543	792,496	347,100	491,083	-	3,176,792
Deferred tax assets							1,838
Tax recoverable							10,634
Total assets							3,189,264
Segment liabilities	49,005	166,620	31,971	118,625	72,410	-	438,631
Deferred tax liabilities							75,323
Tax payables							12,351
Borrowings							1,169,745
Lease Liabilities							62,628
Total liabilities							1,758,678

A9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2023

A10. Profit before tax

Included in the profit before tax are the following items:

	Current Quarter Ended 30-Jun-23 RM'000	Current Year To-Date 30-Jun-23 RM'000
Amortisation of leases	2,790	4,711
Amortisation of intangible assets	208	416
Depreciation	16,434	32,655
Realised loss on foreign exchange	14,985	16,268
Unrealised gain on foreign exchange	(21,171)	(29,889)
Realised loss on derivatives	60,848	49,223
Unrealised (gain)/loss on derivatives	(28,987)	11,858
Interest expense	31,560	58,017
Interest income	(1,340)	(2,282)

A11. Tax expense

	Current Quarter Ended		Current Year To-Date Ended	
	30-Jun-23 RM'000	30-Jun-22 RM'000	30-Jun-23 RM'000	30-Jun-22 RM'000
Income tax expense:				
- Current period estimate	7,261	10,610	13,510	21,913
- Under provision in prior year	65	21	65	22
Deferred tax				
- Originated of temporary differences	57	43	112	108
- Over provision in prior year	(2)	-	(29)	-
	7,381	10,674	13,658	22,043

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 – SECOND QUARTER ENDED 30 JUNE 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	
	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
Profit for the financial period attributable to owners of the Company (RM000)	28,125	44,610	51,881	97,879
Weighted average number of ordinary shares in issue ('000)	1,174,915	1,056,197	1,174,915	1,056,197
Basic earnings per share (sen)	2.39	4.22	4.42	9.27

- (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-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
Profit for the financial period attributable to owners of the Company (RM000)	28,125	44,610	51,881	97,879
Weighted average number of ordinary shares in issue ('000)	1,174,915	1,056,197	1,174,915	1,056,197
Effect of dilution of warrants	-	37,444	-	37,444
Adjusted weighted average number of ordinary shares in issue and issuales	1,174,915	1,093,641	1,174,915	1,093,641
Diluted earnings per share (sen)	* 2.39	4.08	* 4.42	8.95

* 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 – SECOND QUARTER ENDED 30 JUNE 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	4,937	508	878	6,323
At 30 June 2023	70,641	11,061	15,890	97,592
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	-	-	(388)	(388)
Translation differences	-	-	(194)	(194)
At 30 June 2023	(2,576)	(6)	(2,851)	(5,433)
Net carrying amount:				
At 31 December 2022	63,128	10,547	12,743	86,418
At 30 June 2023	68,065	11,055	13,039	92,159

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

	Fair value of financial instruments carried at fair value			
	Level 1 RM000	Level 2 RM000	Level 3 RM000	Total RM000
30 June 2023				
Financial assets				
Derivative assets :				
- foreign currency forward contracts	-	3,332	-	3,332
- commodity futures contract	-	684,129	-	684,129
- commodity option contracts	-	498,242	-	498,242
	-	1,185,703	-	1,185,703
Financial liabilities				
Derivative liabilities :				
- foreign currency forward contracts	-	1,002	-	1,002
- cross currency swap contracts	-	15,523	-	15,523
- commodity futures contract	-	583,559	-	583,559
- commodity option contracts	-	648,206	-	648,206
	-	1,248,290	-	1,248,290
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 – SECOND QUARTER ENDED 30 JUNE 2023

A15. Loans and borrowings

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

	Denominated in currency	30-Jun-23 RM'000	31-Dec-22 RM'000
Current			
- Term loans	USD	9,079	11,973
	EUR	16,829	15,535
	RM	411	411
- Trade loans	USD	423,515	323,147
	EUR	145,282	89,001
	GBP	246,737	227,054
- Revolving credit	USD	133,676	115,637
	EUR	8,022	13,599
		983,551	796,357
Non-Current			
- Term loans	USD	8,986	10,933
	EUR	48,459	52,505
	RM	753	959
- Sukuk	RM	600,000	300,000
		658,198	364,397
		1,641,749	1,160,754

A16. Contingent liabilities

	Group and company	
	30-Jun-23 RM'000	31-Dec-22 RM'000
Corporate guarantees - unsecured		
Issued to banks for banking facilities granted to subsidiaries		
- limit of guarantee	2,593,708	2,412,384
- amount utilised	(1,034,592)	(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>79,441</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2023

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

There were no material events subsequent to the current quarter ended 30 June 2023 that have not been reflected in this quarterly report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 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 RM1,160.2 million for the current quarter ended 30 June 2023 is lower than the revenue in the previous corresponding quarter ended 30 June 2022 of RM1,197.5 million. The decrease of 3.1% in turnover is mainly due to lower sales volume of cocoa butter and cocoa solids.

B2. Comment on material change in profit before tax

The Group made a profit before tax for the quarter 30 June 2023 of RM35.5 million as compared with the profit before tax of RM55.3 million in the preceding year corresponding quarter ended 30 June 2022. This is mainly due to reduced sales volume and higher finance cost due to higher interest rate during current quarter ended 30 June 2023.

B3. Commentary of prospects

El Niño weather is likely to affect the global cocoa production, pushing cocoa prices, especially in the London market, to reach a 46-year high. Considering the current global inflationary pressures, negative macroeconomic outlook, and high interest rates, we expect the demand to be slightly lower. As such, we may face challenges in passing on the costs to customers. Overall, margins in the short term will be marginally lower, but the global outlook remains positive in the long term.

Moving forward, the Group will maintain a focus on its core business of cocoa ingredient processing, as well as the expansion of the higher-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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2023**B6. Derivative financial instruments**

Details of the outstanding derivative financial instruments as at 30 June 2023 are as follows:

	Derivative	Contract Amount RM'000	Fair Value - Net Changes RM'000	Purpose
1	Forward Foreign Exchange Contracts: Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	215,952 21,099	(1,119) 2,460	For hedging currency risk
2	Commodity Futures Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	3,358,290 2,936,670	(588,025) 468,801	For hedging price risk
3	Commodity Options Sale Contracts - Less than 1 year Purchase Contracts - Less than 1 year	6,675,747 4,093,624	(551,707) 350,448	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 – SECOND QUARTER ENDED 30 JUNE 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: 29.08.2023